



Talawakelle
Tea Estates®

Triumph amidst trial

Talawakelle Tea Estates PLC | Annual Report 2014/15

Triumph amidst trial

A year of challenge was overcome because we shared the dream of achieving excellence despite the trials that affected the industry.

*Because we made an effort to not let the bad get the best of us.
Because we kept our sight beyond just the profits and continued to create an environment that is geared for success.*

We gave it our all... through innovative strategies, sustainable management practices and a united team, and these are the results.



We are pleased to state that in a year of trial our resoluteness to drive a focused strategy with a dedicated team delivered a creditable performance in the year.

Triumph amidst trial The illustrations in this year's report have been created with the varying tea grades that we produce through our extensive plantations.

CONTENTS

Our Story	6
Report Outline	8
Financial Highlights	10
Chairman's Statement	12
Managing Director's Review	16
Awards and Certifications Received for the Year 2014/15	20
Board of Directors	30
Corporate Management Profile	34
Management Discussion & Analysis	40
<i>Overview</i>	40
<i>Strategic Priorities, Targets & Actual Performance</i>	41
<i>Stakeholder Engagement</i>	42
<i>Materiality Assessment, Aspects & Boundaries</i>	44
<i>Triple-Bottom-Line Strategy</i>	54
<i>Business Review</i>	59
<i>Financial Review</i>	100
<i>Environment</i>	119
Risk Management	200
Corporate Governance	211
Our Estates and Factories	239
GRI-G4 Content Index	240

*Triumph
amidst trial*

“

A resilient performance in a very challenging environment - commendable profit before tax of Rs. 286.3 million. A performance underscored by the focus on our strategic imperatives to exceed industry benchmarks.

”

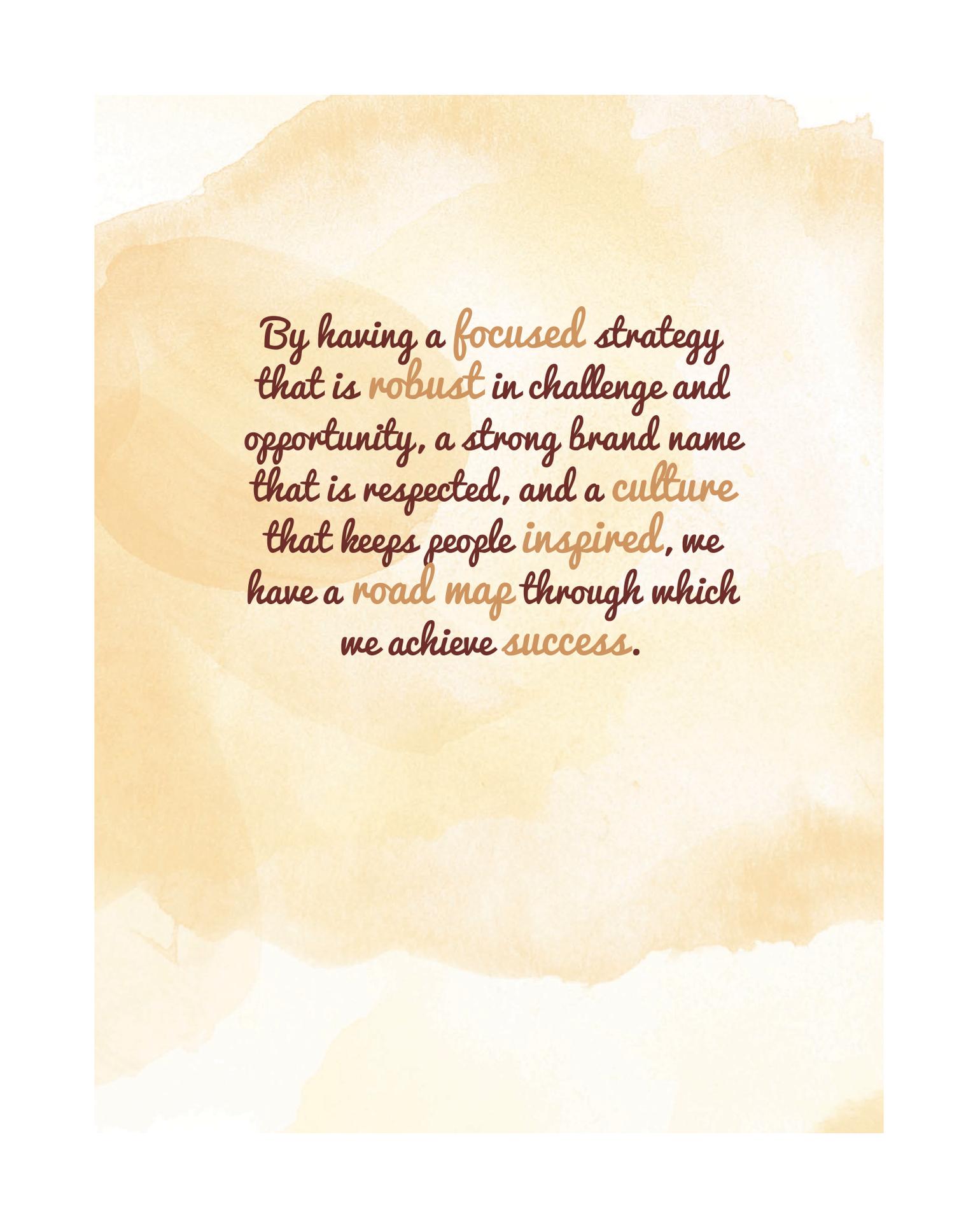


Mohan Pandithage
Chairman

Financial Reports

Annual Report of the Board of Directors on the Affairs of the Company	254
Statement of Directors' Responsibility	259
Managing Director's & Chief Financial Officer's Responsibility Statement	260
Independent Auditors' Report	261
Statement of Profit or Loss	262
Statement of Comprehensive Income	263
Statement of Financial Position	264
Statement of Changes in Equity	266
Statement of Cash Flow	267
Notes to the Financial Statement	269
<hr/>	
10 Year Summary	319
Investor Information	320
Glossary	322
Notice of Meeting	325
Form of Proxy	Enclosed





*By having a focused strategy
that is robust in challenge and
opportunity, a strong brand name
that is respected, and a culture
that keeps people inspired, we
have a road map through which
we achieve success.*

OUR STORY

Talawakelle Tea Estates PLC produces high quality teas from our 17 tea gardens situated amongst the best tea lands in the country.

Our estates, nestled in the Dimbulla Valley and amongst the verdant plains of the South, brings forth Teas that satisfy tea aficionados all over the world. Our most sought after specialty brands, “Dimbulla Tea” and “Ruhuna Tea” is served in countless homes, offices, restaurants, hotels; from the grandest to the most humble.

Our ‘quality culture’ which is underpinned by internationally acknowledged certifications and accreditations; ISO 22000, Rainforest Alliance, Ethical Tea Partnership and UTZ, are awards for our upgraded and well equipped processing facilities managed by well-trained and motivated teams.

As a member of the Hayleys Group, a multinational conglomerate with a history spanning over 135 years, Talawakelle Tea Estates PLC reaches you with our finest Ceylon teas with a defining characteristic.



Vision

**To be the most admired plantation company
in Sri Lanka**

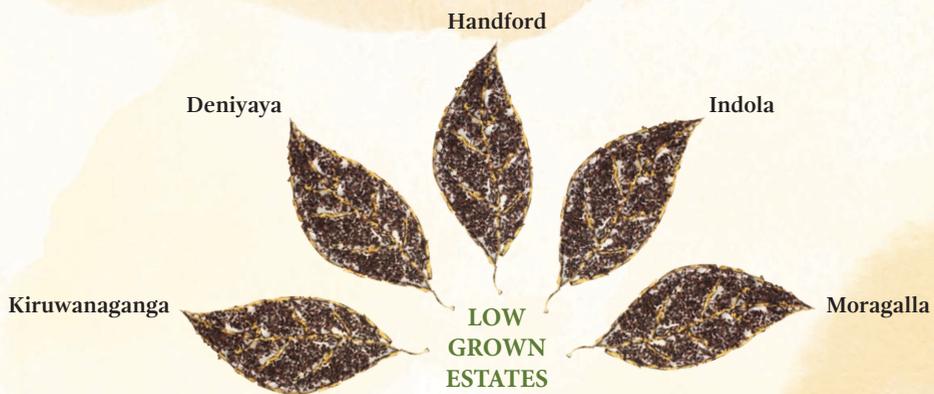
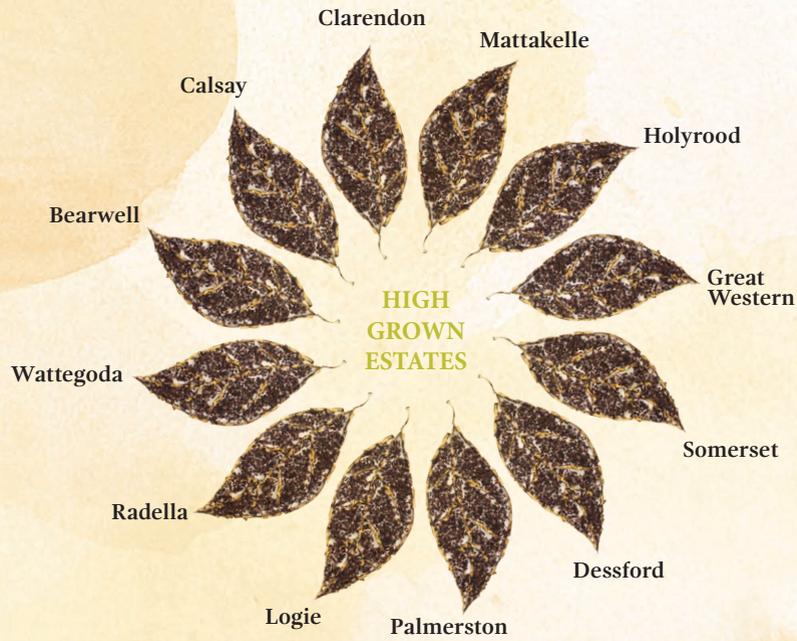
Mission

**Manage the plantations to enhance Quality
of life of all employees.
Produce and market quality teas that delight
our customers
Drive sustainable growth
Enhance share holder value**

Business philosophy

We Believe in...

Manufacturing Quality Tea that fetch Premium
Prices
Increasing Shareholder Value
The Spirit of Entrepreneurship
Making Profit without loss of Honour
Motivating and Training our people to reach their
full potential
Rewarding Performance
Being a Learning Organisation and continuously
improving
Building mutually beneficial long term relationships
with our Customers and Suppliers
Positively contributing to the conservation of the
environment



REPORT OUTLINE

G4-22, 23, 28, 29, 30, 31, 32 & 33

Content and Scope

Talawakelle Tea Estates PLC (TTE PLC) was operating on an annual reporting cycle, from 1st January to 31st December and this year, it was amended to commence from 1st April to end on 31st March.

The integrated Annual Report of TTE PLC herein discusses at length the sustainable value creation process together with the related activities and performance in terms of both financial and non-financial facets for the period 1st January 2014 to 31st March 2015. Wherever relevant, data relating to the preceding financial years are used to track trends and benchmark the performance of the year under review.

The first and the second sustainability reports were published with the respective Annual Reports for the financial years ended December 2011 and 2012. The first sustainability report was prepared based on the sustainability reporting framework set out by the Global Reporting Initiative (GRI) - Version G3 while the second report was based on the Version G3.1. Our third report was presented as an integrated report under the guidance of the Integrated Reporting Framework and set out in line with the GRI Version 3.1, under the application criteria of a self-claimed level of 'C'. This year, once again, the report is integrated and is prepared based on the GRI - latest Version G4 - 'in accordance - core'. This report is not externally assured.

The report is also aligned to the Company's Act No. 07 of 2007 and to the relevant regulatory requirements including those stipulated by the Colombo Stock Exchange, Securities and

Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

In developing our report, this year, we seek to bring further focus and clarity to our content adopting the 'materiality' principle in line with G4 guidelines which is elaborated under the 'Materiality Analysis' section of this report on pages 44-52. Our aim is to be more inclusive to meet the expectations of our key stakeholder groups, whilst being mindful to present the most relevant and prioritised material aspects of the business on a triple-perspective - economic, environment and social.

We seek herein to report impartially on how we engage with our key stakeholders and create sustainable value within the businesses at TTE PLC including the operations at the 17 tea estates, the head office and wherever material, drawing references to our subsidiary operations in the hydropower sector. The report attempts to integrate and give a coherent view on the risks and opportunities present in our operating environment, the strategic focus, goals and our performance. This is coupled with our practices and measures that are in place for effective risk management and good governance.

The full content index as G4 Guidelines is given on pages 240 to 251 of this Annual Report. A synopsis is presented under each of the key sections for readability and ease of navigation through the section.

METHODOLOGY

The operational and financial data and information on performance is prepared using the accounting data for the period 1st January 2014 to 31st March 2015, audited by M/s. Ernst & Young, Chartered Accountants. The data and information

on the macroeconomic environment and the tea industry are based on the available statistics published by the Central Bank of Sri Lanka, International Monetary Fund and industry sources.

Data and statistics on environmental issues and biodiversity are compiled using actual operating data maintained by the estates in the TTE PLC group through the Rainforest Alliance-Sustainable Farm Certification Programme and Biodiversity Surveys conducted by professional bodies on certified estates. All high grown estates and the prime low grown estate Kiruwanaganga have received Rainforest Alliance-Sustainable Farm Certification and Ethical Tea Partnership (ETP) compliance confirmation.

Report on Social Responsibility is compiled from data maintained onsite for the 'A Home for Every Plantation Worker' Programme while information on employee relations is sourced from the human resource division.

INQUIRIES

Any questions or inquiries regarding our second Integrated Annual Report are to be directed to the sustainability monitoring unit as follows:

General Manager-Sustainability & Quality Management Development
Talawakelle Tea Estates PLC
400, Deans Road
Colombo 10
Sri Lanka

Tel : +94 11 2627758
Email : tpl.tea@ttl.hayleys.com

ACHIEVEMENT HIGHLIGHTS - 2014/15

REPORTED A PROFIT BEFORE TAX OF RS. 263.4 MILLION - SETTING CORPORATE TEA INDUSTRY BENCHMARKS IN EARNINGS, QUALITY AND SUSTAINABILITY.

PREMIUM PRICING FOR QUALITY

Ranked number one in both high and low grown tea prices at the Colombo Tea Auction amongst the Regional Plantation Companies.

EXCELLENCE IN OPERATIONS

Awarded Gold - agriculture and plantation sector category, National Business Excellence Awards, 2014, National Chamber of Commerce.

ENVIRONMENT STEWARDSHIP

Awarded Gold - agriculture and plantation sector category, National Business Excellence Awards, 2014, National Chamber of Commerce.

PEOPLE CENTRICITY

Awarded Runners-up - excellence in capacity building, National Business Excellence Awards 2014, National Chamber of Commerce

INVESTING IN SUSTAINABILITY

Invested a sum of Rs. 263.5 million on field and factory development and Rs. 154.6 million on employee health & Welfare

RESPONSIBLE AGRICULTURE PRACTICES

Reduced herbicide usage by a significant 19 percent and completely eliminated the use of insecticides.

TREE PLANTING INITIATIVES

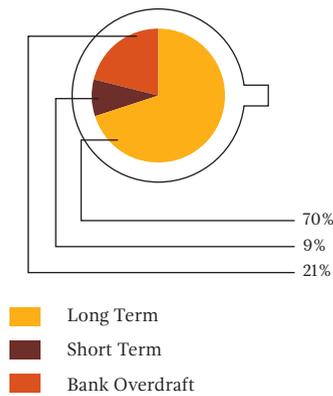
Planted over one million tea, fuel wood, shade and native plants.

RESPONSIBLE REPORTING

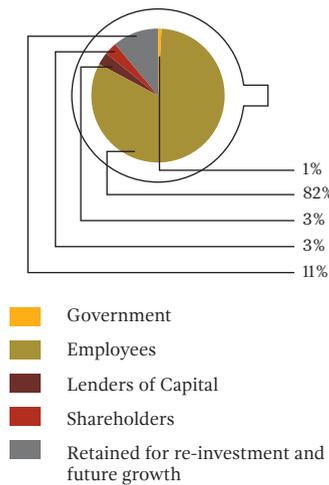
Awarded Gold - plantation sector category for excellence in financial reporting, Annual Report Awards 2014, ICASL

FINANCIAL HIGHLIGHTS

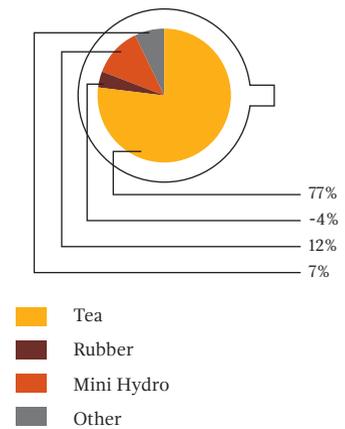
Composition of Borrowings



Value Distribution



Segmental Gross Profit



Rs. 4.8 Bn
Group Turnover
Increased by 30.6%

Rs. 833.6 Mn
Market Capitalisation
Increased by Rs. 263.6 Mn

Rs. 72.9 Mn
Finance Expenses
Decreased by 9.5%

Rs. 200 Mn
Free Cash Flow Positive for
the 3rd consecutive year

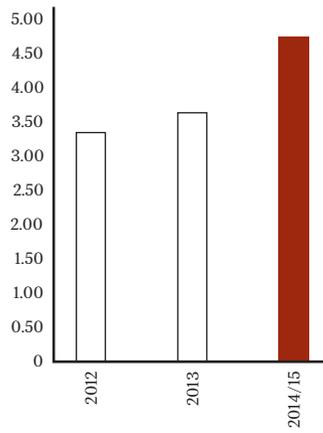
Rs. 286.4 Mn
Group Net Profit Before Tax
Increased by Rs. 49.6 Mn

37.3%
Group Debt Equity
Reduced from 51.8%

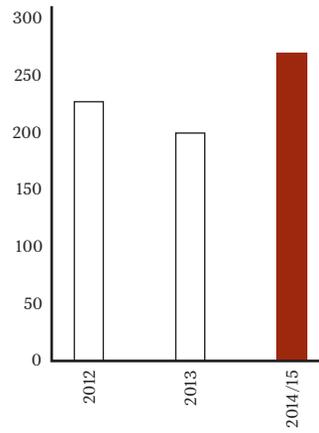
Rs. 4.06 Bn
Total Assets
Increased by Rs. 13.5 Mn

Rs. 690.5 Mn
Total Debts
Reduced by Rs. 165.1 Mn

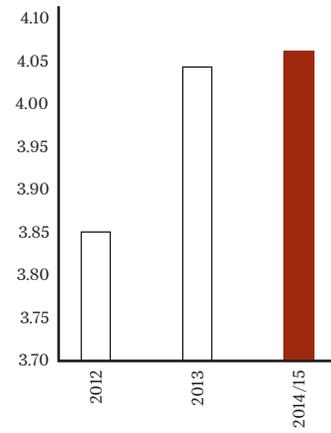
Turnover (Bn)



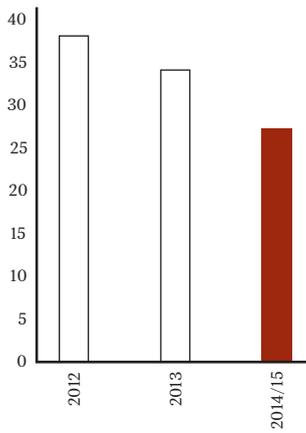
Net Profit After Tax (Bn)



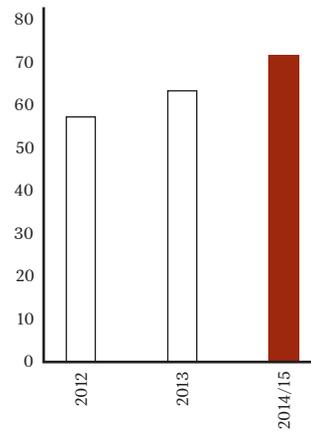
Total Assets (Bn)



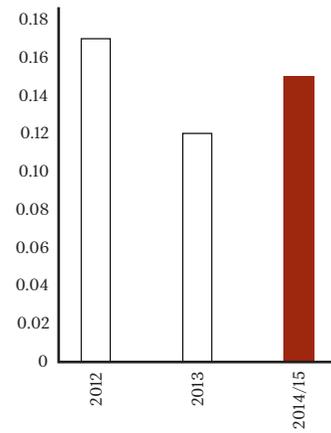
Gearing (%)



Net Assets per Share (Rs)



Return on Equity (%)



CHAIRMAN'S STATEMENT



The turnover of the Group was Rs. 4.7 billion, an increase of 30.5 percent over the previous year.

The Group's net profit after tax amounted to Rs. 267.4 million.

We retained our leadership position in the year, ranking number one for tea prices at the Colombo Tea Auctions amongst the Regional Plantation Companies for both high and low grown teas for over ten years.

Our two subsidiary companies in the hydro power sector recorded a profit after tax of Rs. 39.2 million compared to Rs. 41.1 million in the previous year.

Triumph amidst trial

“ A resilient performance in a very challenging environment - commendable profit before tax of Rs. 286.3 million. A performance underscored by the focus on our strategic imperatives to exceed industry benchmarks. ”

G4-1

Dear Shareholder,
I am pleased to present the Annual Report and Audited Financial Statements of Talawakelle Tea Estates PLC for the year ended 31st March 2015. The financial year was changed from January - December to April - March; consequently the results presented in the annual report and accounts are for a period of fifteen months ending March 2015. I am happy to announce that in the financial year 2014/15, our Company posted yet another year of high earnings on record, amidst many challenging operating conditions locally and globally.

OPERATING LANDSCAPE

The Sri Lankan economy posted its fifth consecutive year of growth post conflict with an estimated GDP growth of 7.4 percent. Higher private sector credit growth, although sluggish, low inflation at single digits, lowest ever recorded interest rates and stability in exchange rates were positive from a macroeconomic perspective, despite the socio-political uncertainties that prevailed particularly, from the latter part of the year.

The tea sector in the reporting year sustained its significance within the national economy with noteworthy

contributions to production and export earnings. Tea production at 338 million kilograms during the year was near record levels of last year's 340 million kilograms; whilst tea export earnings recorded a growth of Rs.13.5 billion vis-à-vis Rs. 199.4 billion in 2013 - the highest ever earnings, thus, establishing another milestone in export earnings equivalent to US\$ 1.63 billion. At the Colombo Tea Auctions, the year continued to witness an upbeat market up until the first half of the year, supporting to ease some of the key challenges faced within the corporate tea sector - crop shortfall following erratic weather patterns coupled with high wage and energy costs.

East European and Middle East, large markets for Ceylon tea, continued to be in crisis due to civil unrest, sanctions and financial instability. The attractive price levels at the auctions could not be sustained throughout the year. From Sri Lanka's standpoint, 2014 remained another good year for tea prices at the Colombo Tea Auctions - US Dollar price per kilogram for Ceylon Tea attracted highest price levels amongst other world auction centers. However, tea prices in high and low grown elevations for the three months ending March 2015 saw a steep decline compared to the corresponding period in 2014, thus, leading on to an erosion of earnings.

CORPORATE PERFORMANCE

The Company's turnover for the year under review increased to Rs.4.6 billion and achieved its highest net profit after tax of Rs.228.2 million. On a consolidated basis, the turnover of the Group was Rs.4.7 billion, an increase of 30.5 percent over the previous year. The Group's net

CHAIRMAN'S STATEMENT *CONTD.*

profit after tax amounted to Rs. 267.4 million. Our two subsidiary companies in the hydropower sector recorded a profit after tax of Rs. 39.2 million compared to Rs. 41.1 million in the previous year.

This commendable performance was achieved amidst a challenging business landscape. Underscored by the focus on our strategic imperatives - upholding quality and consistency of the tea we produce with sustainable agricultural practices and cost management as the cornerstone, coupled with ethical business practices and a financial strategy to reduce borrowings, enabled us to increase turnover and maintain profitability, exceeding the industry benchmarks. Remunerative tea prices until July, subdued interest rate trends in the market and a strife free environment further supported the year's results.

DIVIDENDS

The Board recommends a dividend payment of Rs. 3.00 per share.

RANKINGS & AWARDS

Demonstrating our commitment to reach out to operational excellence, quality teas and good governance, we were honored in the reporting year to be recognised and awarded by both the industry and at the national level. We retained our leadership position in the year, ranking number one for tea prices at the Colombo Tea Auctions amongst the Regional Plantation Companies for both high and low grown teas for over ten years. A reputed brand image built on quality and consistency has earned us the confidence amongst leading local and international buyers to be a 'preferred

supplier' of Ceylon teas. This recognition contributed towards receiving tea prices well above national elevation averages at the Colombo Tea Auctions. At the Annual Awards Night organised by Forbes and Walker Tea Brokers (Pvt) Ltd held in March 2015, we were recognised as the 'Best Performing (Highest GSA) Regional Plantation Company' for 2014 in high and low grown categories.

In recognition of good governance and financial reporting excellence, the Annual Report 2013 received a Gold Award in the plantation sector category from the Institute of Chartered Accountants of Sri Lanka at the 50th Annual Report Awards held in December 2014.

We were also recognised for our overall business performance in the plantation and agriculture sector with a 'GOLD Award' at the National Business Excellence Awards, organised by the National Chamber of Commerce of Sri Lanka in February 2015. We were further complimented at this awards ceremony with a 'Gold Award' for environmental management and were adjudged runners-up with a 'Silver Award' for capacity building initiatives from twenty six industry categories.

REPORTING INITIATIVES

Reinforcing our integrated approach to reporting embraced in the preceding year, we sought to brace this year's Annual Report - our second attempt to present our corporate strategy, performance and future outlook along the lines of sustainable value creation. The reporting seeks to look beyond mere financial results and reach out to our key stakeholders with close engagement.

CHANGES TO THE BOARD

We welcome Mr J M Kariapperuma (Alternate to Mr W D N H Perera) to the Board who was appointed with effect from 13th February 2015.

STRATEGIC DIRECTION & OUTLOOK 2015

We are happy to note our cautious optimism coupled with our strategic focus brought in a relatively good year for 2014/15. The challenge in the coming year ahead, is to navigate an operating environment confronted by volatile commodity markets, instability in key export markets, climate change and the wage increase with effect from 1st April 2015. Our direction will be guided by our strategic imperatives; improving land and worker productivity, product quality and diversity, value addition, revenue diversification, sustainable agricultural practices and developing and empowering human resources to perform at their optimum. We are confident with our committed team; focused and with the strategic imperatives at the core of our performance management system, we will be able to navigate an unpredictable year ahead.

The current decline in tea prices to levels is a matter of concern. All stakeholders should be mindful of the need to ensure that cost competitiveness is maintained within the industry. In this regard, we consider it imperative that; ongoing wage negotiations are conducted in a spirit where industry long term viability is not sacrificed. Hence, we look forward to working closely with Trade Unions to improve productivity and quality of

life of our people whilst ensuring the sustainability of the industry.

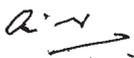
It is relevant at this juncture that all stakeholders recognise that the industry should be globally competitive; and as such, we should work towards upholding a strong brand presence for 'Pure Ceylon Teas', strengthened and effective research and development institutions, higher worker and capital productivity and policy consistency with regard to diversification including an enabling environment to develop forestry and energy plantations. This will have a significant impact on the future sustainability of the industry. We urge the authorities to take these in to consideration when formulating a national policy for the industry.

We request that adequate budgetary provision is made for concessionary funding for core agricultural activity including replanting of low yielding tea fields to enhance the overall agricultural productivity of the sector. We trust this will receive due attention of the relevant authorities in the near future. We await anxiously for the roll out of the tea promotion campaign with funds in 'The Sri Lanka Tea Board Export Cess Fund' to promote Ceylon teas as a branding initiative, to regain and expand market share vis-à-vis global brands of other origin teas. We are thankful that the fertiliser subsidy for teas has been continued as it is a key agricultural input which no doubt, contributes to the overall development of the agricultural and plantation economy.

Looking back on the year 2014/15, it was a good year for Talawakelle Tea Estates PLC. In the backdrop of an operating environment with a multitude of challenges including a wage structure revision, we see 2015 to be a year of formidable difficulty. Yet, the opportunities within this backdrop are distinctive and should not be overlooked.

IN APPRECIATION

I wish to thank all our employees for their tireless work during the year. I also thank our buyers, brokers, financiers and all other stakeholders for their continued support. My sincere appreciation is with my fellow Directors on the Board for their wisdom and guidance.



Mohan Pandithage
Chairman

Talawakelle Tea Estates PLC

18th May 2015

MANAGING DIRECTOR'S REVIEW



Marked improvements were observed in many of our key performance indicators including employee productivity levels, pricing and cost management.

We remained true to our tradition and stood firm on our focus - reaching out to excellence in standards to produce the finest tea, worthy of the Ceylon brand.

For the tenth successive year, we retained our rank as number one for best prices received amongst the Regional Plantation Companies for low grown elevation teas whilst the high grown teas also maintained its number one ranking for eleven years.

Triumph amidst trial

“ In my review this year presented herein seeks to highlight our endeavors and the feats thus far achieved along with our future plans and actions, shaping the sustainability of our organisation against the industry odds. ”

G4-1

Once again, demonstrating its dynamism and resilience, Talawakelle Tea Estates PLC (TTE PLC) stood its ground and delivered a solid performance in the year 2014/15 - enduring dismal undertones prevalent within the crisis-hit plantation industry. Our resoluteness to drive a well-deliberated strategy, consistent, agile and complemented by fundamentals in good governance and social responsibility which we have nurtured over the years, paved the way to sustain our standing as the front runner in the industry. In my review this year presented herein seeks to highlight our endeavors and the feats thus far achieved along with our future plans and actions, shaping the sustainability of our organisation against the industry odds.

STRATEGIC IMPERATIVES

With far from ideal operating conditions within the plantation sector - adverse weather and rising cost of production intensified by geopolitical undercurrents and sluggish economic conditions in exporter markets, it was our overarching responsibility to be steady in meeting our strategic imperatives. We gave careful thought and planned well to follow through an integrated strategy in the true spirit; focusing on financial viability with due measures to ensure environmental and social wellbeing.

In the reporting year, keeping with our key value drivers, we concentrated on optimising on our productivity levels and best practices in agriculture. We

also looked at bringing in greater cost efficiencies across operations whilst being tactical in infrastructure development. Essentially, we upheld our ethical and responsible business stance - seeking to extend a progressive culture within the workplace; dedicated initiatives to uplift the lives of our resident and neighbouring communities and diligent in our efforts in environment management to reduce our corporate's footprint.

OPERATIONAL & FINANCIAL RESULTS

The crop performance in the year 2014/15 was adversely impacted by the vicissitudes in weather. This was acute within the high grown estates. The fifteen months of 2014/15 (given the change in the financial year from December to March) recorded a production of 8.8 million/kg compared with a production of 7.29 million/kg for twelve months ending December 2014. High grown recorded a shortfall of 303,094/kg for the year ending December 2014, whilst Low grown crops registered a marginal decline. Bought leaf operations were managed amidst much competition and the production levels were maintained above the previous year.

We continued in the year with our focused efforts to sustain the quality of our teas and thus, succeeded to attract remunerative prices at the Colombo Tea Auctions. This was also somewhat complemented by the favourable market conditions that prevailed in the first half of the year.

In this setting, our top-line remained strong with the Company's revenue reaching Rs. 4.64 billion, posting

MANAGING DIRECTOR'S REVIEW *CONTD.*

an increase of 32 percent over the corresponding period of the preceding year.

Our cost of production intensified by high wages in the first quarter of the year, compared to the previous year eroded our cost competitiveness. However, with higher profit margins due to prices and a low interest rate regime that enabled to reduce our finance costs, we were able to fortify our profitability levels with a significant contribution from high grown operations. Profit before tax reached Rs.263.4 million corresponding to an increase of 36.2 percent. Our return on equity for the year stood at 13.8 percent. On a consolidated basis inclusive of our subsidiary operation in hydropower, revenue touched Rs. 4.76 billion whilst net profits were Rs. 286.33 million.

We maintained a strong financial position as at the year-end 31st March 2015. Our net asset base registered an increase of 11.7 percent to Rs.1.64 billion and gearing levels were at their lowest level at 26.69%. The asset position combined with the shareholders' funds was well above the liability obligations of the company.

COMMITTED TO PERFORMANCE MANAGEMENT

The performance management system which was streamlined and rolled out last year was by no means an easy feat. The implementation required hard work, diligence and discipline and it is indeed encouraging to see the commitment of the management and their respective teams to raise their bar in performance, creating significant value within the business with due checks and balances.

The performance culture which is carefully nurtured, in effect, manifested in noteworthy business results which we were able to achieve despite the challenges intensifying within the plantation sector. This performance system supported the management and operational teams across the corporate office and within the estates to stay focused on strategic priorities; defining and directing their roles, setting targets and measuring against corporate's goals. Marked improvements were observed in many of our key performance indicators including employee productivity levels, pricing and cost management.

QUALITY & PREMIUM PRICING

Notwithstanding the shift in dynamics within our industry with greater challenges to surmount, we remained true to our tradition and stood firm on our focus - reaching out to excellence in standards to produce the finest tea, worthy of the Ceylon brand. We continued as through the years to earn the respect of the market for our quality production in both elevations. With a quality management process in place as an integral part in all 17 of our estates, we sought in the year to strengthen our sustainable practices and uphold the ISO 22000 certification along with the Rainforest Alliance certification.

In this setting, we continued to attract premium pricing for our teas at the Colombo Tea Auctions. The average tea prices we received for the year surpassed the national elevation averages. For the tenth successive year, we retained our rank as number one for best prices received amongst the Regional Plantation Companies for low grown elevation

teas whilst the high grown teas also maintained its number one ranking for eleven years except in year 2012 the second successive year.

Our flagship estate, Mattakelle maintained its positioning in the Western high grown catalogue as the highest GSA amongst all high grown garden marks for the sixth successive year whilst five of our high grown estate marks were amongst the top ten price earners. In terms of low grown elevation, Kiruwanaganga estate topped the prices whilst four of our estate marks were within the first five amongst the Regional Plantation Companies.

FIELD & NON-FIELD DEVELOPMENT

Fully attuned to the dire need to bring in a long term perspective within a waning industry, we sought to be cohesive in our approach, seeking to improve on land and worker productivity for higher and better quality yields.

We followed through our best practices in agriculture with due consideration and resource allocation, inter alia, for replanting, soil fertility management, water management and pest control. Similarly, we continued to invest well on upgrading the processing factories in line with the best and current quality and safety standards as prescribed by our certification bodies. The hydro power plants in Radella, Somerset and Palmerston were well maintained and remained fully operational throughout the year. The total capital expenditure in the year was Rs.263.3 million inclusive of both field and non field development.

ENGAGING THE WORKFORCE

We sought in the year, to closely engage with our estate workers and their trade unions, laying a strong foundation for better labour management and relations. We looked at how best we could change their mind-set and win their support to our quest to better productivity and sustainability of operations. We rolled out structured initiatives with streamlined processes and gave them clear guidelines on their duties and were transparent on our reward mechanism for performance merits. We also carried out awareness building programmes placing emphasis on issues that are impinging on the long term sustainability of the plantation industry as a whole with serious ramifications to the Company and to key stakeholders.

CARING FOR ESTATE WORKERS & RESIDENT COMMUNITIES

Apart from the statutory dues, we continued to extend our comprehensive welfare scheme to ensure the wellbeing of our registered workforce totaling to over 8000. We also continued to fine-tune our dedicated and structured social responsibility programme, 'Home for every Plantation Worker' reaching out to our workforce and over 40,000 residents within our estates; seeking to care for their wellbeing through housing, sanitation and nutrition, health and safety. The total expenditure for the year on worker/community welfare measures was Rs. 154.6 million, which reflected an increase of 34.2 percent over the previous year. The cumulative social infrastructure expenditure as at end of the year since inception stood at Rs. 374.7 million.

PLANS AHEAD

The plantation sector is in crisis - holding a dismal outlook for the year 2015/16; possible impacts from climate change; higher cost of production given the wage increase due in 2015; and accentuated by the trending depressed commodity prices in the world market, the sector could go in for a protracted slump well into the medium term. This sets a strong case for the industry stakeholders to work in unison and ensure the long term viability of the plantation sector. The onus is on the entire industry to move away from conventional business practices some of which have been passed down through the years and transition to a more current model with a 'best-fit' to the emerging market scenario.

Rising up and responding to these complexities within our operating environment, we have to brace our strategy to be coherent in our drive towards productivity improvements and quality production whilst keeping the costs at bay, enabling long term growth and viability. To this end, we intend to invest well in innovative measures to streamline our field techniques and our factory operations. We will focus on mustering our workforce to be partners in our collaborative efforts, whilst motivating and empowering them to give their best to the organisation - to reach out to market positioning and strengthening our bottom-line. Our performance management system together with our proposed strategic training initiatives will be our forte in this regard.

More importantly, we will seek greater commitment to uphold a solid mainstay with honesty and integrity, underscoring all our activities. We will continue to comply with best practices in governance and standards in operations, labour and community relations and environmental management.

IN CONCLUDING

Over the year 2014/15, we have been tasked as a team to make the right business choices within a demanding backdrop. Our stakeholders across the organisation worked hard and supported the organisation to mark a resilient performance.

I place my heartfelt appreciation to our Chairman and the Board of Directors for their profound contribution and guidance extended towards meeting our corporate goals. My commendation is extended to the senior management and operational teams across seventeen of our estates, for their concerted efforts in the year; I sincerely hope that the same spiritedness and dedication would ensue in the years ahead.

To our buyers, suppliers and all other stakeholders, thank you for your trust and confidence placed in our corporate mission.



Roshan Rajadurai
Managing Director

Talawakelle Tea Estates PLC

18th May 2015

AWARDS AND CERTIFICATIONS RECEIVED FOR THE YEAR 2014/15

AWARDS:

AWARDS	WINNER	AWARDED BY
National Business Excellence Awards 2014 ☞ Agriculture & Plantations Sector - Winner ☞ Excellence in Environmental Sustainability - Winner ☞ Excellence in Capacity Building - Runner up	TTE PLC	National Chamber of Commerce of Sri Lanka
CA 50th Annual Report Awards 2014 Plantation Companies - Gold Award	TTE PLC	Institute of Chartered Accountants of Sri Lanka
Best Presented Annual Report Awards and SAARC Anniversary Awards Corporate Governance Disclosures 2013 Agricultural Sector 2nd Runner Up	TTE PLC	South Asian Federation of Accountants
"Ralston Tissera Memorial Award - Excellence in Tea Manufacture" Highest Gross Sale Average in 'Western High Grown' Category (5th Consecutive Year) -2013	Mattakelle Estate	The Planters' Association of Ceylon
Social Dialogue & Workplace Co-operation Award 2014 SD Excellence Award - 2014 (Merit Award under Plantation Sector)	Mattakelle Estate	Social Dialogue & Workplace Co-operation Unit of the Industrial Relations Division at the Labour Department of the Ministry of Labour & Labour Relations
National Plantation Awards In recognition of outstanding performers of the plantation sector, under the category of Best Tea Factory (small scale) in Galle Region 2013 - Winner	Moragalla Estate	Ministry of Plantation Industries
Chairman's Awards 2013 Plantation Sector - Winner	Kiruwanaganga Estate	Hayleys PLC
"Excellence in Social Development" through EWHCS - Galle Region - 2nd Runner up	Indola Estate	Plantation Human Development Trust
Highest Improvement In Sale Average - RPC - 2nd Highest	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd
Ceylon Specialty Estate Tea of The Year 2014/2015 Dubai. Green Tea Category - GPI - GOLD Award	Radella Estate	Sri Lanka Tea Board
Ceylon Specialty Estate Tea of The Year 2014/2015 Dubai. Innovative Category - Silver Blossom - Bronze Award	Bearwell Estate	Sri Lanka Tea Board
Ceylon Specialty Estate Tea of The Year 2014/2015 Dubai. Pekoe - Dimbulla Region - Merit Award	Somerset Estate	Sri Lanka Tea Board
Ceylon Specialty Estate Tea of The Year 2014/2015 Dubai. Pekoe - Dimbulla Region, Merit Award	Bearwell Estate	Sri Lanka Tea Board
Best Performing Regional Plantation Companies - 1st - High Grown	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd
Best Performing Regional Plantation Companies - 1st - Low Grown	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd
Best Performing Regional Plantation Companies - 2nd - Overall	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd
Special Award for RPC - For Maintaining the No. 1 Position on 8 Occasions within a Decade -High Grown	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd
Special Award for RPC - For Maintaining the No.1 Position for 10 Consecutive Years -Low Grown	TTE PLC	Forbes & Walker Tea Brokers Pvt. Ltd

AWARDS	WINNER	AWARDED BY
Ceylon Specialty Estate Tea of the Year 2014 -Bronze Award	Bearwell Estate	Forbes & Walker Tea Brokers Pvt. Ltd
Ceylon Specialty Estate Tea of the Year 2014 -Finalist	Somerset Estate	Forbes & Walker Tea Brokers Pvt. Ltd
RPC Low Grown - 3rd Highest Sale Average	Moragalla Estate	Forbes & Walker Tea Brokers Pvt. Ltd
Highest Sale Averages - Green Tea Improvement In Ranking - In to the Top 10 Ceylon Specialty Estate Tea of the Year 2014 -Gold Award	Radella Estate	Forbes & Walker Tea Brokers Pvt. Ltd
Special Award - Significant Improvement in Ranking - 2nd RPC Low Grown - 2nd Highest Sale Average.	Deniyaya Estate	Forbes & Walker Tea Brokers Pvt. Ltd
Special Award - Significant Improvement in Ranking - 1st	Moragalla Estate	Forbes & Walker Tea Brokers Pvt. Ltd
Highest Average Amongst all RPCs in the High Grown Elevation with an Average of Rs.491.42	TTE PLC	John Keells
Highest Average Amongst all RPCs in the Low Grown Elevation with an Average of Rs.539.65	TTE PLC	John Keells
Ranked 2nd Amongst All Regional Plantation Companies for the Year 2014 with an Average of Rs.506.51	TTE PLC	John Keells
No.1 Position in Overall Rankings in Western High Grown Teas for the Year 2014	Mattakelle Estate	John Keells
No. 6 Position in Overall Rankings In Western High Grown Teas for the Year 2014	Logie Estate	John Keells
2nd Highest Average in the John Keells Catalogue in the Category of Western High Grown Teas for the Year 2014	Logie Estate	John Keells
3rd Highest Number of Top Prices in the Category of Western High Grown Teas in the John Keells Catalogue for the year 2014. BOP SP-1 , BOPF/BOPF SP-3, DUST1 - 28 32 Top Prices Achieved During the Year.	Mattakelle Estate	John Keells
Highest Average in the RPC Category of All Island and All Elevations in the John Keells PLC Low Grown Catalogue Average of Rs.566.94, which was Rs. 78.73 above the Low Grown N.S.A.	Kiruwanaganga Estate	John Keells
Highest Average in the John Keells Catalogue in the Category of Western High Grown Teas for the Year 2014.	Mattakelle Estate	John Keells
Manufactured the 2nd Highest Volume of 867,818 kg amongst RPCs in the John Keells Catalogue	Kiruwanaganga Estate	John Keells
No.5 Position in the John Keells Catalogue in the Category Western High Grown Teas for the Year 2014	Wattegodde Estate	John Keells
Inter-Plantation Company Rugby Sevens - 2014 - Winner	TTE PLC	Dickoya/Maskeliya Cricket Club (DMCC)
Inter-Plantation Company Rugby Sevens - 2015 - Winner	TTE PLC	Dickoya/Maskeliya Cricket Club (DMCC)
Inter-Plantation Company Cricket Sixe's 2014 - Runners Up	TTE PLC	Dimbula Athletic Cricket Club (DACC)

NATIONAL BUSINESS EXCELLENCE AWARDS FOR TTE PLC
**The following Awards were presented to TTE PLC at the National Business Excellence Awards Ceremony,
at Colombo Hilton on 16th December 2014**



*Director/Deputy CEO, receiving the
"Winner- Agriculture & Plantations Sector"
Gold Award*



*General Manager-Sustainability & Quality
Management Development, receiving the
"Winner- Excellence in Environmental
Sustainability" Gold Award*



*Director/Deputy CEO, receiving the "Runners
up-Excellence in Capacity Building"
Silver Award*



TTE PLC won 2 Gold & a Silver Awards



CA 50TH ANNUAL REPORT AWARD FOR TTE PLC
**The following award was presented to TTE PLC at the CA 50th Annual Report Award Ceremony,
at Nelum Pokuna, Mahinda Rajapakse Theater, on 9th December 2014**



CA 50th Annual Report Award – 2014 - ICASL



CA Sri Lanka Annual Report Awards

Excellence in financial reporting, high levels of transparency, good governance leading to good performance, have been the selection criteria for CA Sri Lanka awards, from its inception 49 years ago. Winning GOLD for the sixth consecutive year, is an affirmation of our best practices in all of these areas and our commitment towards achieving excellence - the single factor that gives us the edge our competition.

JOHN KEELLS AWARDS FOR TTE PLC
The following awards were presented to TTE PLC
at the John Keells Annual Awards Ceremony, at Cinnamon Lakeside, Colombo, on 2nd February 2015



Talawakelle Tea Estates PLC
Highest Average amongst all RPC's in the High Grown Elevation with an Average of Rs.491.42
Snr. Manager Marketing-Mr Madhawa Wickramaratne receiving the Award.



Talawakelle Tea Estates PLC
Highest Average amongst all RPC's in the Low Grown Elevation with an Average of Rs.539.65
Snr. Manager Marketing-Mr Madhawa Wickramaratne receiving the Award.



Talawakelle Tea Estates PLC All Elevation
Ranked 2nd amongst all Regional Plantation Companies for the Year 2014 with an Average of Rs.506.51
Director Plantations-Mr Lalith Munasinghe receiving the Award.



Mattakelle Estate
No.1 Position in Overall Rankings for Western High Grown Teas for the Year 2014
Snr. Dpty Gen Manager-Mattakelle Estate, Mr Gimhan Jayathilake receiving the Award.



Logie Estate
No. 6 Position in Overall Rankings in Western High Grown Teas for the Year 2014
Manager-Logie Estate, Mr Sarath Ranaweera receiving the Award.



Logie Estate - Rs. 501.6
2nd Highest Average in the John Keells Catalog in the Category of Western High Grown Teas for the Year 2014
Manager-Logie Estate, Mr Sarath Ranaweera receiving the Award.

JOHN KEELLS AWARDS FOR TTE PLC
The following awards were presented to TTE PLC
at the John Keells Annual Awards Ceremony, at Cinnamon Lakeside, Colombo, on 2nd February 2015



Mattakelle Estate

3rd Highest Number of Top Prices in the Category of Western High Grown Teas in the John Keells Catalog for Year 2014. BOPSP-1, BOPF/BOPF SP-3, DUST 1-28.32 Top Prices achieved during the Year. Snr. DGM-Mr Gimhan Jayathilake receiving the Award.



Kiruwanganga Estate

Highest Average in the RPC Category All Island and all Elevations in the John Keells PLC Low Grown Catalogue Average of Rs.566.94, which was Rs.78.73 above the Low Grown N.S.A Snr. Dpty Gen Manager-Kiruwanganga estate, Mr Uddhika Mahadiwulwewa receiving the Award.



Mattakelle Estate

Highest Average in the John Keells Catalog in the Category of Western High Grown Teas for the Year 2014. Snr. Dpty Gen Manager-Mattakelle Estate, Mr Gimhan Jayathilake receiving the Award..



Kiruwanganga Estate

Manufactured the Second Highest Volume of 867,818 kgs Snr. Dpty Gen Manager-Kiruwanganga Estate, Mr Uddhika Mahadiwulwewa receiving the Award.



Wattegodde Estate - Rs. 469.17

No.5 Position in the John Keells Catalogue in the Category Western High Grown Teas for the Year 2014. Manager-Wattegodde Estate, Mr Aruna Dissanayake receiving the Award.

FORBES & WALKER TEA BROKERS (PVT) LTD
The following awards were presented to TTE PLC
at the Forbes & Walker Annual Awards Ceremony, at Kingsbury Hotel on 28th February 2014



Talawakelle Tea Estates PLC
 -Best Performing Regional Plantation Companies -2nd -Overall
 -Special Award for RPC -For Maintaining the No.1 position High Grown on 8 Occasion within a decade.
 - Special Award for RPC -For Maintaining the No.1 Position in Low Grown for 10th Consecutive year
 Director Plantation - Mr Lalith Munasinghe Receiving the Award



Talawakelle Tea Estates PLC
 -Highest Improvement in Sale Average - RPC-2nd Highest
 -Recognition of Achievements- RPC
 -Best Performing RPCs-1st -High Grown
 -Best Performing RPCs -1st - Low Grown
 Snr. Manager Marketing - Mr. Madhawa Wickramaratne Receiving the Award



Bearwell Estate
 Ceylon Speciality Estate Tea of the year 2014 -Bronze Award
 Snr. Regional Gen. Manager - Mr. Senaka Alawattegama receiving the Award



Somerset Estate
 -Improvement In Ranking - In to the Top 10
 -Ceylon Speciality Estate Tea of the year 2014 -Finalist
 Dpty Gen Manager - Mr. Aruna Bandaranayake receiving the Award



Radella Estate
 -Highest sale Averages - Green Tea
 -Improvement In Ranking - In to the Top 10
 -Ceylon Speciality Estate Tea of the year 2014 -Gold award
 Snr Manager - Mr. Eranga Egodawela receiving the Award



Deniyaya Estate
 -Special Award -Significant Improvement in Ranking -2nd
 -RPC Low Grown 2nd Highest sale Averages
 Manager - Mr. Madhura Gamage receiving the Award

o Highest GSA in Low Grown Category amongst RPC'S | o Highest GSA in High Grown Category amongst RPC'S
 o Second Highest GSA in All Island Category amongst RPC'S | o Recognition for consistency in Quality Manufacture in the Western High Category by having eight marks in the first thirteen ranking

FORBES & WALKER TEA BROKERS (PVT) LTD
The following awards were presented to TTE PLC
at the Forbes & Walker Annual Awards Ceremony, at Kingsbury Hotel on 28th February 2014



Moragalla Estate
-Special Award -Significant Improvement in Ranking-1st
-RPC Low Grown 3rd Highest Sale Averages
Group Manager – Mr. Primal Vithanage receiving the Award

OTHER AWARDS



Social Dialogue & Workplace Co-operation - Merit Award - Mattakelle Estate



National Plantation Awards – Best Tea Factory in Galle Region - Moragalla Estate



Ralston Tissera Memorial Award – Mattakelle Estate



Inter Plantation Company Cricket Sixes- 2014 Runners Up



Inter Plantation Company Rugby Sevens 2014/2015 - Winner



Our team has been an essential part of our success and their development has been augmented by specialized training, leadership development and professional management. The enthusiasm and motivation that they display along with closely monitored systems makes this one of our greatest strengths.

BOARD OF DIRECTORS



MR. A M PANDITHAGE
Chairman*

Chairman and Chief Executive of Hayleys PLC. Appointed to the Board of Talawakelle Tea Estates PLC in July 2009.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents.

Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers. Corporate Excellence Leadership Recognition – Institute of Chartered Accountants of Sri Lanka.



**MR. W G ROSHAN
RAJADURAI**
Managing Director*

Managing Director of Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC from January 2013 and a member of the Hayleys Group Management Committee.

Prior to rejoining, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001.

Holds a BSc. in Plantation Management and holds an MBA from Post Graduate Institute of Agriculture, Peradeniya. Fellow Member of National Institute of Plantation Management. Currently serves as the Chairman of the Planters' Association of Ceylon. Member of the Sri Lanka Tea Board, Rubber Research Board, Tea Council of Sri Lanka and Director of Tea Small Holdings Development Authority.



**MR. MERRILL J
FERNANDO ****

Appointed to the Board of Talawakelle Tea Estates PLC in 1998.

He is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the Founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is a much respected global name, renowned for its philosophy of caring for and sharing with the community.

Mr Fernando incorporated the MJF Charitable Foundation, a low profile charity which works to create better conditions for plantation workers' underprivileged children, elders and society's victims.



MR MALIK J
FERNANDO **

Appointed to the Board of Talawakelle Tea Estates PLC in 1998.

He is the Director Operations of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the “Dilmah Tea” brand around the world.

Mr Fernando holds a Bachelor of Science Degree in Management from Babson College, USA.



PROF. UDITHA
LIYANAGE ***

Appointed to the Board of Talawakelle Tea Estates PLC in December 2008.

Professor of Management of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and Adjunct Professor of Management of University of Canberra, Australia. Counts over 15 years' experience in industry, having held senior marketing management positions in three leading companies in Sri Lanka. He, thereafter, joined the academia and read for the doctoral program at the PIM, of the University of Sri Jayewardenepura, Sri Lanka, where he has been the senior faculty member for Marketing over the past 20 years. He was the Director of PIM and the Chairman of the Institute's Board of Management. He has published many articles on Branding and Strategic Marketing in leading journals, both here and abroad, and addressed numerous local and international conferences.

He holds an MBA and is a Chartered Marketer, a Fellow of the Chartered Institute of Marketing (CIM), and the first Sri Lankan Honorary Fellow of the Sri Lanka Institute of Marketing (SLIM). The first Sri Lankan Honorary Fellow of the Asia Marketing Federation (AMF). He was the Chairman of the CIM Sri Lanka region, and a member of the international Board of CIM (U.K.).

He is a Marketing Consultant to a number of leading local companies and international agencies and a developer of senior managers. Serves on the Boards of Directors of a number of leading companies in Sri Lanka.



DR S S S B D G
JAYAWARDENA ***

Appointed to the Board of Talawakelle Tea Estates PLC in December 2008.

Former Chairman of the Tea Research Institute (2006 – 2015). Former Board Member of Sri Lanka Tea Board. Former Member of Tea Small Holdings Development Authority (TSHDA), Tea Shakthi and Research & Development Committee of National Science Foundation. Also, a former Member of the Advisory Committee on Tea of the Ministry of Plantation Industries.

He held positions as the Chairman of Coconut Research Institute (CRI), Chairman of National Institute of Plantation Management (NIPM) and a former Director General of Department of Agriculture. He has been a member of the Consultative Group on International Agriculture Research representing Asia. Served as FAO Consultant on Biodiversity and JICA Consultant on Horticulture Development to the Government of Ghana.

BOARD OF DIRECTORS *CONTD.*



MR L N D E S
WIJEYERATNE ***

Appointed to the Board of Talawakelle Tea Estates PLC in December 2008.

Fellow of The Institute of Chartered Accountants in Sri Lanka and counts over thirty-five years of experience in Finance and General Management both in Sri Lanka and overseas.

Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Limited. Serves as a member of the Quality Assurance Board of the Institute of Chartered Accountants and was a former member of the Sri Lanka Accounting Standards Monitoring Board. Presently, an Independent Director of several listed and unlisted Companies.



DR K I M
RANASOMA **

Appointed to the Board of Talawakelle Tea Estates PLC in October 2011.

Joined DPL in August 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to the Hayleys Group Management Committee in January 2011 and to the Board of Hayleys in April 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd.

He holds First Class Honours Degree in Engineering from the University of Peradeniya, Sri Lanka, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK.



Mr W D N H
PERERA **

Appointed to the Board of Talawakelle Tea Estates PLC in October 2011.

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

He also holds Directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC and Amaya Leisure PLC.

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



MS MINETTE D A
PERERA **

Appointed to the Board of Talawakelle Tea Estates PLC in January 2012.

Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK.

Was the Group Finance Director of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.



Mr N T
BOGAHALANDE ***

Appointed to the Board of Talawakelle Tea Estates PLC on in May 2013.

Mr Bogahalande counts over 25 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors.

Member of the Institute of Certified Management Accountants Australia, Associate Member of the Institute of Personnel Management (Inc) Sri Lanka, Graduate in Master of Business Administration from the University of Sunderland UK. Conferred with the most prestigious 'Pride of HR Profession' award by the World HRD Congress in 2010.

Group Head of Human Resources of Vallibel One PLC /Royal Ceramics Lanka PLC. Serves as an Alternate Director of Horana Plantations PLC, Vallibel Plantation Management Ltd., LB Management Services (Pvt) Ltd., Delmege Coir (Pvt) Ltd and Uni Dil Packaging Ltd., and the Chairman of Elkaduwa Plantation Ltd.



MR D S
SENEVIRATNE *

Appointed to the Board of Talawakelle Tea Estates PLC in May 2013.

Director of Hayleys Plantation Services (Pvt) Ltd. and Deputy Chief Executive Officer of Talawakelle Tea Estates PLC. Counts 17 years of experience in the Plantation Sector.

Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Certified Management Accountants (FCMA) with over 25 years of post-qualifying experience in Finance, General Management & Commercial operations in the corporate sector.

Served as a member of the Steering Committee on IAS 41 – Agriculture of the Institute of Chartered Accountants of Sri Lanka and the Chairman of the CSR Steering Committee of Ceylon Chamber of Commerce. Director of Plantation Human Development Trust and a Trustee of the Plantation Trust Fund.

- * Executive
- ** Non-Executive
- *** Independent Non-Executive

CORPORATE MANAGEMENT PROFILE

TALAWAKELLE TEA ESTATES PLC

Principal Activity : Cultivation and Manufacture of Black Tea
Incorporated : In 1992 in Sri Lanka
Stated Capital : Rs. 350 Mn

BOARD OF DIRECTORS	
Mr A M Pandithage	Chairman
Mr W G R Rajadurai	Managing Director
Mr Merrill J Fernando	
Mr Malik J Fernando	(Alternate - Mr D C Fernando)
Prof. U Liyanage	
Dr S S S B D G Jayawardena	
Mr L N De S Wijeyeratne	
Dr K I M Ranasoma	
Mr W D N H Perera	(Alternate - Mr J M Kariapperuma-appointed 13/02/2015)
Ms M D A Perera	
Mr N T Bogahalande	
Mr D S Seneviratne	

MANAGEMENT TEAM	
DIRECTORS	
Mr A M Pandithage	Chairman
Mr W G R Rajadurai	Managing Director
Mr D S Seneviratne	Director/Deputy Chief Executive Officer

HEAD OFFICE MANAGEMENT TEAM	
Mr L H Munasinghe	Director-Plantations
Mr G D T Dharmaratne	General Manager-Sustainability & Quality Management Development
Mr M T D Rodrigo	Deputy General Manager-Estates
Mr D M Wickramaratne	Senior Manager-Marketing
Mrs V A Perera	Manager-Finance
Mr H H Jayasundera	Manager-Resource Development
Dr K H G M P Dharmasena	Manager-Agro Forestry & Sustainability
Mr H R L S Bandara	Finance Manager
Mr M E Suraweera	Manager-IT

CORPORATE MANAGEMENT PROFILE *CONTD.*

ESTATE MANAGEMENT TEAM	
Mr S B Alawattegama	Senior Regional General Manager – Bearwell Estate
Mr N P Abeyesinghe	Regional General Manager – Dessford Estate
Mr D M H U Mahadivulwewa	Senior Deputy General Manager – Kiruwanaganga Estate
Mr P G G Jayathilake	Senior Deputy General Manager – Mattakelle Estate
Mr G K Wijesekera	Deputy General Manager – Great Western Estate
Mr A C M Bandaranayake	Deputy General Manager – Somerset Estate
Mr H P W Vithanage	Group Manager – Moragalla Estate
Mr D M G B Dassanayake	Senior Manager – Holyrood Estate
Mr E S B A Egodawela	Senior Manager – Radella Estate
Mr D M A S Dissanayake	Manager – Wattegoda Estate
Mr W D Jayasinghe	Manager – Indola Estate
Mr U B Udawatte	Manager – Palmerston Estate
Mr K G M N Gamage	Manager – Deniyaya Estate
Mr A G R M S Ranaweera	Manager – Logie Estate
Mr S G N N Kumara	Manager – Calsay Estate
Mr Y D Kumarasiri	Actg. Manager – Clarendon Estate

GROUP STRUCTURE

T T E L SOMERSET HYDRO POWER (PRIVATE) LIMITED

Principal Activity	:	Generation of Hydro Power
Holding Percentage	:	51%
Incorporated	:	In 2008 in Sri Lanka
Stated Capital	:	Rs 60.0 Mn

SITE	LOCATION	CAPACITY
Somerset Hydro Power Project	Nanu oya	1.2 MW

DIRECTORS
Mr A M Pandithage (Chairman)
Mr Merrill J Fernando
Mr Malik J Fernando
Mr A R De Silva
Mr W G R Rajadurai
Dr K I M Ranasoma
Dr Arul Sivagananathan

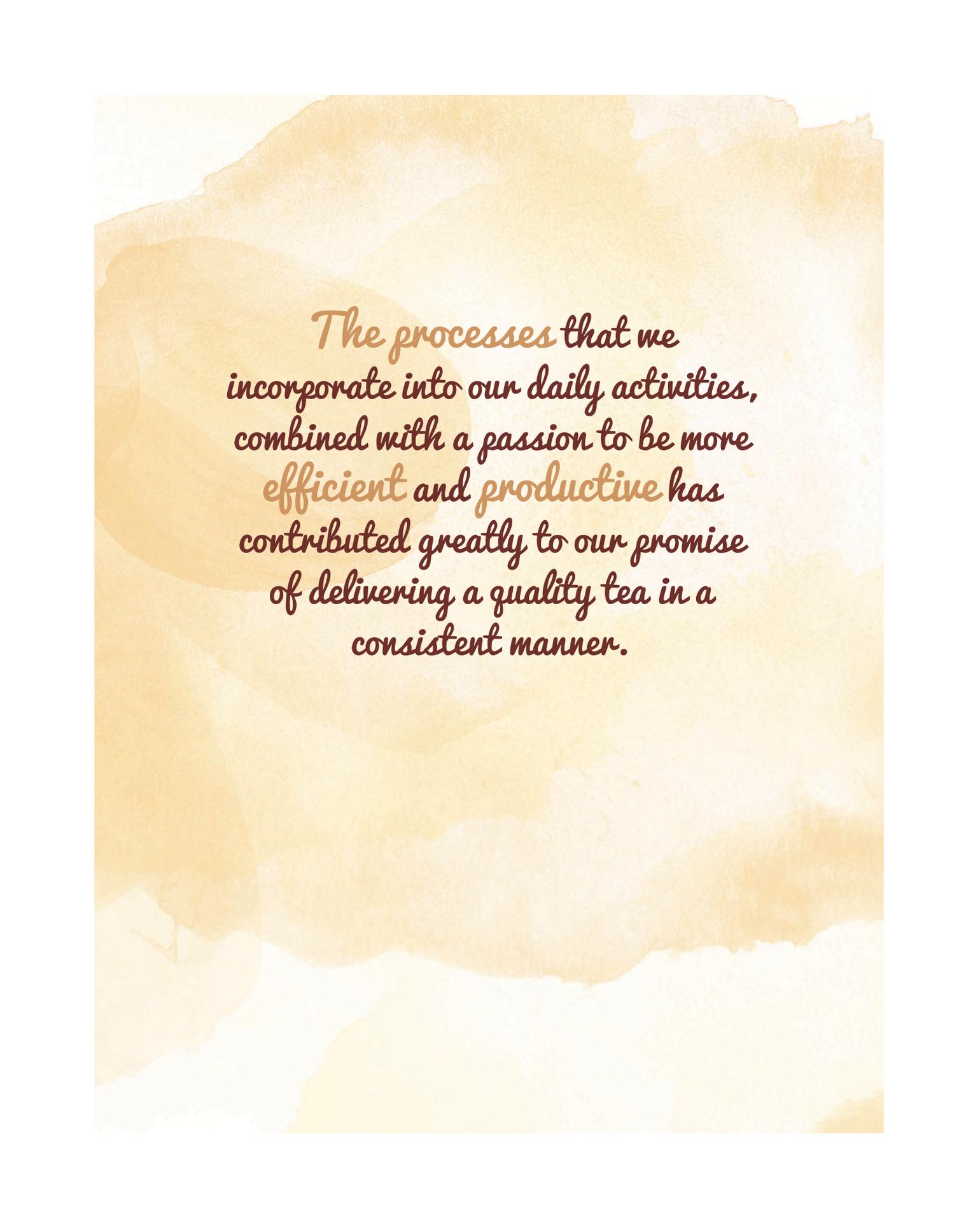
T T E L HYDRO POWER COMPANY (PRIVATE) LIMITED

Principal Activity	:	Generation of Hydro Power
Holding Percentage	:	51%
Incorporated	:	In 2008 in Sri Lanka
Stated Capital	:	Rs 69.0 Mn

SITES	LOCATION	CAPACITY
Radella Hydro Power Project	Nanu oya	0.2 MW
Palmerston Hydro Power Project	Talawakelle	0.8 MW

DIRECTORS
Mr A M Pandithage (Chairman)
Mr Merrill J Fernando
Mr Malik J Fernando
Mr A R De Silva
Mr W G R Rajadurai
Dr K I M Ranasoma
Dr Arul Sivagananathan





The processes that we incorporate into our daily activities, combined with a passion to be more efficient and productive has contributed greatly to our promise of delivering a quality tea in a consistent manner.

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The year witnessed the global economy strengthening, yet, inconsistent and complex across the nations. The sharp decline in oil prices along with the adjustments in monetary policy and exchange rates were decisive factors in global growth. The geopolitical tension in Russia-Ukraine and in the Middle East brought further constraints to a complete economic revival. Sri Lanka in this global backdrop managed to maintain relative stability in the macroeconomic front with overall growth still in-tact, although a moderation from the preceding year. The tea industry witnessed a challenging year - weather constraints impacting the production levels and downward market trends towards the latter part of the year on the earnings potential.

Notwithstanding the odds within the operating environment, TTE PLC was well poised to follow through the corporate's strategic imperatives and well planned initiatives and year's activities. We were focused in our efforts to improve on our sustainable agriculture practices; bring in effective measures to bolster our labour productivity; reinforce our brand strength on offering consistent product quality; exercise financial discipline in cost controls; empower our people; and support our communities in which we operate.

During the year under review - 15 months ended March 2015 (given the change in the reporting cycle as discussed under the section, 'Report Outline'); our Company backed by perceptive strategy

and effective management practices navigated operations well and resiliently stood against the adversities within the business backdrop. We posted sound operational results and sustained our profitability and returns. Our cash flows were positive and we maintained a sound financial position as at year-end.

Strengths

- ☞ Strength of the brand for quality teas
- ☞ Good governance & risk management practices
- ☞ Hands-on operational management practices
- ☞ Financial discipline
- ☞ Sustainable agriculture practices
- ☞ Parent and Group synergies

Opportunities

- ☞ Diversification into other crop and new business ventures
- ☞ Higher global demand and prices for green, ethical and food safety management systems to certify quality teas
- ☞ Self-sufficiency in fuel wood production and commercially viable timber projects
- ☞ Value addition through the group's global marketing company, Mabroc Teas (Pvt) Ltd

SWOT ECONOMIC

Threats

- ☞ Global economic & geo political uncertainties in key markets
- ☞ Domestic macroeconomic uncertainties and policy changes impacting industry and business growth
- ☞ Global competition from low cost producers & substitutes
- ☞ Climate change and its impact on crop production

Weaknesses

- ☞ Ageing tea fields affecting crop production & productivity
- ☞ Long gestation periods for returns
- ☞ Wage component accounting for a sizeable portion of cost of production
- ☞ Rising cost of production
- ☞ Emerging Labour Shortage

STRATEGIC PRIORITIES, TARGETS & ACTUAL PERFORMANCE

STRATEGIC PRIORITIES, ACTUAL RESULTS & TARGETS - 2014/15			
Strategic Priorities - 2014/15			
<ul style="list-style-type: none"> ☞ Produce quality tea to be number one within the RPC ranks ☞ Increase worker productivity ☞ Incentives workers on performance ☞ Product diversification & value addition ☞ Increase agricultural yields & production ☞ Reduce the labour cost component in cost of production ☞ Conformance and compliance to sustainable agricultural practices ☞ Reinforce hands-on management practices 			
Targets vs. Actuals 2014			
Key Indicators	Target	Actuals	% of Target
RPC Tea Price Ranking	1	1	100%
High grown yield (kg/ha)	> 1,700	1533	90%
Low grown yield (kg/ha)	> 1,500	1284	85%
Tea Production (mn/Kg)	7.7	7.0	91%
Worker Productivity (kg/worker)	2.75	2.71	98%
Tea Planting (ha)	52	46.25	89%
Employees trained (number)	8,000	9,281	116%
Training hours (number)	24,000	24,753	103%
Training investment (Rs. mn)	1.8	1.6	88%
Expenditure on social development (Rs. mn)	10.0	30.5	305%

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

STAKEHOLDER ENGAGEMENT

OUR STAKEHOLDERS G4-24

Stakeholder Mapping

In developing our report content this year, in line with the materiality principle as will be discussed under the ensuing section, we attempted to prioritise and ascertain key stakeholders for focused engagement. For this purpose, we used a common stakeholder mapping tool that considers the level of influence of stakeholders and the level of interest they have on the sustainability of operations. The findings enabled us in our reporting purposes to be more focused in our content development - giving priority to key stakeholders identified as 'high influence -high interest'.

STAKEHOLDER MAPPING		
Influence of Stakeholder	High influence - Low Interest	High influence - High Interest
	Keep satisfied and meet their needs	Closely engage and manage
	☞ Suppliers & Service Providers	☞ Parent Company ☞ Shareholders ☞ Employees/Trade Unions ☞ Resident Communities ☞ Buyers/ Customers/ Brokers
	Low Influence - Low Interest	High Interest - Low Influence
Interest of Stakeholder	Monitor and address needs, when required	Keep informed
	☞ Neighbouring Communities ☞ Non-government organisations	☞ Government , Industry & Regulatory Bodies ☞ Financial Institutions ☞ Planters Association/ Societies/PHDT ☞ Certification bodies ☞ Media

G4-16

**MEMBERSHIPS IN ASSOCIATIONS MAINTAINED BY
TALAWAKELLE TEA ESTATES PLC - 2014/15**

- | | |
|-----------------------------------|--|
| ☞ Ceylon Chamber of Commerce | ☞ Plantation Human Development Trust |
| ☞ Planters' Association of Ceylon | ☞ Sri Lanka Business & Biodiversity Platform |
| ☞ Employers' Federation of Ceylon | |
| ☞ Tea Research Institution | |

EXTERNAL STAKEHOLDERS

- ☞ Public Shareholders
- ☞ Suppliers & Service Providers
- ☞ Financial Institutions
- ☞ Buyers/ Customers/ Brokers
- ☞ Neighbouring Communities
- ☞ Government, Industry & Regulatory Bodies
- ☞ Planters Association/Societies/PHDT
- ☞ Certification Bodies
- ☞ Non-government organisations
- ☞ Neighbouring Communities
- ☞ Media

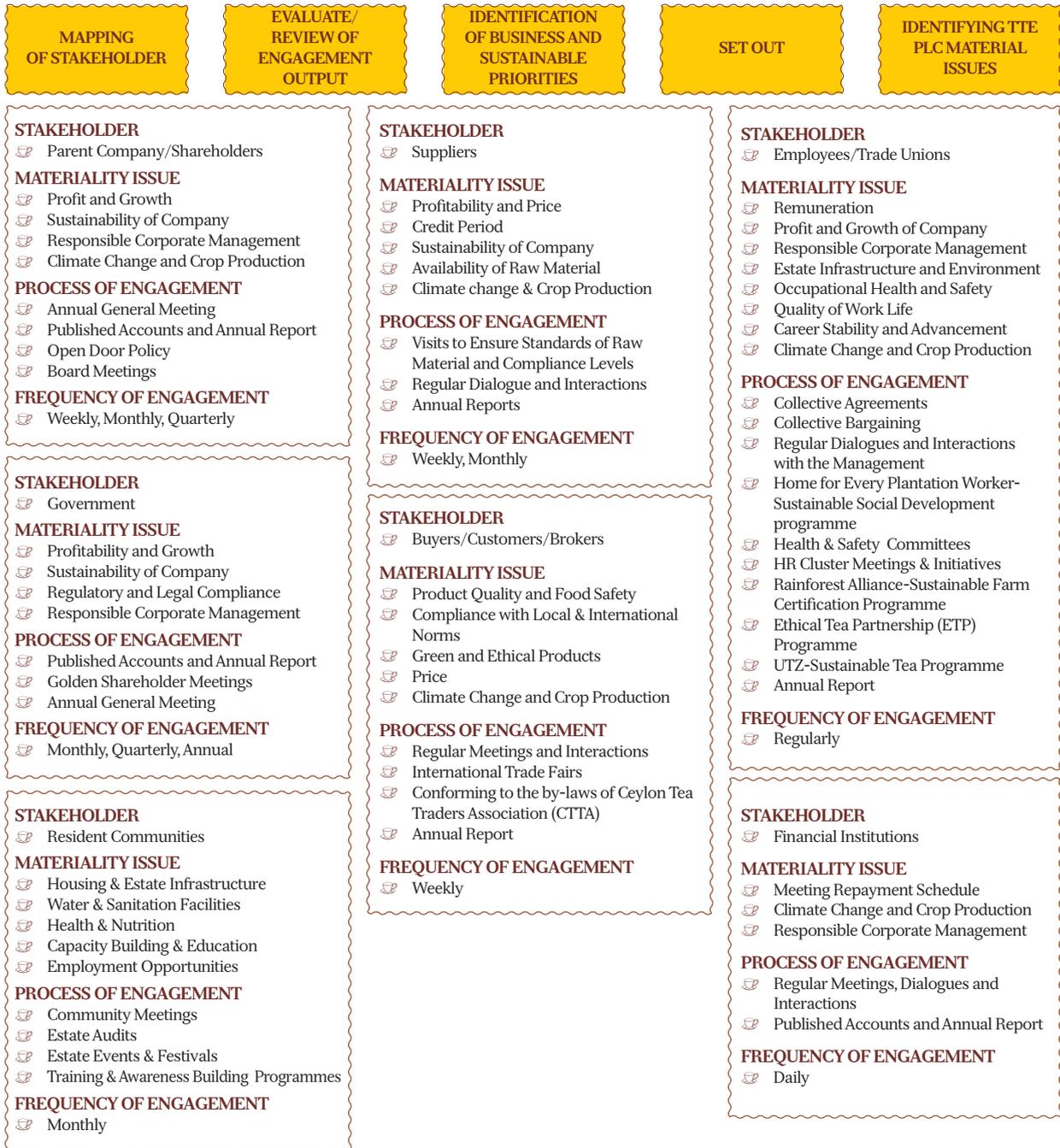
INTERNAL STAKEHOLDERS

- ☞ Parent Company
- ☞ Employees/Trade Unions
- ☞ Resident Communities

As per the stakeholder mapping, we recognise five key stakeholder groups - parent company, shareholders, employees/ trade unions, resident communities, financial institutions and buyers/ customers/ brokers, for close engagement and management. This is followed by other significant stakeholder segments including suppliers and government, regulatory bodies, industry associations, non-government organisations and the media to be engaged in their areas of interest and as and when required.

STAKEHOLDER ENGAGEMENT & PROCESS

We pride ourselves on our effective and decent engagement with these groups based on their relevance to the business, the nature of interest and finding the most practical and meaningful ways to identify and meet their needs and expectations. Our decision making process takes into account the material issues of our stakeholders and we seek to build relationships based on trust vital for our longer term sustenance.



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY ASSESSMENT, ASPECTS & BOUNDARIES

MATERIALITY ANALYSIS (G4:17, G4:18, G4:19, G4:20, G4:21)

Reporting in line with the guidelines set by the GRI-G4, TTE PLC this year sought to develop and define the report content considering the materiality of sustainability aspects from an economic, environment and social standpoint. The principles prescribed by the standard - 'materiality', 'sustainability context', 'stakeholder inclusiveness' and 'completeness' were given carefully thought and incorporated in developing the content.

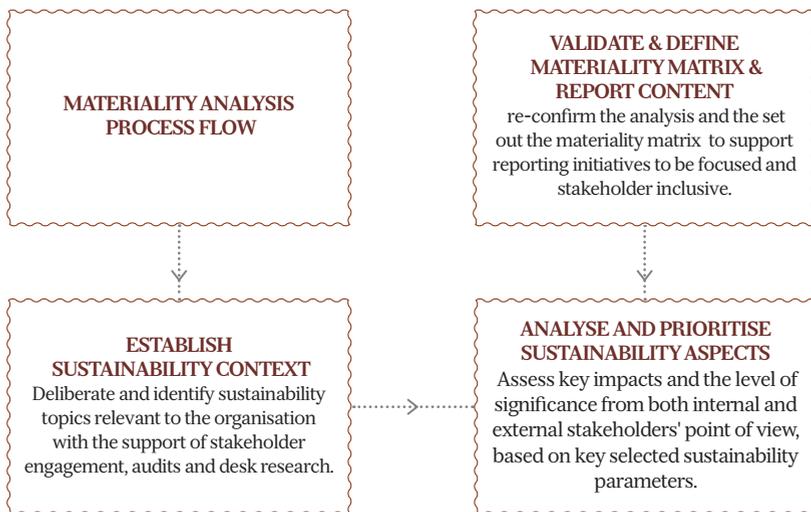
The scope of the analysis covers the operations of the organisation including the 17 tea estates in both low grown and high grown areas. The analysis also covers the subsidiary operations of the hydropower plants and the strategic ties with its parent, Hayleys PLC, wherever deemed applicable.

The second stage analysis looked at prioritising potential sustainability aspects, on the basis of its relevance on the success of the organisation along with internal stakeholders and from an external stakeholder perspective. Prioritisation was carried out on a qualitative analysis- setting out a weightage for the level of significance - 'high', 'medium' and low'. The assessment considered the impact on fourkey parameters - strategic, operational and financial; social and industry; environment; and statutory and regulatory framework.

For this analysis, the team relied on the information and findings ascertained through close and structured engagement with stakeholders including periodic progress meetings with employees, estate workers and trade unions. The findings from internal estate audits held every year and certification audits in terms of ISO 22000 and Rainforest Alliance were taken into consideration. Discussions with industry leaders, active participation at policy advocacy level within the plantation industry associations further complemented this process. Desk research was relied upon to ascertain plantations sector issues, trends and performance.

At the validation stage, a materiality matrix was set out, segregating material aspects which have been identified with highest level of significance along with medium and low in terms of the impact on the organisation and on the external stakeholder. Report content was thus developed based on the materiality matrix - high to medium in significance.

Following this segregation set out in the matrix most material aspects are given



PROCESS FOLLOWED

The report content was developed on a three-tier basis - identifying and establishing the sustainability aspects; prioritisation on the basis of materiality from both external and internal stakeholder perspective and validation of prioritised materiality aspects by the senior management.

The first-tier analysis was taken up by a team of executives and managers at the corporate office, responsible for overlooking and managing strategic operations, finance, social and environmental aspects of the organisation. During this stage, potential sustainability aspects were identified as guided by GRI-G4 and the sustainability context of each category and aspects therein was deliberated and broadly established.

extensive coverage within the report whilst moderately covering aspects that are categorised as medium in significance. Aspects that are considered low in significance are not covered in the report, although a brief discussion may prevail for completeness. The matrix was validated by the senior management including the Managing Director.

SUSTAINABILITY CONTEXT

ECONOMIC

☞ As a regional plantation company with 17 tea estates and bought leaf operations in both low and high grown elevations along with a workforce of over 8,000 and a large resident community, value creation and sharing process are extensive, with significant economic impacts both direct and indirect. Hence, aspects under this category is significant from all stakeholders' standpoint.

ENVIRONMENT

☞ As a plantation based operations, environmental aspects are closely related to the sustainability of the organisation. With a substantial footprint, the impact of plantations on the environment is substantial whilst in turn, the sector viability is greatly reliant and impacted by the environment - climate change. Environmental aspects in terms of harvesting and production and sustaining the estate community are material to the organisation.

SOCIAL - LABOUR PRACTICES & DECENT WORKERS EMPLOYMENT

☞ Being a labour intensive operations, upholding best practices and maintaining good employee relations are significant to the sustainability of the business. Responsibility towards the workforce ensuring their development and their wellbeing is closely linked to productivity of the operations and thus material.

SOCIAL - HUMAN RIGHTS

☞ As a front-runner organisation of the industry, upholding best practices in managing the extensive workforce and the resident community is important. Respect and responsibility without discrimination on social prejudices are vital determinants underlying the sustenance of the organisation.

SOCIAL - SOCIETY

☞ Supporting to uplift the living standards of residents of over 40,000 within the estates is not merely being philanthropic, but strategic which underscores the sustainability of operations. It is vital for a front-runner organisation to be responsible to society - to gain their trust, confidence and good-will.

SOCIAL - PRODUCT RESPONSIBILITY

☞ In keeping with TTE PLC's longstanding reputé and standing, ensuring quality and standards in producing teas is strategically significant whilst being responsible in marketing and promotions.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY ANALYSIS PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium- ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Category: Economic								
Economic Performance	Parent Company, TTE- PLC, Employee, Estate Community	Shareholder, Buyer/Broker Financial Institutions, Supplier, Industry bodies, Government, Society	●	●	●	●	High	High
Market Presence	TTE- PLC, Employee	Industry bodies, Government	●	●	●	●	High	Medium
Indirect Economic Impact	TTE- PLC, Estate Community	Neighbouring Community, Industry bodies, Government	●	●	●	●	Medium	Medium
Procurement	TTE- PLC	Supplier	●	●	●	●	Medium	Medium
Category: Environment								
Materials	TTE- PLC	Supplier Society Government	●	●	●	●	Medium	Medium
Energy	TTE- PLC	Society Government	●	●	●	●	High	High
Water	TTE- PLC, Estate Community	Society Government	●	●	●	●	High	Medium
Biodiversity	TTE- PLC Estate Community	Society	●	●	●	●	High	High

MATERIALITY ANALYSIS PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium- ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Emissions	TTE- PLC Estate Community Employees	Society	●	●	●	●	Medium	High
Effluents & Waste	TTE- PLC Estate Community Employees	Society Government	●	●	●	●	High	High
Product & Services	TTE- PLC	Buyer/Broker, Consumer	●	●	●	●	Low	Low
Compliance	TTE- PLC, Parent Company Employees	Society Government	●	●	●	●	High	High
Transport	TTE- PLC,	Society	●	●	●	●	Medium	High
Overall	TTE- PLC Estate Community Employees	Society Government	●	●	●	●	High	High
Supplier Environment Assessment	TTE- PLC Estate Community	Supplier Society	●	●	●	●	Medium	Medium
Environmental Grievance Mechanism	TTE- PLC Estate Community Employees	Environment/ Non Government Bodies Society NGOs	●	●	●	●	Medium	Medium

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY ANALYSIS								
PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium - ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Category: Social								
Sub- Category - Social: Labour Practices and Decent Work								
Employment	TTE PLC Employees, Estate Community	Customer, Industry bodies Society	●	●	●	●	High	Medium
Labour Management Relations	TTE PLC Employees, Estate Community	Customer, Industry bodies Trade Unions Government	●	●	●	●	High	Medium
Occupational Health & Safety	TTE PLC, Employees, Estate Community	Industry bodies Service Providers Visitors Government	●	●	●	●	High	Medium
Training & Education	TTE PLC, Employees	Industry bodies	●	●	●	●	High	Medium
Diversity & Equality	TTE PLC	Industry bodies,	●	●	●	●	Medium	Medium
	Employees, Estate Community	NGOs						
Equal Remuneration For Men & Women	TTE PLC Employees	Industry bodies, NGOs	●	●	●	●	Medium	Medium
Supplier Assessment For Labour Practices	TTE PLC	Supplier Society	●	●	●	●	Medium	Medium

MATERIALITY ANALYSIS PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium- ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Labour Practices Grievance Mechanism	TTE PLC, Employee	Industry bodies, Government, NGOs Trade Unions	●	●	●	●	High	Medium
Sub Category: Social - Human Rights								
Investment	TTE PLC, Employee, Estate Community	Industry bodies, NGOs, Government	●	●	●	●	Medium	Medium
Non Discrimination	TTE PLC, Employee, Estate Community	Industry bodies, NGOs, Government	●	●	●	●	High	Medium
Freedom Of Association & Collective Bargaining	TTE PLC, Employee, Estate Community	Industry bodies, NGOs, Government	●	●	●	●	High	High
Child Labour	TTE PLC Employee, Estate Community	Industry bodies, Government, NGO, Media	●	●	●	●	High	High
Forced Or Compulsory Labour	TTE PLC Employee, Estate Community	Industry, Government, NGOs, Media	●	●	●	●	High	High
Security Practices	TTE PLC, Employees Estate Community	NGOs Suppliers Trade Unions	●	●	●	●	Low	Low
Indigenous Rights	TTE PLC	NGOs, Government	●	●	●	●	Low	Low

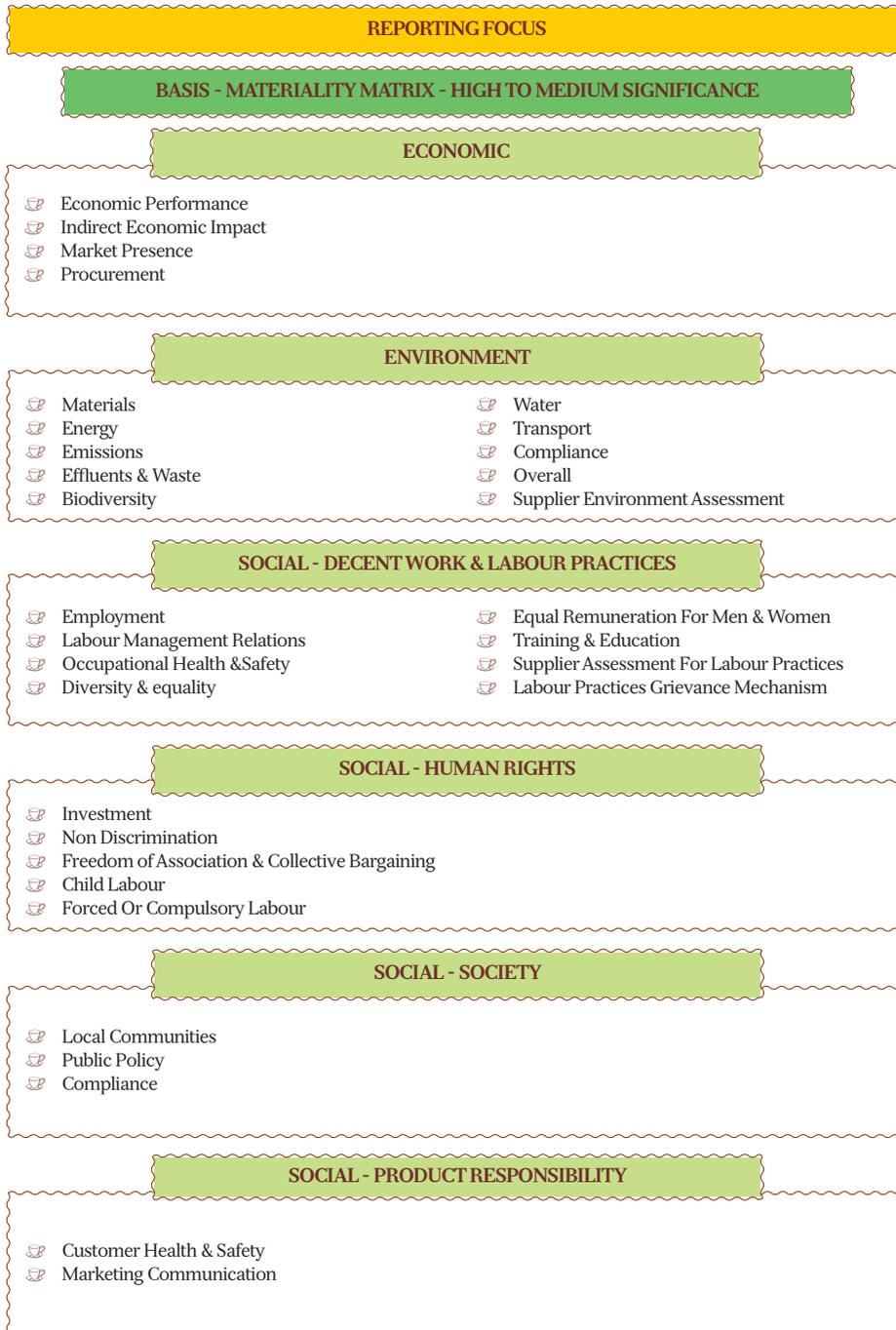
MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY ANALYSIS								
PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium- ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Assessments	TTE PLC, Parent Company	Industry bodies, NGOs, Government	●	●	●	●	Medium	Medium
Supplier Human Rights Assessments	TTE PLC	Supplier Industry bodies, NGO, Government	●	●	●	●	Low	Medium
Human Rights Grievance Mechanism	Employee, Estate Community	Industry bodies, NGOs, Government	●	●	●	●	Low	Medium
Sub Category: Social - Society								
Local Communities	Estate Community	Neighbouring Community, Government	●	●	●	●	High	Medium
Anti- Corruption	TTE PLC	Industry bodies, NGOs, Government Society	●	●	●	●	Low	Low
Public Policy	TTE PLC, Parent Company	Industry bodies, NGOs, Government Society	●	●	●	●	Medium	Medium
Anti- Competitive Behaviour	TTE PLC	Buyer/Broker	●	●	●	●	Medium	Low
Compliance	TTE PLC, Parent Company Employees Estate Community	Neighbouring Community, Industry bodies, NGOs, Government Buyer/Broker	●	●	●	●	High	High

MATERIALITY ANALYSIS PRIORITISATION OF SUSTAINABILITY ASPECTS								
Colour Code: High - ● Medium- ● Low - ●								
Category/ Aspects	Stakeholder Boundary - Relevance		Materiality Impact- Level of Significance Key Parameters				Materiality - Overall Significance - Stakeholders	
	TTE PLC/ Internal Stakeholder	External Stakeholder	Strategic/ Operation/ Financial Impact	Social Impact/ Industry	Environmental Impact	Statutory & Regulatory Impact	Internal	External
Supplier Assessments for Impacts on Society	TTE PLC	Industry bodies, Supplier Society	●	●	●	●	Medium	Medium
Grievance Mechanism for Impacts on Society	TTE PLC, Estate Community Employees	Neighbouring Community, Industry bodies, NGOs, Government	●	●	●	●	Medium	Medium
Sub Category: Social - Product Responsibility								
Customer Health & Safety	TTE PLC	Buyer/Broker Consumer	●	●	●	●	High	High
Product & Service Labelling	TTE PLC	Buyer/Broker Industry Bodies	●	●	●	●		
							Medium	Medium
Marketing Communication	TTE PLC	Buyer/Broker Industry bodies	●	●	●	●	Medium	Medium
Customer Privacy	TTE PLC	Buyer/Broker	●	●	●	●	Low	Minor

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY MATRIX					
Level of Significance - External Stakeholder Standpoint	HIGH		<ul style="list-style-type: none"> ☞ Transport ☞ Product & Service Labelling 	<ul style="list-style-type: none"> ☞ Economic Performance ☞ Energy ☞ Environment - Compliance ☞ Environment - Overall ☞ Biodiversity ☞ Emissions ☞ Effluents & Waste ☞ Freedom of Association & Collective Bargaining ☞ Child Labour ☞ Forced Or Compulsory Labour ☞ Society - Compliance ☞ Customer Health & Safety 	
	MEDIUM	<ul style="list-style-type: none"> ☞ Human Rights - Assessments ☞ Supplier Human Rights Assessments ☞ Supplier Assessments for Impacts on Society ☞ Grievance Mechanism for Impacts on Society ☞ Anti- Competitive Behaviour 	<ul style="list-style-type: none"> ☞ Indirect Economic Impact ☞ Procurement ☞ Materials ☞ Supplier Environment Assessment ☞ Environmental Grievance Mechanism ☞ Diversity & equality ☞ Equal Remuneration For Men & Women ☞ Supplier Assessment For Labour Practices ☞ Human Rights - Investment ☞ Public Policy ☞ Marketing Communication 	<ul style="list-style-type: none"> ☞ Market Presence ☞ Employment ☞ Labour Management Relations ☞ Occupational Health & Safety ☞ Training & Education ☞ Labour Practices Grievance Mechanism ☞ Non Discrimination ☞ Local Communities ☞ Water 	
	LOW/LOW	<ul style="list-style-type: none"> ☞ Product & Services ☞ Security Practices ☞ Indigenous Rights ☞ Anti-Corruption ☞ Customer Privacy 			
	Colour Code: <ul style="list-style-type: none"> ● Economic ● Environment ● Social 	LOW	MEDIUM	HIGH	
Level of Significance - Internal Stakeholder Standpoint					



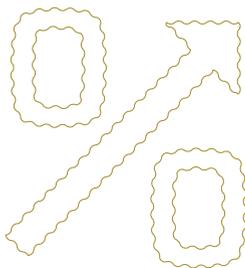
MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

TRIPLE-BOTTOM-LINE STRATEGY

KEY PERFORMANCE INDICATORS (2012, 2013, 2014)

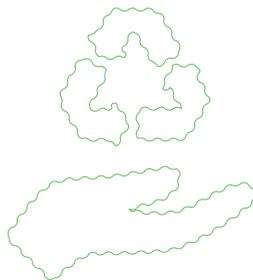
ECONOMIC

- ☞ Financial performance
- ☞ Market presence
- ☞ Improve product quality
- ☞ Supply chain processes
- ☞ Indirect economic impacts
- ☞ Increase land & worker productivity
- ☞ Invest on sustainable agriculture & manufacture practices & processes
- ☞ Focus on effective risk management
- ☞ Uphold best practices in governance



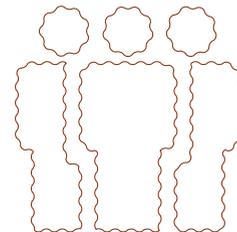
ENVIRONMENT

- ☞ Implementing environmental friendly sustainable practices in field and non-field operations
- ☞ Supplier/customer environmental assessments
- ☞ Implement conservation projects and initiatives to protect Ecosystems, Biodiversity ,Energy , Materials and water sources
- ☞ Drive initiatives to reduce energy consumption and corporate carbon foot print
- ☞ Implement the “3R” concept – reduce, rules & recycle for Solid Waste Management.
- ☞ Environmental Grievance mechanisms



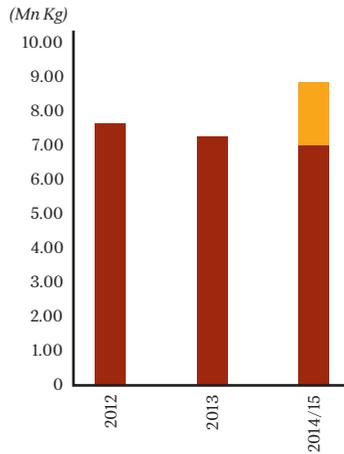
SOCIAL

- ☞ Labor practice and Decent work.
- ☞ Occupational health & safety
- ☞ Customer health & safety
- ☞ Protecting human rights and compliance with labor rules
- ☞ Upgrading living condition of resident labors (Home for every plantation worker)
- ☞ Implementation of "Key Value Drivers"
- ☞ Freedom of association and collective bargaining
- ☞ Product & service labeling



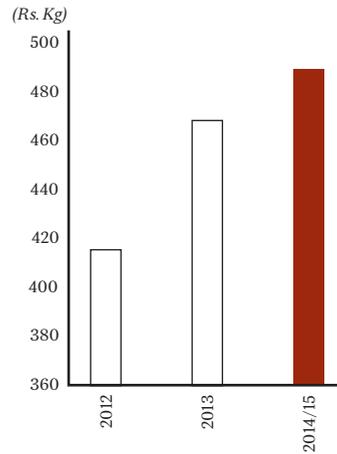
ECONOMIC PERFORMANCE INDICATORS

Tea Production



■ 12months
■ 15 months

GSA



"Rank No.1

*High & Low Grown
Tea Prices Amongst
RPCs"*



37.3%

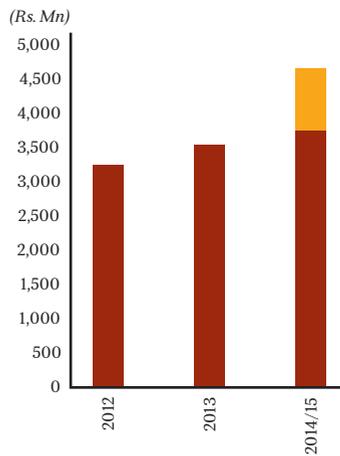
Debt to Equity



8 %

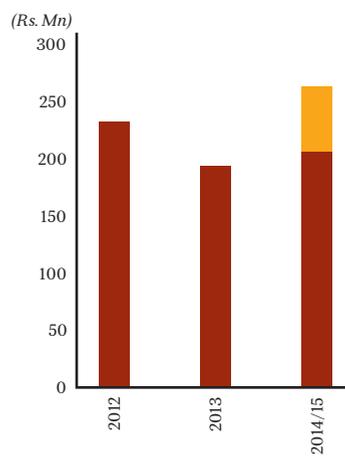
Return on Assets

Turnover



■ 12months
■ 15 months

Profit Before Tax



■ 12months
■ 15 months



15.0%

Return on Equity



**Rs.
3.4Bn**

Value Addition

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Economic - KPIs	Unit	2015 (Jan- March)	2014 (Jan- Dec)	2013	2012
Production & Prices					
Production	Kilograms	1,806,623	7,025,842	7,291,178	7,654,863
GSA	Rs/Kg	466.07	494.64	467.77	415.55
Profit & Loss					
Turnover	Rs.'000	875,193	3,768,389	3,528,338	3,259,211
Cost of Sales	Rs.'000	820,836	3,386,161	3,191,077	2,864,620
Finance Cost	Rs.'000	8,099	45,453	55,895	87,145
Profit Before Tax	Rs.'000	57,071	206,387	193,745	232,778
Profit After Tax	Rs.'000	56,822	171,475	158,431	207,012
Profitability Ratios					
ROE	%	3.45	10.91	10.77	17.95
ROA	%	1.73	6.22	5.82	7.24
Financial Position					
Assets	Rs.'000	3,748,469	3,712,987	3,723,437	3,529,236
Debt to equity	%	36.41	36.25	48.91	54.27
Value Addition					
Economic Value Addition	Rs.'000	53,732	208,427	204,622	159,724
Consolidated Indicators					
Group Turnover	Rs.'000	899,525	3,861,576	3,646,838	3,318,149
Group Finance Cost	Rs.'000	10,892	59,124	78,420	108,677
Group Profit Before Tax	Rs.'000	58,988	227,932	236,787	231,283
Group Profit After Tax	Rs.'000	74,569	192,892	199,571	226,698

ENVIRONMENT PERFORMANCE INDICATORS



2014/15
*Hydropower
Generation*
8,720 MnKWh



2014/15
*Environmental
Expenditure*
Rs. 37.0 Mn



2014/15
*Fuelwood
Planting*
55.25 Hectares



2014/15
*GHG
Emissions*
6,703 tCO₂e



2014/15
*Solid Waste
Recycled*
8,475 Kg

ENVIRONMENT	UNIT	2015 (JAN- MARCH)	2014 (JAN-DEC)	2013	2012
Hydropower Generation	Kwh	1,772,053	6,947,570	9,083,773	4,678,329
Fuelwood Planting	Hectare	-	55.25	11.54	18.75
GHG Emissions	tCO ₂ e	1.314	5.389	5,696	5,824
Solid Waste Recycled	Kilogram	1.627	6.848	6,794	4,313
Expenditure on Environment Initiatives	Rs.'000	10.326	26.695	49,500	55,250

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

SOCIAL PERFORMANCE INDICATORS



SOCIAL	UNIT	2015 (JAN- MARCH)	2014 (JAN-DEC)	2013	2012
Human Resources					
Workforce	Number	8,827	8,794	10,321	10,566
Training Hours	Hours	8,002	16,751	22,618	19,793
Training Investment	Rs.'000	0.083	1,517	1,500	1,300
Salaries & Wages	Rs.'000	524,000	2,073,000	2,011,000	1,747,000
Social Development					
Social Infrastructure Development	Rs.'000	963,000	29,534,570	3,800	3,200
Capacity Building (Beneficiaries)	Number	4,496	6,784	8,063	4,073
Youth Empowered (Beneficiaries)	Number	4,907	4,943	4,315	2,016
Health & Nutrition (Beneficiaries)	Number	55,664	142,969	147,981	40,578
Health & Nutrition Initiatives	Rs.'000	1,997,044	6,952,022	115,000	106,000

BUSINESS REVIEW

OPERATING ENVIRONMENT

Overview - Global Economy

The global economy continued to be challenged in its recovery after the financial crisis of 2008/09. The US economy was the single bright spark amongst major economies, recording GDP growth of 2.4 percent in the year 2014. The Euro area had 0.9 percent GDP growth, that too from a low base, while Japan's economy contracted 0.1 percent during the year. The European and Japanese economies faced further pressure due to deflationary price tendencies, forcing their respective Central Banks to resort to aggressive monetary easing, resulting in sharp declines in currency values. Amongst emerging economies, China's GDP growth continued to gradually moderate, declining to 7.4 percent in 2014.

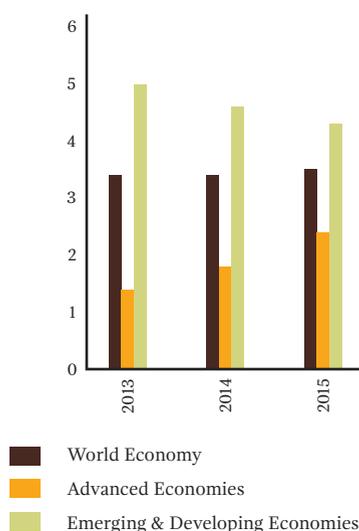
Amongst Sri Lanka's major tea buyers, the Middle East and Russia faced challenging geopolitical and economic conditions. Both regions are heavily dependent on oil as a major source of income. With the commercialisation of hydraulic fracturing, American oil and gas production has increased exponentially in 2014, resulting in a sharp drop in global oil prices. This has significant implications for economic growth, fiscal strength and currencies of most Middle Eastern countries and Russia. Russia's economy grew only by 0.6 percent in 2014, whilst the Ruble depreciated significantly, as a result of lower global oil prices, compounded by

US and EU sanctions in the aftermath of Russia's annexation of Ukraine's Crimea. In addition to the impact of lower oil prices, several important Middle Eastern countries have been hampered by an adverse security climate. Iran's economy grew 3 percent, Saudi Arabia 3.6 percent whilst Iraq contracted 2.4 percent.

WORLD OUTPUT GROWTH (%)	2013	2014	2015 (PROJECTION)
World Economy	3.4	3.4	3.5
Advanced Economies	1.4	1.8	2.4
☞ US	2.2	2.4	3.1
☞ Japan	1.6	-0.1	1
☞ European Union	-0.5	0.9	1.5
Emerging & Developing Economies	5	4.6	4.3
☞ Russia	1.3	0.6	-3.8
☞ China	7.8	7.4	6.8
☞ India	6.9	7.2	7.5
☞ Middle East & North Africa	2.3	2.4	2.7

Source: World Economic Outlook, April 2015, International Monetary Fund

World Output Growth (%)



Source: World Economic Outlook, April 2015, International Monetary Fund

SRI LANKAN ECONOMY

Economic Growth

Sri Lanka's GDP grew an estimated 7.4 percent in 2014, marginally higher than the level of growth in 2013 (7.25 percent). Growth in 2014 was dominated by the industrial and services sectors. Within industry, the construction sector was the major contributor to growth, with the sector accounting for 24 percent of the total increase in GDP during the year. The other major drivers of growth during the year, were wholesale and retail trade (contributed 25 percent to the total increase in GDP) and domestic transport (contributed 12 percent to the total increase in GDP).

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

GDP - SECTORAL ANALYSIS - 2014		
Sector	Growth (%)	Contribution to GDP Increase (%)
Agriculture	0.3%	0.5%
Industry	11.4%	48.1%
Services	6.5%	51.4%

Source: Department of Census and Statistics of Sri Lanka

When construction is excluded, the rest of the industrial sector grew at 8 percent and accounted for 24 percent of the increase in GDP in 2014. Industries such as Food & Beverage Manufacturing (8.1 percent growth), Chemicals (8.5 percent) and Apparel (11.5 percent) had strong growth during the year.

The agriculture sector had a poor year in 2014 with the sector stagnant at 0.3 percent growth. The tea sector as a component of GDP grew marginally by 1.2 percent whilst rubber contracted by 32 percent. The sector fared poorly across the board due to adverse weather including drought and floods at different times in the year. The rubber sector was adversely affected by a global slump in rubber prices, affecting domestic prices, exacerbated by heavy rains during the tapping period in major growing areas in Sri Lanka.

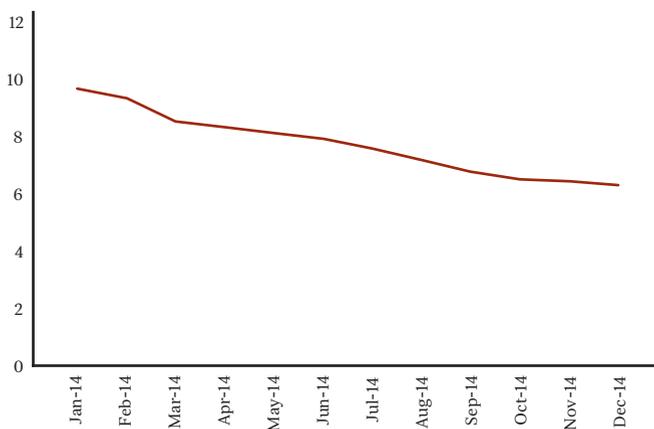
In 2014, the domestic economy saw a gradual recovery from a period of slack economic activity following macroeconomic tightening measures implemented in February 2012. In the year 2013 consumption as a component of GDP grew modestly by 3.25 percent, and proxy indicators (consumer import growth and retail growth) suggest that domestic consumption began to recover in the second half of 2014.

INTEREST RATES

Interest rates in Sri Lanka dropped to record low levels in 2014. By end December 2014, the 3 month treasury bill rate had declined to 5.74 percent and the prime lending rate had declined to 6.3 percent, amongst the lowest levels in Sri Lanka's recent history.

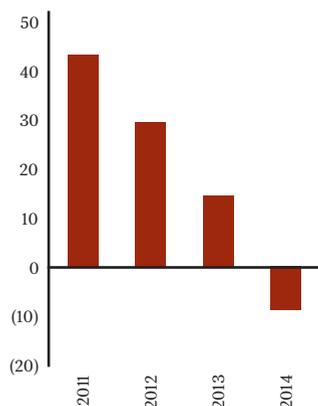
The main reason for the decline in interest rates was a significant decline in demand for credit in the market. This was due to lower consumer borrowing due to the decline in gold-backed lending following the global gold prices crash in 2013. Borrowing for investment was also quite shallow as investor confidence remained modest.

Prime Lending Rate (Percentage)



Source: Central Bank of Sri Lanka

Average Lending per Month to Private Sector (Rs. Bn per Month)



Source: Central Bank of Sri Lanka

With low demand for credit, excess liquidity in the market increased significantly (reaching Rs. 325 billion in short term repos), driving down interest rates.

In the second half of the year, however, lending to the private sector began to pick up, as pent up demand had to be met and low interest rates began to have an effect.

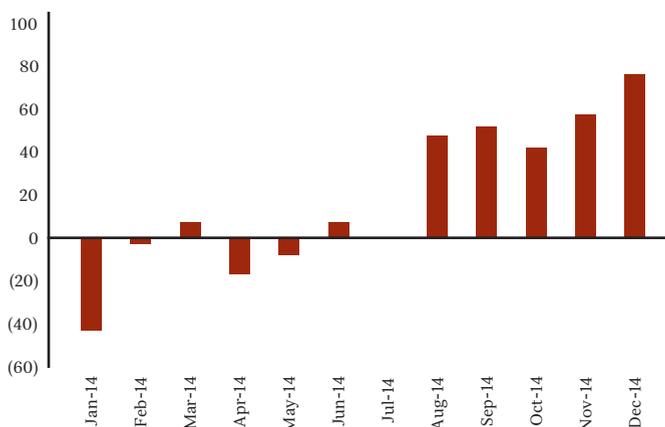
Whilst this increase in credit demand did not have an impact on interest rates in 2014, rates are expected to gradually increase in 2015 and beyond.

INFLATION

Inflation dropped below that average mid-single digit level that had been experienced in the previous year. Towards year end, inflation hovered around the 2 percent mark, well below historical averages. Several factors have influenced this, both on the supply side and on the demand side. The decline in inflation is mainly due to lower non-food inflation, with food price inflation remaining in mid-single digit levels.

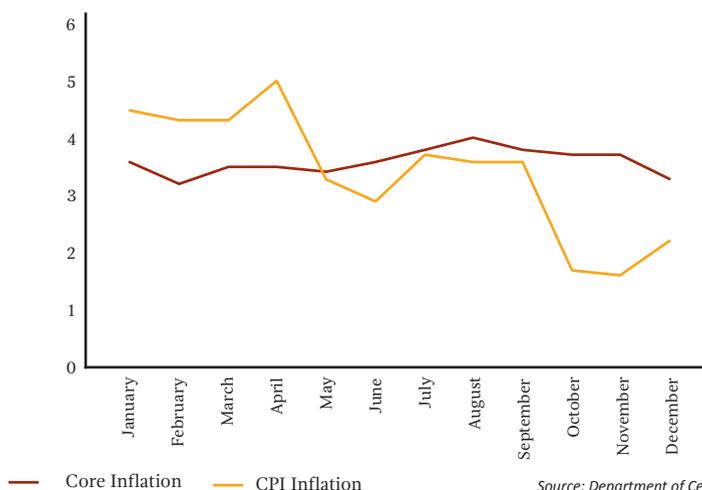
There has been a significant decline in major commodity prices globally, which has contributed to lower imported inflation and towards the latter part of the year, there were reductions in administered prices including electricity and fuel, which made a significant impact on the overall inflation levels. Demand in the economy has also been moderate, as indicated by the low core inflation level, which excludes volatile components fuel and food. Core inflation as of December 2014 was 3.2 percent on a point to point basis, whilst headline CPI inflation stood at 2.1 percent.

Monthly Lending to the Private Sector 2014 (Rs. Bn per Month)



Source: Central Bank of Sri Lanka

Inflation (Percentage)



Source: Department of Census and Statistics

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Sri Lanka Export Growth 2014
(%)



EXTERNAL SECTOR

Sri Lanka's export growth for the year 2014 was 7 percent. Export performance during the year was a tale of two halves. In the first half of the year export growth was robust, with average monthly export growth in the first 6 months being 16.6 percent. In the second half however, average monthly export growth turned negative.

In 2014, the apparel sector accounted for 58 percent of the increase in exports. Other industrial exports also demonstrated strong growth during the year, but make up relatively small volumes in terms of overall contribution. Tea exports showed modest growth of 5.6 percent during the year in value terms.

In 2014, the apparel sector accounted for 58 percent of the increase in exports. Other industrial exports also demonstrated strong growth during the year, but make up relatively small volumes in terms of overall contribution. Tea exports showed modest growth of 5.6 percent during the year in value terms.

EXPORT PRODUCT	GROWTH IN 2014	CONTRIBUTION TO INCREASE IN EXPORTS IN 2014
Apparel	9.4%	58.3%
Manufactured Food & Beverage	23%	7.5%
Rubber Products	0.2%	0.3%
Machinery & Electronics	9.9%	4.3%
Other Industrial Exports	17.9%	19.5%
Tea	5.6%	11.9%
Coconut Products	73.7%	20.9%
Seafood	8.1%	2.6%

Source: Central Bank of Sri Lanka

Imports in 2014 grew by 7.9 percent. Import of consumption goods grew by 21.1 percent during the year 2014, led by import of vehicles (54 percent growth), with all other categories of consumer goods growing at above double digit level during the year.

The growth in import of consumer goods is again reflective of the improved consumer sentiment that has been witnessed since the second half of 2014. This rebound is following a period of slack demand since late 2012. Intermediate imports grew by 8 percent, as the full impact of global oil price declines were yet to have effect. Import of investment goods, however, declined by 2.4 percent during the year.

With the moderation of exports and increasing momentum of import growth, the trade deficit expanded by 9.1 percent in 2014. The current account was supported by continued growth in remittances of 9.5 percent and tourism earnings of 29 percent and other service exports of 9.7 percent..

EXCHANGE RATE

The Sri Lankan Rupee (LKR) had a mixed year in 2014, with the LKR appreciating in the first half of the year and then, weakening in the latter part of the year. Strong export growth and a decline in imports characterised the first half of the year whilst the widening trade deficit, some uncertainty amidst elections in early 2015, and global US

Dollar strength, led to the depreciation by the year-end. For the full year, the LKR depreciated by 0.2 percent as against the US Dollar.

With regard to competing tea exporters, the LKR appreciated by 2.2 percent against the Indian Rupee, and 4.4 percent against the Kenyan Shilling. The appreciation of the LKR against these currencies made Sri Lankan tea exports relatively more expensive for global buyers compared to alternative sources. Aside, Sri Lanka's primary tea buyers faced economic and political challenges which reflected in currency movements as well. The Iranian Rial depreciated against the LKR by 9.4 percent whilst the Russian Ruble depreciated by 41 percent during the year. These currency movements have been adverse for Sri Lankan tea export prospects.

CURRENCY	RUPEE DEPRECIATION/ APPRECIATION
Rupee Depreciation	
US Dollar	0.2%
Rupee Appreciation	
Indian Rupee	2.2%
Kenyan Shilling	4.4%
Iranian Rial	9.4%
Russian Ruble	41%

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

OUTLOOK

The year 2015 is likely to be characterised by significant volatility in Sri Lanka. With the change in political guard in January 2015, the political climate has become more uncertain with parliamentary elections expected in the second half of 2015. As a result, businesses and corporates are likely to adopt a cautious approach with regard to expansions and investments. Whilst investments are likely to moderate during the year, consumption is likely to continue to grow on the back of fiscal stimulus provided through the 2015 budget and lower commodity prices enabling higher dispensable expenditure. The Sri Lankan Rupee is likely to face some depreciation pressure through the year as a result of higher imported consumption and continued weakness in exports at a time when Sri Lanka's major export markets are facing economic stress. Sri Lankan interest rates are also likely to increase as the government has delayed plans for off-shore financing of government debt, resulting in higher use of domestic funds

which would quickly eliminate excess liquidity in the market. With private sector credit trending towards growth since late 2014, the tendency for interest rates to rise is likely to accelerate, unless overseas financing is expedited. Inflation is likely to edge up compared to 2014, but, will remain in low to mid-single digit territory for the most part of the year.

The global economy is likely to remain on its current trajectory, with continued growth in the US which is likely to eventually lead to the US Federal Reserve implementing a mild interest rate increase towards the latter part of the year. The EU and Japan will remain sluggish with deflationary tendencies and this will force further monetary easing, which in turn will keep their respective currencies at low levels. Commodity prices are likely to remain modest as well, as China's economy recalibrates and the rest of the global economy is unlikely to compensate for the moderation in Chinese demand.

TEA INDUSTRY

Global Tea Outlook

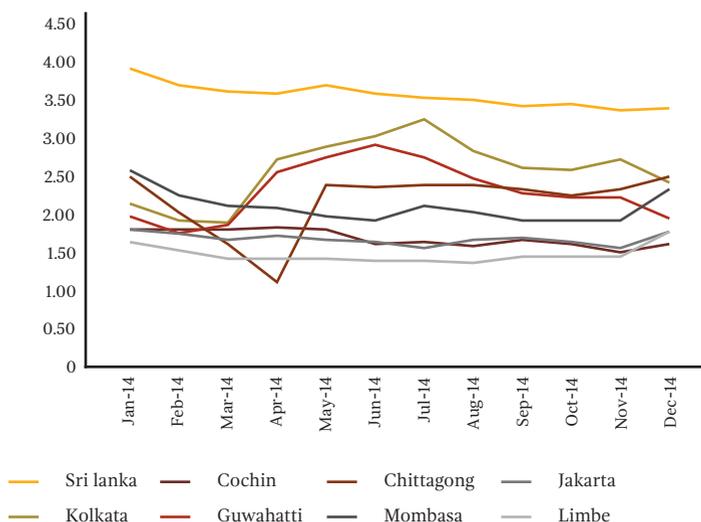
Black Tea Production

In the year 2014, the global black tea industry recorded a shortfall in production as compared to the preceding year. As per the available statistics, most of the leading black tea producing countries reported a decline in their production levels. The largest producer, India, reported a significant decline in production of 15.6 percent along with marginal declines from Bangladesh and Malawi. Sri Lanka also registered a two percent decline from the record levels of 340 million kilograms achieved in the previous year. However, led by Kenya, contributing 445.1 million kilograms, corresponding to an increase of 12.6 percent over the previous year, the African region registered an increase in production. Indonesia also reflected a moderate gain according to available data up to five months of May 2014.

GLOBAL AUCTION PERFORMANCE

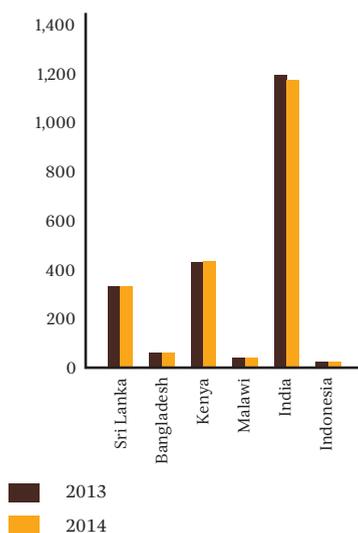
Following the high price trends of the preceding year, in the first few months of 2014, the world's black tea auctions broadly remained buoyant. Colombo auctions sustained its ranking at the number one position as against the competitor auctions; prices were remunerative within the first quarter of the year; however, moved on to a declining trend, particularly from the month of May up until the year-end. The Kolkata and Guwahati auctions in India registered high prices in the mid-year, but trended downwards in the last quarter of the year. The African auction centers

World Auction Prices (US\$)



Source: Forbes & Walker (International Tea committee)

Top Global Black Tea Producers - 2013 & 2014 (Mn kg)



Source: . Forbes & Walker(International Tea committee)

Note: Indonesian data for five months ending May 2014

remained below US\$ 2.50 per kilogram throughout the year, with the lowest recorded in Limbe auctions in Malawi.

NATIONAL TEA INDUSTRY

Challenged by adverse weather conditions, particularly, intense in the first and the last quarters of the year, national tea production registered a decline of around two million kilograms to reach 338 million kilograms. This corresponded to two percent below the record high achieved in 2013. In terms of elevation, high grown registered an increase of four percent whilst low grown registered One percent increase.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

HISTORICAL OVERVIEW			
National Production and GSA			
Year	Tea Production (Mn. Kg)	GSA High Grown (Rs. /Kg)	GSA Low Grown (Rs. /Kg)
2000	305.8	128.46	144.79
2001	295.1	135.56	154.5
2002	310	141.73	160.55
2003	303.2	138.31	160.86
2004	308.1	171.78	189.86
2005	317.2	172.24	199.01
2006	310.8	204.58	204.5
2007	304.6	252.46	298.66
2008	318.4	273.83	336.38
2009	289.7	319.73	387.07
2010	331.4	338.33	392.48
2011	327.5	329.95	381.27
2012	326.2	375.53	407.14
2013	340	402.98	469.91
2014	338	420.36	488.06

The geopolitical and economic uncertainties within key markets led by the Middle East and Russia had far reaching consequences to our tea industry. The adverse weather patterns that prevailed in the year further intensified the industry's issues. Yet, the tea industry remained a significant part of the economy, accounting for 9 percent of GDP and 15 percent of export earnings.

NATIONAL TEA PRODUCTION - 2014 & 2013 (IN KGS)		
Quarters	2014	2013
1st Quarter	73,551,601	81,670,236
2nd Quarter	98,959,622	92,390,794
3rd Quarter	83,235,314	74,420,084
4th Quarter	82,285,044	91,545,372
Total	338,031,581	340,028,499

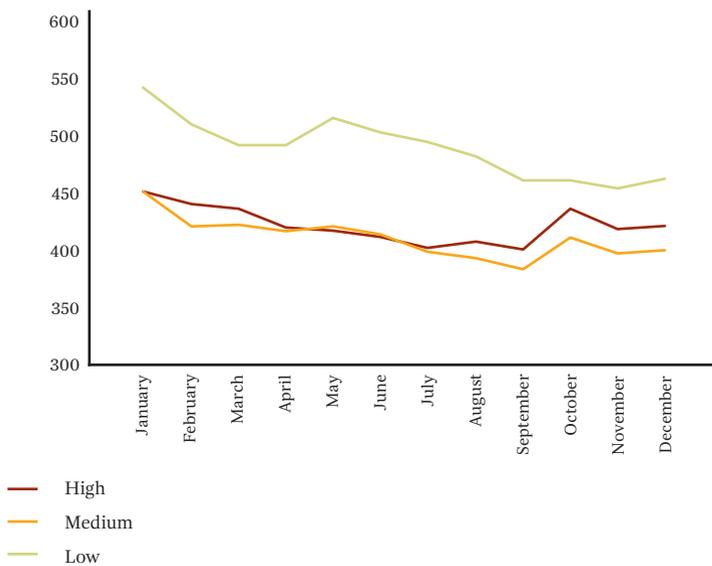
Source: Sri Lanka Tea Board

TEA PRODUCTION - ELEVATION & TYPE (IN MN KG)		
Elevation	2014	2013
High Grown	78.2	74.6
Medium Grown	46.9	54.0
Low Grown	209.7	207.9
Green Tea	3.2	3.7
Total Tea Production	338.0	340.2

Source: Forbes&walker & Sri Lanka Tea Board

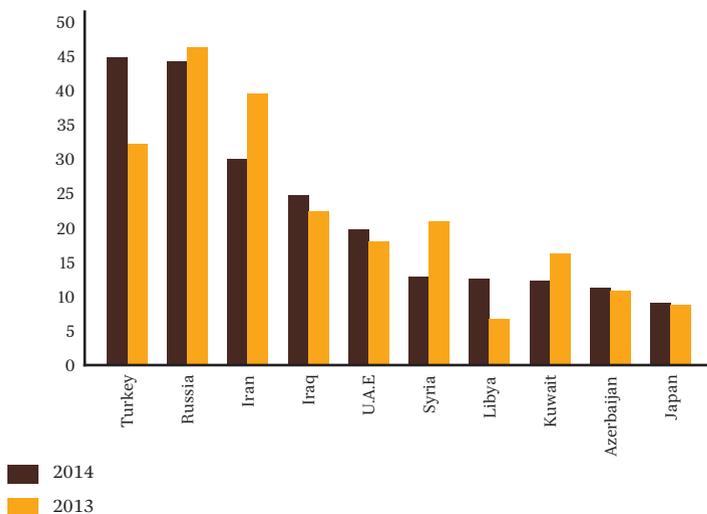
The production levels in the first quarter were affected by the prolonged drought that continued from the preceding year, all elevations lagged in performance compared to the corresponding period in 2013. However, with improved rainfall, the second quarter supported production levels to post a seven percent increase over the parallel quarter in the preceding year and reach to 98.96 million kilograms - the highest recorded within the reporting year. In the third and the fourth quarters, performance dropped compared to the second, whilst the fourth quarter was markedly affected by gloomy dry weather and thus, recording production levels less than the corresponding quarter of the previous year, representing almost a 10 percent decline.

Monthly Elevation 2014 (Rs.)



Source: Forbes & Walker & Sri Lanka Tea Board

Sri Lanka Export volumes (Top Ten countries - 2013/2014) (Rs. Mn)



COLOMBO TEA AUCTION PRICES

Given the short supply in the global market, the Colombo Tea Auctions realised attractive prices in the first quarter of 2014. A strong market prevailed for all elevations mainly supported by the buoyant prices for low grown teas. The demand from key markets - Middle East and CIS countries was strong despite their civil conflicts and sanctions imposed. In the second quarter as well prices remained stable.

However, during third quarter, the auction prices fetched for Ceylon tea were lower compared to the first six months of the year. This was in contrast to the characteristic upward trends that prevail during this period. The steady decline of crude oil, the significant depreciation of the Ruble in Russia against the US dollar coupled with the rising intensity of conflicts across Middle East and Russia impacted the demand for Ceylon tea. Yet, in comparison to the previous year, tea sales volume and unit average price were moderately higher both in terms of Sri Lankan Rupees and US dollars.

Month of October in the last quarter saw a pick-up in sale prices for high and medium grown teas, but receded thereafter. Low grown teas, however, remained modest throughout fourth quarter. At the year-end, gross sales average of low grown reached Rs. 488.06 per kilogram, whilst western high grown ended at Rs. 430.21 per kilogram; both corresponding to around four percent increase over the previous year averages. The overall average price at 461.86 was above the average international tea prices.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

TEA EXPORTS

In the year 2014, tea exports registered higher volumes than the previous year, representing a gain of 8.2 million kilograms to reach 327.8 million kilograms. This almost corresponded to the highest volume exported during the year, surpassing the previous best of 327.3 million kilograms in 2006.

Ahead of Russia, the top most importer of Ceylon tea for a considerable period of time, Turkey emerged to the top slot with 44.75 million kilograms, reflecting an increase of 12.52 million kilograms from the level registered in the preceding year. Russia and Iran ranked second and third registering a decline in their volumes by 2.24 million kilograms and 9.53 million kilograms respectively. Iraq and U.A.E. were also amongst the top-five exporters. The top five exporters accounted for almost 50 percent of the total tea exports.

Bulk tea posted a decline of 2.5 million kilograms as against the previous year to reach 127.3 million kilograms. Packed tea, however, registered a notable increase of 7.4 million kilograms, to reach 164.3 million kilograms. Tea bags recorded a growth of 2.9 million kilograms whilst green tea showed a marginal increase.

TEA EXPORT EARNINGS

Exceeding the preceding year's record levels, tea exports generated Rs. 212.98 billion as earnings in the year 2014, reflecting a growth of Six percent. However, the rate of growth notes a deceleration as compared to the growth of Ten percent achieved in the preceding year, given the sluggish demand from the key export markets, particularly Russia and Iran.

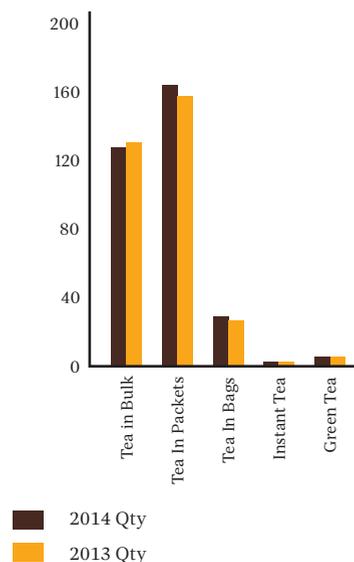
YEAR	2012	2013	2014
	In Bn	In Bn	In Bn
Export Earnings	180.4	199.4	212.9

Note: The information and data for the global and Sri Lankan economic review including the industry performance was sourced from the Census & Statistics Department, Central Bank of Sri Lanka and the World Economic Outlook April 2013, International Monetary Fund, Forbes & Walker (International Tea Committee) & Sri Lanka Tea Board

PRODUCT CATEGORY (MN KG)

	2014 QTY	2013 QTY
Tea in Bulk	127.1	129.8
Tea In Packets	164.1	156.9
Tea In Bags	28.6	25.7
Instant Tea	2.2	1.9
Green Tea	5.2	5.2
Total	327.3	319.6

Tea Product Performance in Mn Kg



Source: Forbes & Walker & Sri Lanka Tea Board

OUR CONTRIBUTION TO THE ECONOMY

ECONOMIC VALUE CREATION- REPORT CONTENT SYNOPSIS			
Materiality Aspects	GRI- G4 Indicator	Description	Quality of Report Coverage
Management Approach			
Economic Performance	G4-EC1	Direct economic value generated and distributed	Comprehensive
	G4-EC2	Financial implications, risks and opportunities due to climate change	Moderate with reference to section 'Environment Management' for detailed review
	G4-EC3	Coverage of defined benefit plan obligations	Comprehensive
Market Presence	G4-EC5	Ratios of standard entry level wages by gender	Moderate - covered at the estate level
	G4-EC6	Senior management hired from the local community	
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	Moderate with reference to section 'People & Social Development' for detailed review
	G4-EC8	Significant indirect economic impacts	
Procurement Practices	G4-EC9	Spending on local supplier	Comprehensive including the supply chain and reference to section environment management.

**"UNDERScoreD BY RESPONSIBLE AND ETHICAL PRACTICES IN BUSINESS,
WE ARE RIGHTLY POSITIONED AT THE HELM OF THE PLANTATION INDUSTRY -
SUPPORTING THE NATION'S DRIVE FOR SUSTAINABLE GROWTH AND DEVELOPMENT."**

OVERVIEW

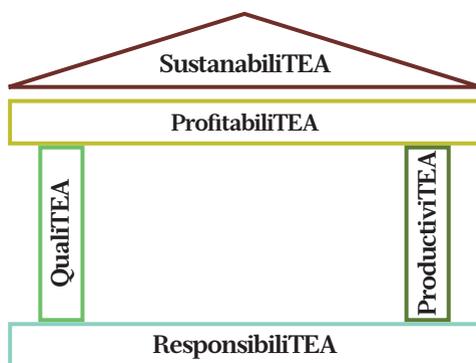
With a strong presence as a top tier regional plantation company, TTE PLC is well placed to significantly add value to the economy. The brand well renowned for consistent product quality, support of Hayleys group and the synergies therein have set a solid platform for the Company to reach out with sustainable value to meet stakeholder expectations. Economic impact of the entire business both direct and indirect is significant which has far-reaching benefits with ripple-effect to support the country's growth trajectory.

ECONOMIC ENGAGEMENT	
Value Creation	<ul style="list-style-type: none"> ☞ Scale of operations: 17 tea and rubber estates, bought leaf operations & three hydro power generation plants ☞ Share of national tea production : over 2% ☞ Value of tea production: Rs. 4.7Bn ☞ Employment generation: 8,827 employees ☞ Value added: Rs. 3.2Bn
Parent Company/ Shareholder	<ul style="list-style-type: none"> ☞ Responsible wealth creation ☞ Dividends: Rs. 3.00 per share (Rs. 71.25 Mn) ☞ Return on equity: 15.04%

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

ECONOMIC ENGAGEMENT	
Employees	<ul style="list-style-type: none"> ☞ Remuneration and incentives: Rs.2.6Bn ☞ Defined Benefits: Rs. 149.7 Mn ☞ Training Expenditure: Rs. 1.6 Mn
Customer	☞ Number one rank in both High Grown & Low Grown Teas
Resident Communities	<ul style="list-style-type: none"> ☞ Empowerment: over 41,700 residents ☞ Housing & other estate infrastructure: Rs. 30.5 Mn ☞ Health & nutrition: Rs. 8.9 Mn ☞ Capacity building: Rs. 4.6 Mn
Suppliers	<ul style="list-style-type: none"> ☞ Bought leaf operations: 1,642 tea smallholders ☞ Local suppliers: 95% of total supplies
Financial Institutions	<ul style="list-style-type: none"> ☞ Debt repayments: Rs. 371.1 Mn ☞ Deposit base : Rs. 34.3 Mn
Government	<ul style="list-style-type: none"> ☞ Corporate taxes: Rs.6.9 Mn ☞ Value-added taxes: Rs.3.8 Mn ☞ Employee Payee: Rs. 5.6 Mn
Environment	☞ Sustainable agriculture and environmental management practices: Rs. 36.7 Mn

MANAGEMENT APPROACH



Our approach to value creation is holistic. Being a plantation company, the significance of espousing an integrated approach in the value creation process cannot be underestimated. Our agriculture based operations and our reliance on people set the case to bring in a balance between economic, environment and social aspects of value creation.

In this backdrop, our quest for sustainability is based on a focused strategy established on four-pillars - productivity, quality, profitability and responsibility. Our drive is to optimise viability with best efforts to ensure high productivity in our daily operations and produce highest quality teas in keeping with our tradition, whilst upholding ethical business practices. Risk management including a precautionary

STRATEGIC IMPERATIVES	
Profit	20% Gross Profit
GSA	10% over Elevation Average -Best in Last 5 Years
Crop	5% Increase Year on Year
Employee Earnings	Opportunity to Earn 15% more Year on Year
Agriculture /Agronomy	100% conformance and compliance to good
Sustainability	Reduce the % of Labour Cost component in the C.O.P.

"Be a part of the solution, not part of the Problem"

Roshan Rajadurai
Managing Director

approach to environmental and social considerations combined with good governance add a solid platform for long-term value creation.

SCALE OF OPERATIONS

Our operations span 17 estates covering the high grown elevations in Talawakelle and Nanu Oya and the low grown elevations in Deniyaya and Galle regions. Our estates are spread out on 6,490. Hectares of land with fully-equipped and modern processing facilities in 13 factories. We have a total workforce of 8,827 including 8,745 working across our estates, mainly recruited from the resident communities of around 40,000 people; along with 34 employed at the head office in Colombo. Apart from our estate operations, our bought-leaf operations are significant with the engagement of around 1,642 tea smallholders, accounting for 18 percent of the Company's total tea production. The three hydro-power generation plants are operated as subsidiaries which also complement our quest to be responsible and give back to the environment.

VALUE CREATION G4-EC1

Backed by our scale of operations, the value we generate is significant with multiplier benefits permeating across the economy both directly and indirectly. We extend solid returns to our shareholders; quality products for our buyers/brokers and customers; job opportunities with capacity building; creating value in the supplier chain; elevating the livelihood and lives of our resident communities; meeting debt obligations to our financiers; and revenue for public expenditure.

In the year under review, with a stable performance despite the challenging operating environment, we were able to produce 7.2 Mn/kg of quality teas. Together with our bought leaf operations, we contributed 8.8 Mn/kg to the national tea production, accounting for over 2.1percent of the total. In terms of earnings, our teas attracted remunerative prices at the Colombo Auctions, ranking at the top slot, in turn, buttressing the country's foreign exchange earnings.

Total value generated during the year was Rs. 3.2 Billion, representing an increase of 33.3 percent as compared to the preceding year. Over 82.3 percent of the value generated was distributed amongst employees, followed by 3.1 percent to lenders of capital and Value retained within the Company to ensure sustainable growth in the future was Rs350million, representing 11percent of the total value generated.

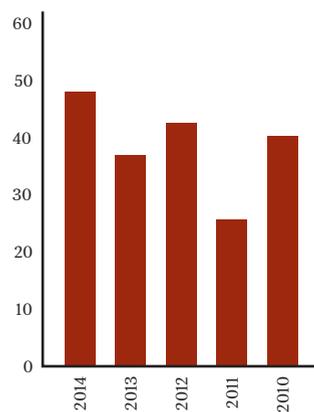
Set out below is the consolidated value added statement representing the TTE PLC Group's value creation and the direct distribution amongst key stakeholders.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

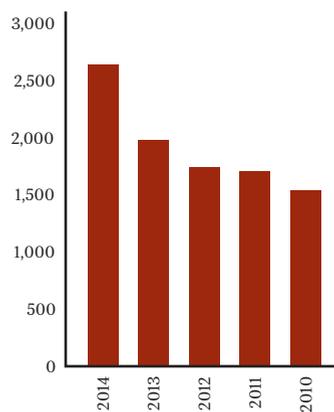
CONSOLIDATED VALUE ADDED STATEMENT

RS.000'	2014	2013	2012	2011	2010
Total Revenue	4,761,101	3,646,837	3,318,149	2,744,505	3,002,624
Purchase of goods and services	(1,601,525)	(1,242,122)	(1,156,618)	(876,683)	(1,014,237)
	3,159,576	2,404,715	2,161,531	1,867,822	1,988,387
Other Income	69,507	41,419	43,177	35,982	15,531
Total Value Added	3,229,083	2,446,134	2,204,708	1,903,804	2,003,918
Distributed as follows					
To Government (Income Tax and Other Taxes)	47,838	36,747	42,543	25,650	40,257
To employees (Salaries and other staff costs)	2,646,172	1,970,221	1,725,556	1,703,013	1,528,977
To lenders of Capital (Interest on Loan Outstanding)	101,074	106,603	122,214	108,548	166,271
To Shareholders (Dividends)	84,931	71,250	59,375	-	59,375
Retained for re-investment and future growth	349,986	261,313	255,020	66,593	209,038
	3,229,083	2,446,134	2,204,708	1,903,804	2,003,918

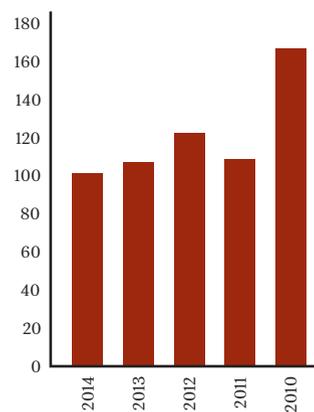
To Government
(Rs. Mn)



To Employees
(Rs. Mn)



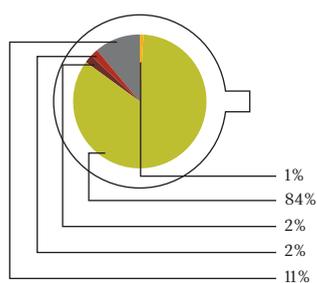
To Lenders of Capital
(Rs. Mn)



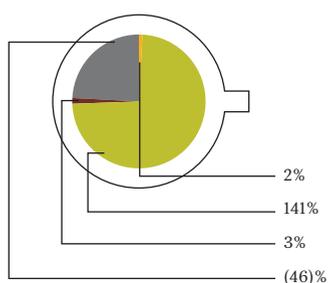
SEGMENTAL CONSOLIDATED VALUE ADDED STATEMENT

RS.000'	TEA	RUBBER	MINI HYDRO POWER	TOTAL
Total Revenue	4,618,979	24,603	117,519	4,761,101
Purchase of goods and services	(1,552,478)	(17,187)	(31,860)	(1,601,525)
Net Revenue	3,066,501	7,416	85,659	3,159,576
Other Income	59,236	10,271	-	69,507
Total Value Added	3,125,737	17,687	85,659	3,216,320
Distributed as follows				
To Government (Income Tax and Other Taxes)	43,617	440	3,781	47,838
To employees (Salaries and other staff costs)	2,611,943	24,881	9,348	2,646,172
To lenders of Capital (Interest on Loan Outstanding and Minority Interest)	56,576	572	43,926	101,074
To Shareholders (Dividends)	71,250	-	13,681	84,931
Retained for re-investment and future growth	342,351	(8,206)	14,923	349,986
	3,125,737	17,687	85,659	3,229,083

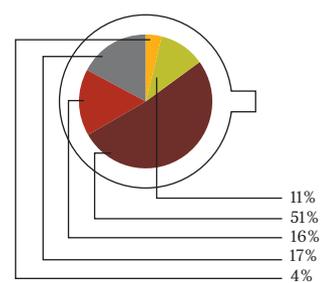
Tea



Rubber



Mini Hydro



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

SHAREHOLDER RETURNS

Refer: Financial Review, Page 100.

This year under review, we were able to meet our commitment to our shareholders, enhancing their wealth with sound returns. Our revenue for the year reached Rs. 4.76 Billion whilst profit after tax was Rs. 267.5 million. The consolidated revenue encompassing our subsidiary operations in the hydro power sector reached Rs. 118 million and profits reached Rs. 39.2 million. Return on equity was commendable at 14.5 percent with earnings per share reaching Rs. 10.08. The dividend for the year is proposed at Rs. 3.00 per share.

In line with positive sentiments within the capital market that prevailed in the reporting year, TTE PLC with 23.75 Mn public float performed well on the Colombo Stock Exchange. The average share price stood at Rs. 29.50 as compared to Rs. 24.00 in the preceding year. The peak price recorded in the year was Rs. 38.90 per share whilst the lowest was at Rs. 24.00 per share. Earnings per share stood at Rs. 10.08.

EMPLOYMENT & COMPENSATION

G4-EC3, EC5 & EC6

Refer: People & Social Development, Pages 69.

As a regional plantation company and being labour intensive in operations, our contribution to employment generation is substantial. Our workforce in the year reached to 8,827 with 701 new

recruitments. Almost 99 percent of the workforce, mostly comprising manual and staff grades, is from the resident communities in our estates as well as in our neighbouring communities. Most of the executive cadre as well, at the estate level, is recruited from the local communities. In the reporting year, 72 members of the executive cadre lived within or in the environs of the estates in which they worked.

WORKFORCE - REGION WISE						
Region/ Grade	No. of Employees as at 31 March 2015					
	High Grown		Low Grown		Colombo	Total
	Talawakelle	Nanu Oya	Deniyaya	Galle		
Executives	24	12	9	3	24	72
Staff	198	119	96	22	10	445
Manual Grade	4,080	2,730	1,190	310	-	8,310
Total	4,302	2,861	1,295	335	34	8,827

Our compensation is well in line with the wage guidelines stipulated and followed within tea plantation industry with the engagement of trade unions; and the requisite revisions are made in a timely manner. Entry level wages irrespective of gender are determined through this collective process. We are focused in our efforts to enhance worker productivity and precedence is given for performance with due incentives for high achievers. We are conscientious in meeting our defined benefit and contribution obligations as stipulated by labour legislature. The Company provides 12 percent contribution to the Employee Provident Fund (EPF) and 03 percent to the Employee Trust Fund (ETF) as per the relevant acts and the subsequent amendments. The employee in turn contributes 08 percent to EPF.

We provided Rs. 180.8 million and Rs. 45.2 million for the 15 months ended 31st March 2015 as EPF and ETF respectively. Gratuity provisions as at year-end stood at Rs. 923 million in line with the Gratuity Act.

DEFINED BENEFIT & CONTRIBUTION OBLIGATIONS			
For the period ended	2015 Jan-Mar	2014 Jan- Dec	2013 Jan- Dec
Rs Mn			
Defined Contribution Plan Obligations			
Employees' Provident Fund	37.4	143.4	93.7
Employees' Trust Fund	9.3	35.8	23.4
Defined Benefit Plan Obligations			
Gratuity Provision	1.6	147.1	146.6
Gratuity Payments	28.6	93.1	87.8

SUPPORTING RESIDENT COMMUNITIES G4-EC7 & EC8

Refer: People & Social Development, Page 163.

'A Home for Every Plantation Worker' - Socio-Economic Outcomes

We have a large estate community of over 40,000 people living within our estates across both high and low grown regions. Apart from extending employment opportunities to the resident communities, our initiatives to empower them have paved the platform for regional development in line with the nation's development agenda.

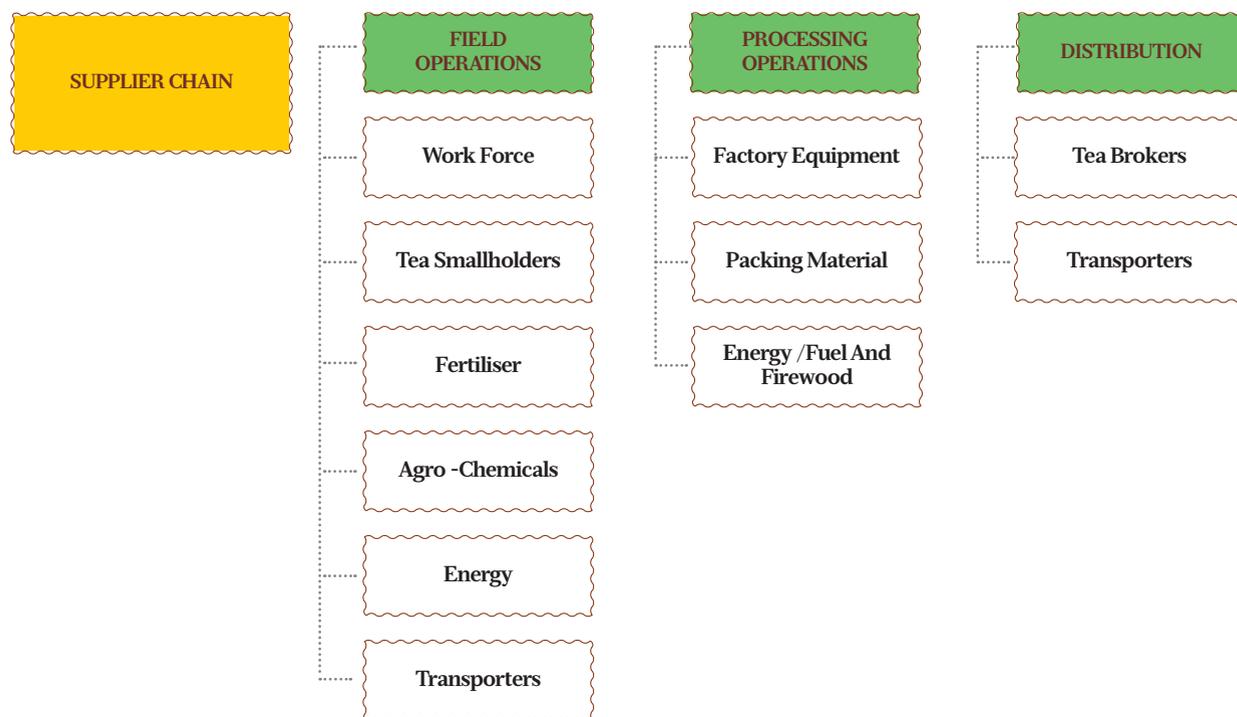
We have in place focused initiatives under a structured programme, 'Home for Every Plantation Worker' to support resident communities - to uplift their livelihoods and quality of life. Within this programme, we provide basic amenities - housing, sanitation, health and nutrition and capacity building including vocational training for youth. Our initiatives in this regard have supported and facilitated the wellbeing of our estate communities, with direct impacts on the level of productivity which in effect, reflect well on our value creation capacity, in turn; whilst indirect impacts trickling down to support the country's development agenda at the regional level.

In the reporting year, we invested a sum Rs. 45.9million on the initiatives under this programme in the 15 months of 2015 which included Rs. 30.5 million as estate infrastructure development; accounting for a significant share of 66percent. This reflected an increase of 8.5percent over the previous year's infrastructure investment of Rs. 28 million. From January to March 2015, infrastructure development stood at Rs. 5.4 million.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

SOCIAL DEVELOPMENT			
	2014 (12 Months) Rs. 000'	2015 (3 Months) Rs. 000'	Total (15 Months) Rs. 000'
Housing	6,851	759	7,610
Sanitation	1,132	-	1,132
Water Schemes	3,610	-	3,610
Field Rest Rooms	2,003	54	2,057
Play Grounds	4,350	-	4,350
Community Centres	1,160	-	1,160
Road Constructions & Rehabilitation	6,735	-	6,735
Other Infrastructure	3,691	150	3,841
Total Infrastructure Development	29,534	963	30,497
Total Community Investment	40,535	5,446	45,981
Infrastructure Development (% of Community Investment)	73	18	66

SUPPLIER CHAIN AND PROCUREMENT PRACTICES G4-12 & G4-EC9



As a regional plantation company, we have a considerable supplier base; including tea smallholders within our bought-leaf operations, agro chemicals and fertiliser suppliers, packing material, transporters and other service providers. Through the years, we have identified and carefully selected our suppliers - establishing long standing relationships with them.

Our procurement practices give preference to suppliers who follow best practices in business operations including environmental and social considerations. Our allegiance to socio-economic and environmental certification programmes clearly advocates and guides us in this regard. Accordingly, we seek to develop the supply chain through our direct interactions and structured programmes to spread best practices in agriculture and ensure quality compliance.

We also give preference to local suppliers in procurement, wherever deemed feasible. For the 15 months ended 31st March 2015, we incurred a sum of Rs. 1,075.1 million on procurement in terms of material supplies for operations, and out of which 97.2 percent was paid to local suppliers.

FOR THE PERIOD	2015 JAN- MAR		2014 JAN-DEC		2013 JAN-DEC	
	Rs Mn	%	Rs Mn	%	Rs Mn	%
Local Suppliers						
☕ Tea smallholders	97.2	50.6	539.1	61.1	478.5	58.5
☕ Agro chemical suppliers	9.4	4.9	35.4	4.0	24.2	2.9
☕ Fertiliser suppliers	23.7	12.3	110.0	12.5	121.8	14.9
☕ Packing materials	6.0	3.1	23.8	2.7	23.9	2.9
☕ Transporters	8.2	4.3	33.0	3.7	33.2	4.1
☕ Fuel & Firewood	31.8	16.5	127.3	14.4	121.9	14.9
Foreign Suppliers						
☕ Machinery	15.9	8.3	14.3	1.6	14.0	1.7
Total	192.2		882.9		817.5	

ENVIRONMENTAL IMPACT G4-EC2

Refer: Environment Management

Being a plantation company our link to the environment is direct and significant. Erratic weather as a result of climate change affects crop yields and quality of teas with serious implications on the competitiveness and moderating the top-line performance. As will be discussed under the Environment Review section, torrential rains will cause top soil to erode and landslides; and prolonged droughts will affect the fertility of the soil. Indeed, our business is highly susceptible to global warming and climate change and will be more so in the years to come. The impacts will be reflected on the viability and broadly be decisive on the sustainability of the Company and the industry as a whole.

As a responsible corporate, we have identified environmental risks and have adopted proactive measures to manage our operational impacts on the environment. We are focused in efforts to be sustainable in our agriculture practices and reduce our greenhouse gas emissions and thereby, our corporate's carbon footprint. The certification programmes - Rainforest Alliance, UTZ, among others, guide us and validate our commitment to follow responsible environment practices in our value creation process. We invested a sum Rs. 37 million in the year under review, for the 15 months ended 31.3.2015 for environmental management initiatives.

TAX PAYMENTS

Given our scale of operations with sound financial results, we were able to extend our support to finance public expenditure in the form of tax payments. This reporting year, for the 15 months ended 31.3.2015, the Company settled a sum of Rs. 6.9 million to the Department of Inland Revenue as corporate taxes whilst value added taxes amounted to Rs. 3.8 million. Our employee Payee contribution was Rs. 5.6 million.

FINANCIAL INSTITUTIONS

Over the years, we have upheld sound relations within the financial services sector, seeking their support to raise funds for long term expansions as well as for short term working capital needs. We also patronise their savings and investment schemes. In the reporting year, we were prompt with due payments including interest and capital to our lenders amounting to Rs. 371.1 million whilst maintaining deposit base of Rs. 34.3 million within the financial sector.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

OPERATIONAL PERFORMANCE

Agricultural & Field Operations Performance

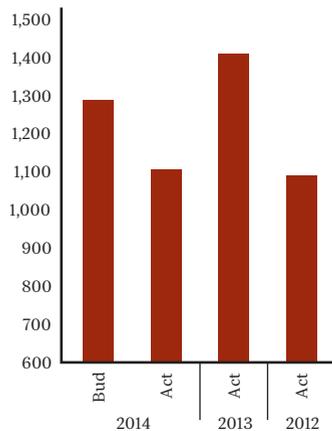
“Extremities in weather, particularly felt in the first quarter and to a lesser extent in the last quarter dampened crop potential. The committed efforts towards upholding sustainable agriculture practices supported operations to meet the challenges that prevailed within industry and sustain our stance on leaf quality.”

CROP PATTERNS

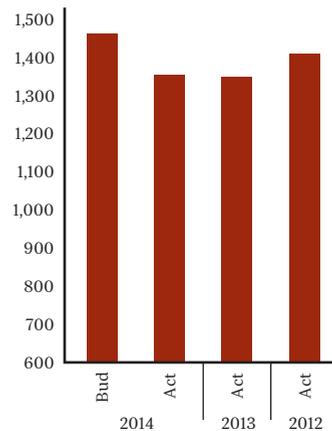
In contrast to the preceding year, unfavourable weather that prevailed in the first quarter of 2014 impacted the crop production of both elevations, but notably, within low grown estates which saw the lowest recorded in three years. This together with the fourth quarter set the pace for the overall mediocre performance for the 15 months ended March 2015. This backdrop, reiterated the need for the management across the estates to be focused in their efforts to bolster labour productivity whilst exercising discipline in operational expenses, paving to uphold estate profitability.

Quarterly Crop Patterns - High Grown

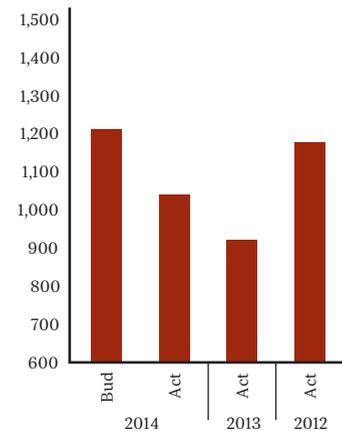
High Grown - 1st Quarter
(Kg'000)



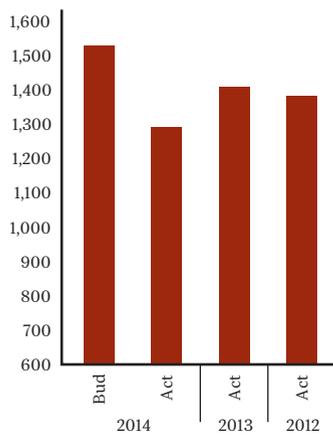
High Grown - 2nd Quarter
(Kg'000)



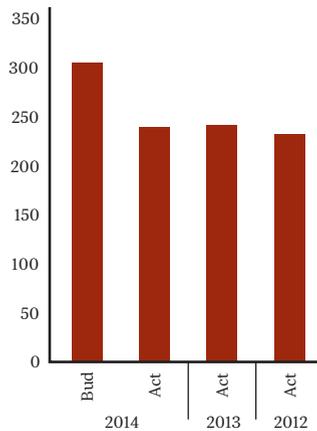
High Grown - 3rd Quarter
(Kg'000)



**High Grown - 4th Quarter
(Kg'000)**



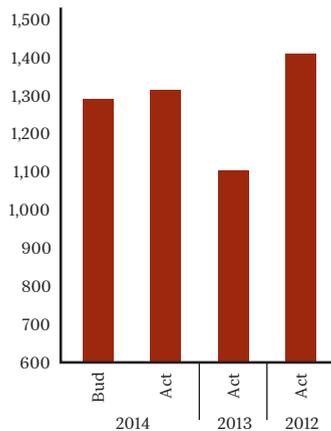
**Low Grown - 2nd Quarter
(Kg'000)**



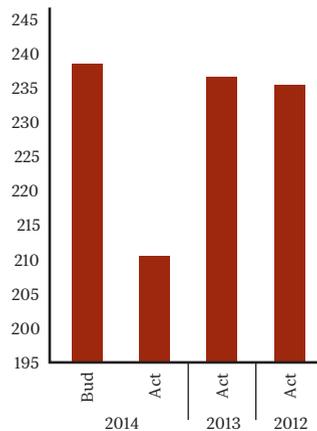
With dry weather prevailing in the first quarter 2014 especially in the months of February and March, high grown significantly fell short of its crop targets and 78 percent below the crop levels achieved in the corresponding quarter of the preceding year. With intermediate and monsoonal showers in the second quarter, crop production turned-around, albeit, sluggish in its recovery. Yet, the third quarter with monsoon rains at the peak, crop results demonstrated a full recovery, closing in on the targets and ahead of the corresponding third quarter 2013. The fourth quarter, once again, was susceptible to adverse weather, further depressing production levels. The first quarter of 2015 within the 15-month financial year, however, the results were encouraging - meeting the targeted level and compared to the first quarter of 2014.

Quarterly Crop Patterns - Low Grown

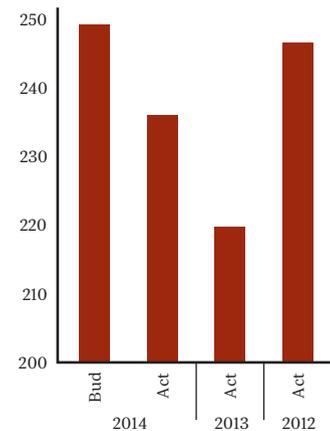
**High Grown - 5th Quarter
(Kg'000)**



**Low Grown - 1st Quarter
(Kg'000)**

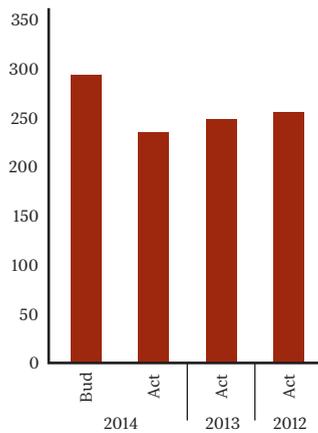


**Low Grown - 3rd Quarter
(Kg'000)**

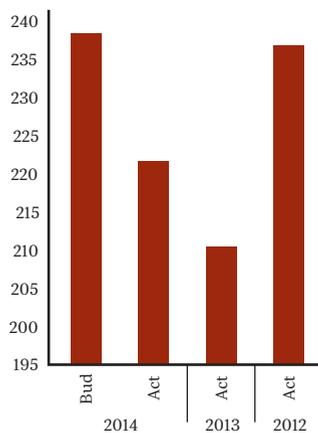


MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Low Grown - 4th Quarter
(Kg'000)



Low Grown - 5th Quarter
(Kg'000)



Following the cropping patterns of the high grown areas, first quarter 2014, impacted by dry weather, saw crop levels plummet to the lowest in three years, representing a fall of 86 percent compared to the corresponding quarter of the preceding year. With weather improvements, second quarter performance rebounded to the levels achieved in the corresponding quarter of 2013, although falling short of our targets. The crop yields were higher in the third quarter compared to the previous year which witnessed a depressive performance, yet, below our targeted levels. Fourth quarter results improved, yet, remained marginally below the level registered in the preceding year. The first quarter performance of 2015, however, did not record its potential harvest although the levels were ahead of the dismal results registered in the first quarter 2014.

AGRICULTURAL AND FIELD DEVELOPMENT

Well set by our strategic imperatives, we continued in to focus on sustainable agricultural practices across all 17 of our estates. Amidst the challenges posed by climate change which in effect impact on operational viability, sustainable practices in agriculture assume greater significance and are highly warranted.

Our field and factory operations continued to uphold best practices



and standards as prescribed by our certification bodies; Rainforest Alliance – Sustainable Agriculture, ISO 22000 Food Safety Management System, Ethical Tea Partnership and UTZ Sustainable Tea. We follow the agriculture guidelines set out by the Tea Research Institute whilst We mitigate climate change impact by implementing good agricultural practices to acclimatise operations to achieve the potential amidst erratic weather patterns and given resources.

We have in place a comprehensive monitoring process with due precedence given to documentation and close supervision - thus, maintaining the health and the vigour of the field operations along with corrective and timely measures for best results. We also give due priority, to soil conservation and to improve on the organic properties with timely testing of soil samples and fertiliser applications.

PRODUCTIVITY IMPROVEMENTS RECENT INITIATIVES

- ☕ Plucking baskets specially designed with considerations on ergonomic factors as recommended by TRI
- ☕ TRI sheers for male pluckers
- ☕ Electronic green leaf weighing scales for accurate and transparent measurement
- ☕ Tablet PCs for estate management facilitating close monitoring of field operations

We remained steadfast in the year under review to uphold the standards in leaf quality, vital to sustain our repute in the market for quality teas. The timing of operations remained a crucial facet within our field strategy - our aim was to harvest before leaf maturity, maintaining best-fit plucking intervals and standards. Hence, manpower planning was given top priority, focusing on employing our workforce to its potential; encouraging them to be regular in their attendance and perform at their optimum. Our workers were made aware of the estate key drivers including the plucking strategy and educated them on the necessity for concerted efforts to achieve the goals therein. The response from the

workers was encouraging. We gave due incentives for higher volumes and recognition within the estates for top performers.

Our estate management was 'hand-on' and disciplined in their monitoring efforts. The harvesting process was closely monitored and supervised to reap optimum volumes. The tablet PCs given to the management with real-time online information enabled them to monitor their operations effectively - giving access to information on pluckers and volumes harvested from each hectare with greater accuracy and speed.

NURSERY MANAGEMENT

An integral part of our sustainable practices, tea nursery management is advocated across our estate operations. We have well-equipped tea nurseries and we select and nurture cultivar that has a best-fit to sustainable practices in agricultural operations and supports are initiatives to produce quality teas. Our selection of cultivar takes into account the drought resistant properties in line with the recommendations of the TRI. Our nurseries propagate quality tea making cultivars to meet requirements for planting material in the on-going field development programme. Apart from tea, we have two separate nurseries in Wattegoda & Calsay estates for fuel wood, timber and other plant species, significant to enrich the biodiversity within our estates.

ESTATES - TEA NURSERIES

High Grown

- ☕ Dessford
- ☕ Bearwell
- ☕ Radella
- ☕ Great Western
- ☕ Wattegodda
- ☕ Holyrood
- ☕ Mattekelle

Low Grown

- ☕ Deniyaya
- ☕ Kiruwanaganga
- ☕ Indola
- ☕ Moragalla

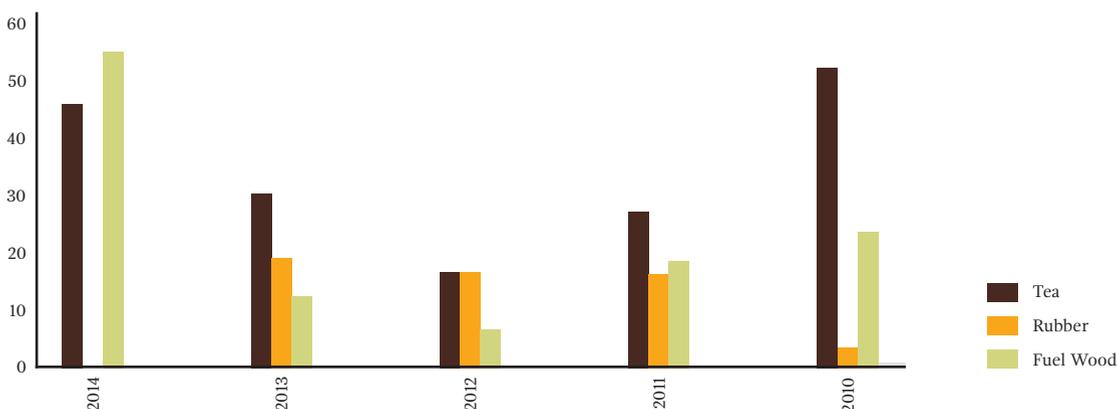
MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

FIELD DEVELOPMENT PROGRAMME

**FIELD DEVELOPMENT
KEY PERFORMANCE INDICATORS - 2014**

46.25 Hectares Tea Replanted	25.46 Hectares Tea Came into Revenue	51% in 2000 to 66% in 2014/15 V.P Cover Increased	55.25 Hectares Fuel Wood Replanted	Rs. 122.8 Mn Expenditure on Field Development
------------------------------------	--	---	--	---

Replanting Programme
(ha)



REPLANTING PROGRAMME					
Extent (ha)	Planted				
	2014	2013	2012	2011	2010
Tea	46.25	30.47	16.83	27.21	52.49
Rubber	-	19.16	16.7	16.46	3.39
Fuel Wood	55.25	12.54	6.5	18.56	23.7

Our Field Development Programme is central in our quest for sustainability in operations. Our focus within this programme is to increase the Vettiver Planting cover of our estates and thus optimising the agricultural potential of our lands.

In the year 2014, under this programme, we planted a total of 46.25 hectares of tea in both elevations, accounting for 71% in high grown areas and 28% in low grown. This represented nearly a 52% increase as compared to the preceding year. Since privatisation in 1992 up until 2014, we have replanted a total of 981.16 hectares with new tea. We maintained 54.18 hectares as capital clearings and adopted best practices to sustain them and ensure future yields. The total extent brought into revenue in 2014 was 25.46 hectares, taking the total to 796 hectares between the period 2000 to 2014. The extent expected to be brought into revenue in the year 2015

is 22.25 hectares and 31.93 hectares in 2016. The Vettiver Planting cover increased from 51 percent in the year 2000 to 66 percent in 2014. Our estates in the year did not replant rubber.

The total field development expenditure for the year stood at Rs. 122.8 million, an impressive increase of Rs. 44 million, representing almost 55% compared to 2013 . For the 15 months of 2014/15, field development expenditure stood at Rs. 142.2 million.

In keeping with our sustainability agenda, we continued with our efforts to reduce the dependency on fossil fuels and move on to renewable energy. In this regard, we invested well on our initiative to plant fuel wood. Our ultimate goal is to make each estate self-sufficient in fuel wood for energy. We planted an extent of 55.25 hectares of fuel wood in the year 2014, a distinct increase of over 341% as compared to 12.54 hectares planted in the previous year.

FIELD DEVELOPMENT PROGRAMME				
	New Clearings Planted 2014	Came Into Revenue 2014	Coming Into Revenue 2015	Coming Into Revenue 2016
Hectares				
Tea	46.25	25.46	22.25	31.93
Rubber	-	9.42	-	11.35
Fuel Wood	55.25	-	-	-

SOIL MANAGEMENT

SOIL MANAGEMENT TECHNIQUES

- ☞ Periodic testing of soil samples for carbon, pH and nutrient levels
- ☞ Planting of vettiver in bank edges and upper banks of drains
- ☞ Forking in pruned fields and burying of weeds
- ☞ Planting of grass in vacant patches
- ☞ De-silting of drains, terracing, thatching and mulching
- ☞ Replacing with special fertiliser mixtures including site specific fertiliser application to remedy nutrition deficiency levels

As an integral part of our sustainable agriculture initiatives, also in line with our certification body - Rainforest Alliance, concerted efforts continued to ensure good practices in soil management. Our management techniques aimed at obtaining higher yields with given inputs whilst minimising soil degradation and erosion and enrich its nutrients acidity and carbon levels.

RESEARCH AND DEVELOPMENT

Reinforcing our commitment to best practices in agriculture and factory processing, research and development unit was established and commenced work at Dessford estate in year 2014. The unit is led by Mr. Nishantha Abeysinghe, Regional General Manager. Currently, the research team is engaged in new product development and samples have already been dispatched to leading buyers for their feedback. We wish Mr. Abeysinghe and his team best and success in their research endeavours.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE CERTIFICATION PROGRAMME



The Mission of RA is to protect ecosystems, biodiversity, and the people and wildlife that depend on them by transforming land management practices, business practices and consumer behaviours. RA Standard follows ten universal principles of sustainable agriculture which are built on the three pillars of Sustainability - environment, economy and social justice. The objective is to mitigate environmental and social risks caused by agricultural activities, through a process that provides a measure of farm's social and environmental performance and best management practices and motivates each estate to consistently enhance its performance in their respective areas to ensure sustainability.

An Internal Management System (IMS) with an implementation mechanism and a manual consisting of policies, objectives, strategies, programmes, activities and key sustainability performance indicators have been developed to effectively implement and monitor the activities of the Rainforest Alliance Program. Apart from regular inspections and evaluations, comprehensive internal audits are carried out on each estate by a competent and qualified team headed by the RA Group Administrator, General Manager – Sustainability & Quality Management Development. Certification audits are carried out annually by an RA assigned officers from India. All our twelve high grown estates and Kiruwanaganga which is the prime low grown estate are now RA certified.



REGIONAL PERFORMANCE – HIGH GROWN - TALAWAKELLE

Overview

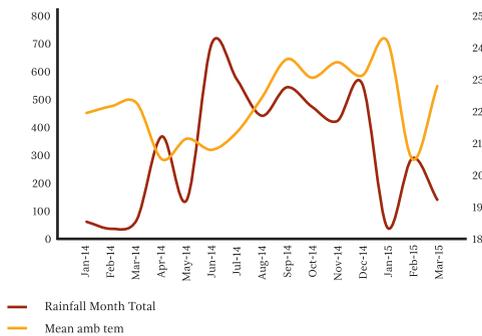
- ☞ Estates: Mattakelle, Bearwell, Holyrood, Great Western, Wattegodde, Palmerston & Logie
 - ☞ Total Extent Tea: 1928.05 hectares
 - ☞ Total Factory Capacity: 4.1 million kilograms
 - ☞ Factory Type: Orthodox Black Tea
- Certification:**
- ☞ Rainforest Alliance Sustainable Farm Certification: all estates in the Talawakelle region
 - ☞ Ethical Tea Partnership: all estates in the Talawakelle region
 - ☞ ISO 22000 Food Safety Management Systems: Wattegodde, Great Western, Mattakelle, Bearwell, Holyrood

Achievements:

Mattakelle, the highest in GSA amongst all high grown garden marks for the 5th consecutive year and 03 estate marks Mattakelle, Bearwell, Logie were within the 1st ten ranking.

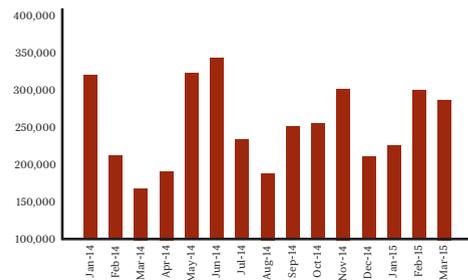
Weather & Crop Patterns

Talawakelle



*Wattegode Estate
Rainfall & Temperature Patterns*

Talawakelle



*Talawakelle Region
Quarterly Crop Performance*

- ☞ Acutely less rain fall combined with high temperatures depressed crop performance in the first quarter 2014.
- ☞ High rainfall from April to December balancing out the high temperature supported second and third quarter crop performance.
- ☞ Relatively low rainfall combined with higher temperature was not conducive for fourth quarter results.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Talawakelle Region Key Performance Indicators		2014	2013
	Economic		
Tea Production (Mn Kg)		3.0	3.2
Contribution to High Grown (%)		63	62
Profit (Rs. Per Hectare) '000		50.3	76.6
Capital Expenditure (Rs Mn)		33.8	27.5
Social			
Registered Workers		4,080	4,713
Resident Community (People)		22,990	22,696
Health & Safety - Training Programmes		53	54
Environment			
Tea - New Clearing Planted (Hectares)		16.2	8.0
Fuel Wood Planted (Hectares)		27	8.5

REGIONAL PERFORMANCE - HIGH GROWN NANU OYA

Overview

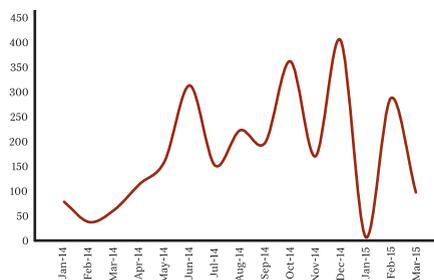
- ☞ Estates: Dessford, Somerset, Clarendon, Calsay, Radella
- ☞ Total Extent Tea: 1,185.90 Hectares
- ☞ Total Factory Capacity: 3.2 million kilograms
- ☞ Factory Type: Orthodox Black Tea & Green Tea
- ☞ Certification:
 - Rainforest Alliance Sustainable Farm Certification - all estates in the Nanu Oya region
 - Ethical Tea Partnership: all estates in the Nanu Oya region
 - ISO 22000 Food Safety Management Systems: Sommerset, Dessford
 - UTZ Sustainable Tea Certification -Radella

Achievements:

High Grown Prices - 02 estate marks Radella, Somerset were within the 1st ten ranking.

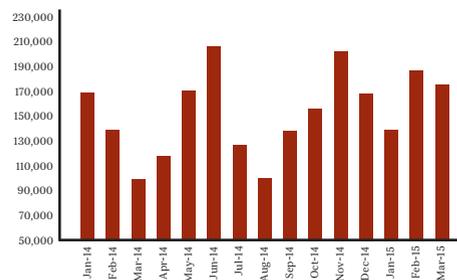
Crop Patterns

Nanu Oya



Calsay/Maha Eliya Estate Rainfall & Temperature Patterns

Nanu Oya



Nanu Oya Region Quarterly Crop Performance

	<ul style="list-style-type: none"> ☞ Dry weather from January to April was not conducive for first quarter results. ☞ Improved rainfall in the second and third quarter supported crop performance. ☞ Heavy rains in the months of October and December were not favourable for crop performance. 		
Nanu Oya Region Key Performance Indicators		2014	2013
	Economic		
	Tea Production (Mn Kg)	1.8	1.98
	Contribution to High Grown (%)	37	38
	Profit/(Loss) (Rs. Per Hectare) '000	11.0	(21.97)
	Capital Expenditure (Rs Mn)	41.5	30.2
	Social		
	Registered Workers	2,730	3,360
	Resident Community People	13,832	13,190
	Health & Safety - Training Programmes	60	73
	Environment		
	Tea - New Clearing Planted (Hectares)	16.7	14.75
	Fuel Wood Planted (Hectares)	28.25	4.0
REGIONAL PERFORMANCE -LOW GROWN -DENIYAYA			
Overview	<ul style="list-style-type: none"> ☞ Estates: Deniyaya, Kiruwanaganga, Handford, Indola ☞ Total Extent : Tea 636.38 Hectares & Rubber: 68.62 Hectares ☞ Total Factory Capacity: 1.9 million kilograms ☞ Factory Type: Orthodox Black Tea ☞ Certification: <ul style="list-style-type: none"> • Rainforest Alliance Sustainable Farm Certification - Kiruwanaganga • Ethical Tea Partnership: Kiruwanaganga & Deniyaya • ISO 22000 Food Safety Management Systems: Handford, Deniyaya & Kiruwanaganga <p>Achievements: Low grown prices - Kiruwanaganga Rank No.1 in RPCs & 02 estate marks above elevation average</p>		

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

<p>Weather & Crop Patterns</p>	<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Deniyaya</p> <p style="text-align: center;"><i>Kiruwanaganga Estate Rainfall & Temperature Patterns</i></p> </div> <div style="width: 45%;"> <p>Deniyaya</p> <p style="text-align: center;"><i>Deniyaya Region Quarterly Crop Performance</i></p> </div> </div> <p>☞ Consistent temperature levels yet, lower rainfall in the first quarter impacted crop results.</p> <p>☞ Improved rainfall with consistent temperature supported crop performance in the second quarter and third quarter.</p> <p>☞ Heavy rains in October - December was not conducive to crop performance in the fourth quarter.</p>																																							
<p>Key Performance Indicators</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #c00000; color: white;"> <th></th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2013</th> </tr> </thead> <tbody> <tr style="background-color: #d3d3d3;"> <td>Economic</td> <td></td> <td></td> </tr> <tr> <td>Tea Production (Mn Kg)</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">1.69</td> </tr> <tr> <td>Contribution to Low Grown (%)</td> <td style="text-align: center;">81</td> <td style="text-align: center;">82</td> </tr> <tr> <td>Profit/(Loss) (Rs. Per Hectare) '000</td> <td style="text-align: center;">62.1</td> <td style="text-align: center;">74.77</td> </tr> <tr> <td>Capital Expenditure (Rs Mn)</td> <td style="text-align: center;">31.8</td> <td style="text-align: center;">24.02</td> </tr> <tr style="background-color: #d3d3d3;"> <td>Social</td> <td></td> <td></td> </tr> <tr> <td>Registered Workers</td> <td style="text-align: center;">1190</td> <td style="text-align: center;">1,426</td> </tr> <tr> <td>Resident Community People</td> <td style="text-align: center;">4790</td> <td style="text-align: center;">4,543</td> </tr> <tr> <td>Health & Safety - Training Programmes</td> <td style="text-align: center;">65</td> <td style="text-align: center;">45</td> </tr> <tr style="background-color: #d3d3d3;"> <td>Environment</td> <td></td> <td></td> </tr> <tr> <td>Tea - New Clearing Planted (Hectares)</td> <td style="text-align: center;">10.6</td> <td style="text-align: center;">5.00</td> </tr> <tr> <td>Fuel Wood Planted (Hectares)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">9.14</td> </tr> </tbody> </table>		2014	2013	Economic			Tea Production (Mn Kg)	1.8	1.69	Contribution to Low Grown (%)	81	82	Profit/(Loss) (Rs. Per Hectare) '000	62.1	74.77	Capital Expenditure (Rs Mn)	31.8	24.02	Social			Registered Workers	1190	1,426	Resident Community People	4790	4,543	Health & Safety - Training Programmes	65	45	Environment			Tea - New Clearing Planted (Hectares)	10.6	5.00	Fuel Wood Planted (Hectares)	-	9.14
	2014	2013																																						
Economic																																								
Tea Production (Mn Kg)	1.8	1.69																																						
Contribution to Low Grown (%)	81	82																																						
Profit/(Loss) (Rs. Per Hectare) '000	62.1	74.77																																						
Capital Expenditure (Rs Mn)	31.8	24.02																																						
Social																																								
Registered Workers	1190	1,426																																						
Resident Community People	4790	4,543																																						
Health & Safety - Training Programmes	65	45																																						
Environment																																								
Tea - New Clearing Planted (Hectares)	10.6	5.00																																						
Fuel Wood Planted (Hectares)	-	9.14																																						

REGIONAL PERFORMANCE -LOW GROWN -MORAGALLA																																									
	<ul style="list-style-type: none"> Estates: Moragalla Total Extent : Tea: 80.31 Hectares & Rubber: 111.39 Hectares Total Factory Capacity: 0.6 million kilogram Factory Type: Orthodox Black Tea Certification: <ul style="list-style-type: none"> • ISO 22000 Food Safety Management Systems: Moragalla • Ethical Tea Partnership - Moragalla 																																								
Weather & Crop Patterns	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>Galle</p> <p style="text-align: center;"><i>Moragalla Estate Rainfall & Temperature Patterns</i></p> </div> <div style="width: 48%;"> <p>Galle</p> <p style="text-align: center;"><i>Galle Region Quarterly Crop Performance</i></p> </div> </div>																																								
	<ul style="list-style-type: none"> Adverse weather with lowest levels of rainfall and highest temperatures notably depressed the first quarter crop results. Inconsistent and temperature and rainfall patterns did not support a full turnaround in the second quarter, but firmer results in the third quarters. Fall in temperature in the month of October along with heavy rainfall dampened the crop performance in the fourth quarter. 																																								
Key Performance Indicators	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e67e22; color: white;"> <th></th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2013</th> </tr> </thead> <tbody> <tr style="background-color: #d9ead3;"> <td>Economic</td> <td></td> <td></td> </tr> <tr> <td>Tea Production (Mn Kg)</td> <td style="text-align: center;">0.4</td> <td style="text-align: center;">0.37</td> </tr> <tr> <td>Contribution to Low Grown (%)</td> <td style="text-align: center;">19</td> <td style="text-align: center;">18</td> </tr> <tr> <td>Profit/(Loss) (Rs. Per Hectare) *000</td> <td style="text-align: center;">(49.1)</td> <td style="text-align: center;">24.54</td> </tr> <tr> <td>Capital Expenditure (Rs Mn)</td> <td style="text-align: center;">15.6</td> <td style="text-align: center;">29.97</td> </tr> <tr style="background-color: #d9ead3;"> <td>Social</td> <td></td> <td></td> </tr> <tr> <td>Registered Workers</td> <td style="text-align: center;">310</td> <td style="text-align: center;">321</td> </tr> <tr> <td>Resident Community People</td> <td style="text-align: center;">158</td> <td style="text-align: center;">68</td> </tr> <tr> <td>Health & Safety - Training Programmes</td> <td style="text-align: center;">15</td> <td style="text-align: center;">21</td> </tr> <tr style="background-color: #d9ead3;"> <td>Environment</td> <td></td> <td></td> </tr> <tr> <td>Tea - New Clearing Planted (Hectares)</td> <td style="text-align: center;">2.79</td> <td style="text-align: center;">2.68</td> </tr> <tr> <td>Fuel Wood Planted (Hectares)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">10.02</td> </tr> </tbody> </table>			2014	2013	Economic			Tea Production (Mn Kg)	0.4	0.37	Contribution to Low Grown (%)	19	18	Profit/(Loss) (Rs. Per Hectare) *000	(49.1)	24.54	Capital Expenditure (Rs Mn)	15.6	29.97	Social			Registered Workers	310	321	Resident Community People	158	68	Health & Safety - Training Programmes	15	21	Environment			Tea - New Clearing Planted (Hectares)	2.79	2.68	Fuel Wood Planted (Hectares)	-	10.02
	2014	2013																																							
Economic																																									
Tea Production (Mn Kg)	0.4	0.37																																							
Contribution to Low Grown (%)	19	18																																							
Profit/(Loss) (Rs. Per Hectare) *000	(49.1)	24.54																																							
Capital Expenditure (Rs Mn)	15.6	29.97																																							
Social																																									
Registered Workers	310	321																																							
Resident Community People	158	68																																							
Health & Safety - Training Programmes	15	21																																							
Environment																																									
Tea - New Clearing Planted (Hectares)	2.79	2.68																																							
Fuel Wood Planted (Hectares)	-	10.02																																							

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

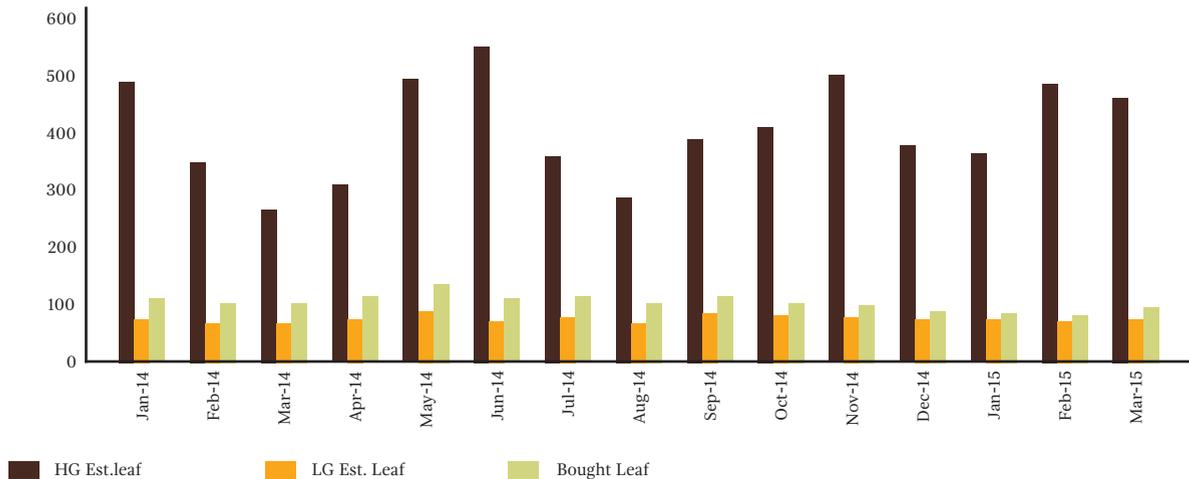
TEA PRODUCTION

“Resilient performance from our estates against the odds of the operating backdrop together with a robust bought-leaf supply sustained crop performance at healthy levels.”



QUARTERLY TEA PRODUCTION 2014 VS 2013 & 1ST QUARTER 2015											KG 000'	
Tea Production	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total		1st Quarter	Total
Kg'000	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2015	(Jan 2014-Mar 2015)
HG & LG Estate Leaf	1,316	1,653	1,591	1,591	1,275	1,141	1,526	1,659	5,708	6,044	1,537	7,246
Bought Leaf	319	304	365	322	335	275	297	350	1,316	1,251	269	1,585
Total	1,635	1,957	1,956	1,913	1,610	1,416	1,823	2,009	7,024	7,295	1,806	8,832

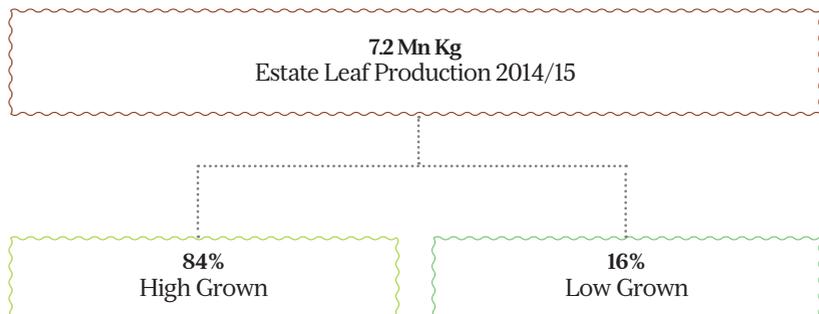
TTE PLC Tea Production Jan 14 - Mar 15



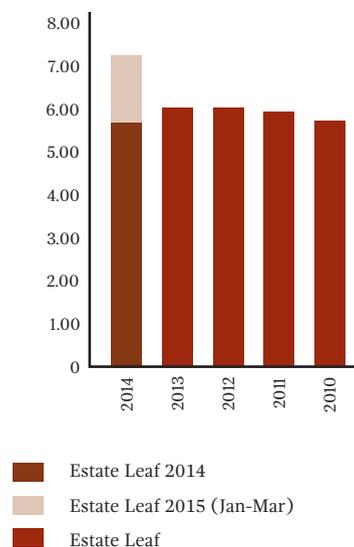
CLIMATE CHANGE

The impact of climate change is a significant issue affecting our tea cropping patterns and the quality season, ultimately having a significant bearing on our earnings capacity and profitability. We are concerned and closely monitor the temperature and rainfall in different agro climatic regions and assess the impact on the performance of our tea plantations. We have in place the necessary equipment including mean ambient thermometric temperature meters in Deniyaya and Galle in the low grown and Lindula, Talawakelle and Nanu Oya in the high grown. We have also taken due adaptation measures in our field operations to buffer against climate change - adopting drought pest and diseases tolerant cultivars, ensuring soil moisture and conservation, resorting to compost and organic manure, planting shady trees and irrigation during dry months.

During the year under review, weather monitoring revealed that erratic weather patterns with prolonged dry weather and heavy rainfall had a substantial impact on our crop performance mainly in the low grown elevations.



Estate Leaf Production 2014 - 2010 (Mn Kg)



OVERALL TEA PRODUCTION

The extremities in weather disrupted the cropping patterns in the 12 months ended December 2014, particularly, intense dry weather in the first quarter followed by wet conditions in the fourth. Yet, our focused efforts to ensure sustainable agriculture practices within our estate operations supported to curb the impact and the consequent result of 5.70 million kilograms of estate leaf in both elevations production achieved was less divergent from the preceding year, 2013, of 6.04 million kilograms, representing a drop of 6 percent. 15 months ended March 2015, total estate leaf was 7.25 Mn Kg. Bought leaf production registered better results than the previous year and supported the overall production to reach a total of 1.32 million kilograms, an improvement of 5.6 percent as against the year 2013. Bought leaf production for the 15 months ended March 2015 1.59Kg Mn. Bought leaf The first quarter of 2015 was conducive for crop and thus, in the 15 months ended March 2015, total production reached 8.84 million kilograms.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

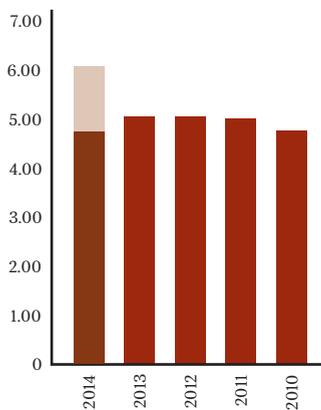
REGIONAL SUMMARY						
	2015 (Jan -Mar)		2014 (Jan-Dec)		2013 (Jan-Dec)	
Regions	Production	Contribution	Production	Contribution	Production	Contribution
	(Mn Kg)	(%)	(Mn Kg)	(%)	(Mn Kg)	(%)
Talawakelle	0.81	62%	3.0	63%	3.2	64%
Nanu Oya	0.49	38%	1.8	37%	1.8	36%
Total High Grown	1.30	100%	4.8	100	5.0	100%
Deniyaya	0.37	77%	1.8	82%	1.7	84%
Galle	0.11	23%	0.4	18%	0.3	16%
Total Low Grown	0.48	100%	2.2	100	2.0	100%

HIGH GROWN ESTATE LEAF PRODUCTION

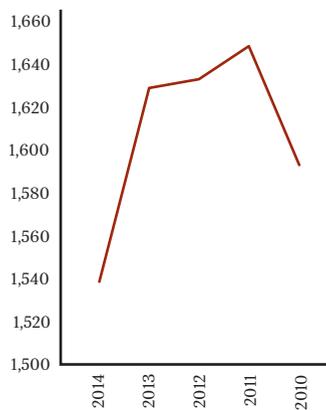
High grown production maintained its share - 84 percent out of the total estate leaf production whilst low grown production accounted for the balance 16 percent. In both elevations, first quarter performance was impacted by dry weather conditions which had a significant bearing on the overall estate leaf production levels. Second and third quarters in the high grown areas registered better results, but could not compensate for the first quarter depressive performance. In the low grown elevation, only third quarter registered an improvement in crop levels.

In the 15 months ended March 2015, total estate leaf production in both elevations reached 7.2 million kilograms.

High Grown Production 2014 - 2010 (Mn Kg)



High Grown - Yield (Kgs/ha)

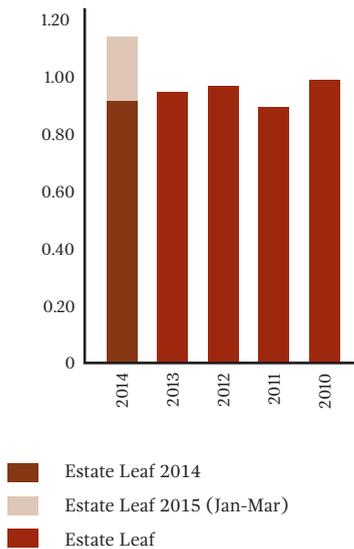


- Estate Leaf 2014
- Estate Leaf 2015 (Jan-Mar)
- Estate Leaf

Spread across an extent of 3,113.91 hectares, high grown tea estates were susceptible to adverse weather patterns that prevailed in the year and did not realise the anticipated performance. The production levels corresponded to a 6% decline over the previous year. Both clusters - Talawakelle and Nanu Oya accounting for 63% and 37% respectively recorded a shortfall of by 303,092 kilograms in total as compared to the previous year's level. The total high grown estate leaf production thus, reached 4.78 million kilograms in 2014. Tea yields reached 1,538 kilograms per hectare, representing a 5.6% decline as against 1,629 kilograms per hectare registered in 2013. January to March 2015 Yield 422Kg/Ha.

In the 15 months ended March 2015, high grown estate leaf production reached 6.1 million kilograms.

**Low Grown Production 2014 - 2010
(Mn Kg)**



LOW GROWN ESTATE LEAF PRODUCTION

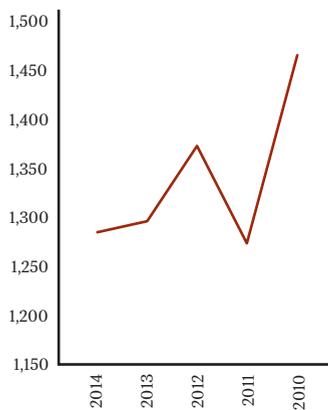
With an extent of 716.69 hectares, low grown tea estates also registered moderated results following the vagaries in weather. The most conducive weather prevailed in the third quarter and hence, best results. Deniyaya accounting for 84% of the total low grown production together Galle with a 16% share succumbed to the prolonged period of dry weather in the first quarter. Total low grown production recoded a shortfall of 26,354 kilograms in 2014, representing 2% decline vis-à-vis the year 2013. Low grown yields were 1,283 kilograms per hectare, a marginal drop from 1,295 kilograms per hectare in 2013 January to March yeild was 309kg/.Ha.

In the 15 months ended March 2015, low grown estate leaf production reached 1.1 million kilograms.

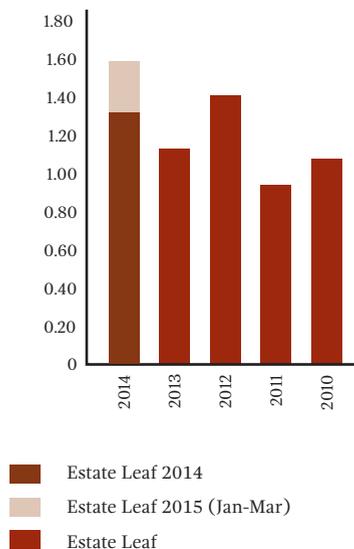
The bought leaf sector remained intensely competitive despite the government measures set to regulate the operations. With supplier bargaining power underscored by excess capacity, buyers continued to be in a quandary for the want of quality in the leaf supplied.

In the 15 months ended March 2015, our bought leaf strategy within the low grown elevation focused on greater engagement with suppliers to ensure quality and standards of the leaf whilst optimising on the intake. Notwithstanding the competition, our low grown estates on the whole for the 12 months of 2014/15 achieved higher crop vis-à-vis the financial year 2013.

**Low Grown - Yield
(Kgs/ha)**



**Bought Leaf Production 2014 - 2010
(Mn Kg)**



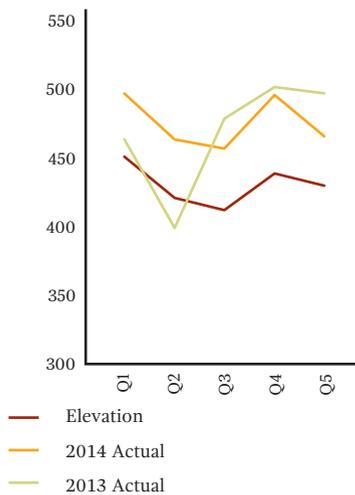
In terms of quarterly performance, four of our Low Grown estates maintained the bought leaf production ahead of the budgeted levels in the first three quarters of 2014. This was also ahead of the levels achieved in the corresponding quarters of 2013. However, the fourth quarter performance lagged both in terms of budgeted level and the actuals of 2013. The first quarter of 2015, continued on the same trend as the last quarter 2014. Overall, bought leaf in the first 12 months of 2014 contributed 1.3 million kilograms to the total production, an increase of 5% over the previous year amidst an overcrowded operating environment. For the quarter ending March 2015, bought leaf contributed 0.27 million kilograms, taking the total to 1.58 million kilograms for the 15 months 2014/15.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

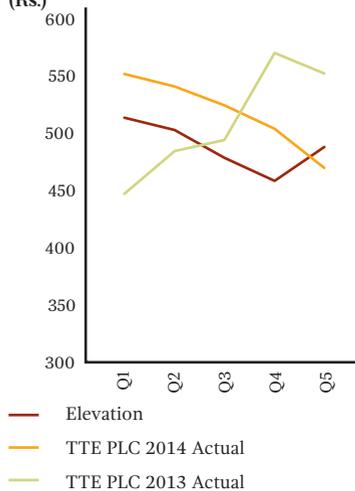
TEA PRICES

"Bullish trends on the Colombo Tea Auctions in the first quarter 2014 complemented our teas to attract remunerative prices to sustain top-tier positioning amongst the RPCs."

TTE PLC High Grown Price Trends - 2014, 2013 (Rs.)



TTE PLC Low Grown Price Trends - 2014, 2013 (Rs.)



ACHIEVEMENTS
COLOMBO TEA AUCTIONS - 2014

Five estate marks were within the first ten rankings in the western high grown : Mattakelle, Radella, Logie, Somerset, Bearwell

Mattakelle - highest GSA amongst all high grown garden marks for 2014 for the fifth consecutive year

TTE PLC rank number one in low grown category amongst RPCs

All ten of high grown estates are in the first twenty rankings

TTE PLC rank number one in western high grown category amongst RPCs

Kiruwanaganga rank number one in low grown category amongst RPCs

All four low grown estates are in the first five rankings amongst RPC

HIGH GROWN AVERAGE PRICES 2014 VS.2013				
Rs. Per Kg	Q1	Q2	Q3	Q4
2014 Elevation	452.48	420.65	410.41	439.20
2014 TTE PLC Actual	497.98	463.36	455.66	496.82
2013 TTE PLC Actual	463.81	398.59	479.85	503.49
1Q 2015 TTE PLC Actual: Rs. 464.76 per Kg				

LOW GROWN AVERAGE PRICES 2014 VS. 2013				
Price Per Kg	Q1	Q2	Q3	Q4
2014 Elevation	514.64	503.60	479.09	457.69
2014 TTE PLC Actual	553.47	542.64	524.98	504.38
2013 TTE PLC Actual	446.15	483.60	494.01	571.64
1Q 2015 TTE PLC Actual: Rs. 469.14 per Kg				

Continuing from the bullish trends in the preceding year, the first quarter 2014 extended remunerative prices at the Colombo Tea Auctions. This trend, however, reversed by the latter half of the year, within this mixed scenario, our strategy was coherent and steadfast - we remained intense in our efforts to differentiate our teas on premium quality. Backed by this perceptive strategy, we succeeded to manage the market dynamics and uphold our positioning amongst the top-tier Regional Plantation Companies with impressive rankings on the market.

In the year 2014, for the eleventh successive year, we sustained our rank at number one at the Auctions for western high grown teas amongst the RPCs whilst low grown elevation sustained its positioning at number one for the tenth consecutive year.

In terms of elevation prices, our high grown teas attracted remunerative prices in the first two quarters with prices averaging at Rs. 497.98 per kilogram and Rs. 463.36 per kilogram respectively. However, with waning market conditions, our high grown categories did not realise the anticipated prices in the third quarter of 2014. The average price by the third quarter dropped to Rs. 455.66 per kilogram, yet, above the elevation average of Rs. 410.41 per kilogram. At the end of the fourth quarter prices picked up relative to the preceding quarter, averaging at Rs. 496.82; this was below the corresponding quarter of the 2013, but ahead of the elevation average. The first quarter of 2015, average price dipped, once again, to Rs. 464.76 per kilogram.

Five estate marks - Mattakelle, Radella, Logie, Somerset and Bearwell were within the first ten rankings in the western high grown whilst all ten estates within this elevation were within the first twenty rankings. Mattekelle retained its positioning with the highest average price in the western catalogue for the sixth consecutive year.

Low grown prices performed well with averages in the first three quarters of 2014 above the corresponding quarters of 2013. The first quarter recorded the best average of Rs. 553.47 per kilogram. However, by the fourth quarter, prices fetched for our low grown categories reversed significantly to reach an average of Rs. 504.38 per kilogram, below the corresponding quarter of 2013. This however, was above the elevation average of Rs. 457.69 per kilogram. The first quarter of 2015 remained depressed at an average of Rs. 469.14 per kilogram.

In terms of estates, Kiruwanaganga upheld its rank at the helm amongst RPCs whilst four of our low grown estates were within the first five rankings amongst RPCs.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

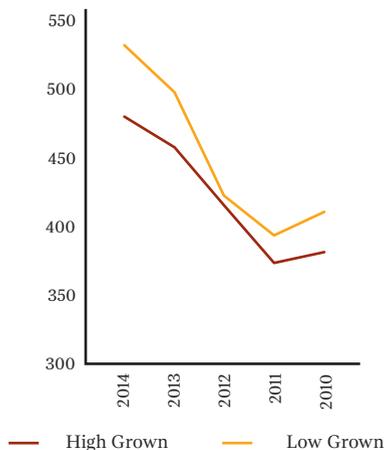


Given the bullish trends in the first two quarters at the Colombo Tea Auctions, our GSA in the high grown category posted significant increases of Rs. 34.17 per Kilogram and Rs. 64.77 per kilogram respectively in comparison to the corresponding quarters of 2013. By the third quarter with prices at the ebb, GSA moderated by Rs. 24.19 per kilogram compared to the corresponding quarter performance of 2013. The fourth quarter although better than the preceding quarter, dipped by Rs. 6.67 per kilogram as against 2013. This trend further continued into the first quarter 2015, which reported a dip of Rs. 33.22 per kilogram. The year 2014 ended with GSA of high grown reporting Rs. 478.53 per kilogram, five percent increase as against 2013 whilst for the 15 months of 2014/15, GSA reported Rs. 488.63 per kilogram.

In terms of low grown teas, following the strong prices fetched at the Auctions, the first three quarters reported solid results in GSA; the first quarter reported the best increase of Rs. 107.32 per kilogram as against the corresponding quarter of 2013. The fourth quarter in line with the market dip, GSA slumped by Rs. 67.26 per kilogram against the fourth quarter of 2013. The GSA for the 12 months of 2014, recorded a 7% increase as against 2013 to end at Rs. 531.22 per kilogram. For the 15 months of 2014/15, GSA reported Rs. 526.96 per kilogram.



GSA - 2014-2010 & 2014/15 (Rs.)

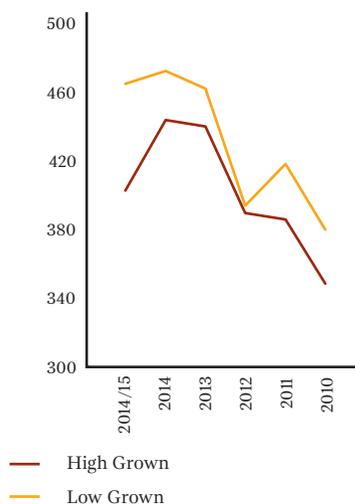


GSA - 2014-2010 & 2014/15							
	2014/15 (15 Months)	2015 (Jan Mar)	2014	2013	2012	2011	2010
High Grown	488.63	464.76	478.53	456.36	413.38	371.66	379.60
Low Grown	526.96	469.14	531.22	496.56	420.49	390.89	408.31

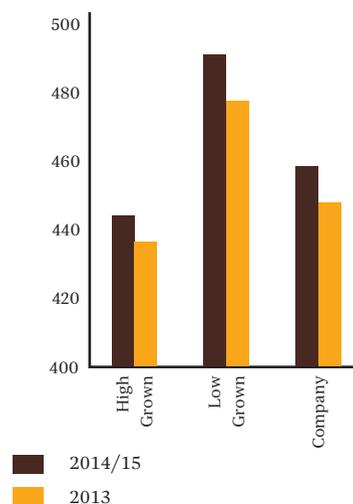
COST OF PRODUCTION

“Our disciplined initiatives in cost controls and hands-on management practices to enhance productivity buttressed supported us to curb the rise in cost of production in 2014 to 4.0 percent compared to 14 percent in 2013.”

Cost of Production (Rs.)



Cost of Production (Rs.)



COST COMPONENTS 2009-2014 & 2014/15							
Key Components	2014/15	2014	2013	2012	2011	2010	2009
Urea MT	26,000	26,000	26,000	26,000	26,000	46,500	47,000
Wages/day (Rs)	687.50	687.50	687.50	572.00	572.00	447.75	447.75
Fuel/litre	121	121	121	115.00	84.00	73.00	73.00
Firewood/	2,400	2,400	2,400	2,300	2,200	2,000	1,900
Electricity/kwh	12.25	12.25	12.25	10.45	10.45	9.30	9.30
KVA	1,100	1,100	1,100	850	850	675	675
Total COP/ Rs Per Kg	458.72	468.72	448.02	392.10	389.24	357.07	359.24

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

On the expenditure side, the estate management exercised discipline and closely monitored and controlled unnecessary expenses and leakages. The wage bill remained a significant portion of the cost of production accounting for almost 60% of the total. However, given the price revisions in electricity and fuel towards the latter part of the year, a reduction in the energy bill was noted.

Following the shortfall in the levels of crop production, cost of production in both elevations - high and low grown increased by Rs. 15.14 per kilogram and Rs. 11.69 per kilogram respectively in the year 2014 as compared to the year 2013. The overall cost of production registered an increase of Rs. 17.63 per kilogram, representing 4% as against the preceding year to reach Rs. 468.72 per kilogram in 2014. The cost of production for 15 months ended March 2015 stood at Rs. 458.72 per kilogram.

ESTATE PROFITABILITY

“Our drive for performance combined with responsive and well-planned strategic priorities supported 15 of our estates out of 17 to uphold their profitability levels.”

With production shortfall and depressive prices at the Colombo Tea Auctions towards the latter part of the year combined with higher cost of production set a challenging backdrop for estate profitability to be sustained at the levels achieved in the previous year. The focus at the top-line was to improve on productivity and yields whilst ensuring premium quality to buffer against the difficult operating conditions. Disciplined management of costs underlined the bottom-line strategy. Concerted efforts across the estates from the management to operational teams were in place to drive this strategy, underscored by performance.

In this setting, we were able to uphold our profitability across most of our estates, totalling to Rs. 226.47 million in the 15 months ended March 2015. High grown estates accounted for over 93.06 percent of estate profits with Rs. 210.76 million; whilst low grown estates took up the balance 6.94 percent with Rs. 15.72 million. Profits were strongest in the first two quarters of the year.

On a regional basis, Talawakelle cluster sustained its positioning at the top with a contribution of over Rs. 60.51 million to total estate level profits reaching Rs. 137.03 million in the 15 months ended March 2015. Nanu Oya however continued to report profit of Rs. 73.73 million. However, Deniyaya and Galle regions in the low grown areas contributed 11.32 percent and (4.38) percent to total estate profits.

With respect to estates 9 out of the 17 estates reported profits for the 15 months of 2014/15 inclusive of 8 high grown estates and 1 low grown. Bearwell estate posted the highest profits continuing to be at the top of the estate profitability list, followed by Kiruwanaganga and Mattakelle with second and third rankings respectively. Profits were also reported by Somerset and Great Western with notable contributions to total estate profits.

	NO OF ESTATES	NO OF ESTATES MAKING PROFIT IN TEA						
		2014/15 (15 Months)	2014	2013	2012	2011	2010	2009
High Grown	12	8	9	8	8	3	8	7
Low Grown	5	1	2	4	3	0	3	5

RUBBER

Our rubber operations which accounts for just 0.55% of our revenue remained modest in its performance. As a strategic move, we looked at tapering our rubber operations in the low grown.

The issues that shroud the industry including the trending decline in prices with high cost of production combined, reflected on our rubber operational results.

Total production in the year 2014 was 68,932 kilograms, down by 59% compared to 116,731 kilograms in 2013; whilst the production for the full financial year 2014/15 was 94,055 kilograms. In terms of prices, given the depressive dynamics, our rubber prices averaged at Rs. 264.76 per kilogram in 2014 as against Rs. 334.80 per kilogram in 2013. For the 15 months of 2014/15, rubber averaged at Rs. 261.58 per kilogram.

In this context, the turnover for the year 2014 was Rs. 18.2 million, down from Rs. 39.1 million in 2013. In the 15 months of 2014/15, turnover stood at Rs. 24.6 million. Cost of production continued to be high, impacting the bottom-line results. The losses made for the year 2014 was Rs. 20.9 million whilst for the 15 months ended, 2014/15, losses reached Rs. 7.7 million

HYDROPOWER SECTOR

The hydropower generating plants - Radella, Palmerstone and Somerset with a combined capacity of 2.2 MW operated as our subsidiary operations posted a sound result in the year 2014/15. The total revenue in the year 2014 decreased by 21.36 percent to Rs. 93.19 million compared to 2013. For the full financial year 2014/15 revenue stood at Rs. 117.52 million which accounted for 2.47 percent of the total consolidated revenue of the organisation. The energy supplied to the national grid in 2014 decreased by 364,000 kwh compared to the previous year's 1.057 million kwh. Heavy rainfall in the year contributed to the increase with all plants running on full capacity.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

FINANCIAL REVIEW

Group net profit before tax of Rs. 286.4 million compared to Rs. 236.8 million in 2013 - a commendable performance in a challenging year.

A financial strategy to reduce debt levels of the Company reached a milestone; to record the lowest debt to equity cover of 36.4 percent in 2014/15 from 65.8 percent in 2010.

A SUBSTANTIAL POSITIVE FREE CASH FLOW AND NET PROFIT AFTER TAX STRENGTHENED THE COMPANY'S FINANCIAL POSITION AT THE YEAR-END; WITH A DECLINE IN BORROWINGS OF RS.120.6 MILLION AND AN INCREASE IN GROUPEQUITY OF RS.172.5 MILLION.

 **Rs. 4.8Bn**
Revenue

 **32.03 %**
Increase
Cost of Sales

OVERVIEW G4-9

 **Rs. 53.3Mn**
Other Income

 **1.6%**
Decrease
Finance Expenses

 **Rs. 263.4Mn**
Profit Before Tax
(Company)

 **Positive**
Operating &
Free Cash flows -

 **Strong**
Financial Position

 **Rs. 22.9Mn**
Profit Before Tax
(Hydropower Sector)

PROFIT BEFORE TAX QUARTERLY PERFORMANCE - 2014/15

1Q-2014	Rs. 50.6Mn	Remunerative tea prices off-set by low crop and high cost of production given adverse weather.
2Q-2014	Rs. 49.8Mn	A steady tea market; price lower to first quarter with a higher crop.
3Q-2014	Rs. 10.2Mn	Soft tea prices with seasonal low crop had a negative impact.
4Q-2014	Rs. 95.7Mn	Seasonal pick-up in crop levels with improved tea prices recorded strong earnings.
1Q-2015	Rs. 57.1Mn	Satisfactory crop levels, but, sharp decline in tea prices eroded profitability.

OVERVIEW

The fifteen months period recorded revenue of Rs. 4.8 billion, an increase of Rs. 1.1 billion compared to the previous year. A softer market for tea prices since third quarter and thereafter a steep decline in the quarter ending March 2015 at the Colombo Tea Auctions impacted revenue in the year under review, 2014/15. Notwithstanding the revenue impact, cost management and productivity measures mitigated somewhat the high cost of wages and other operating costs that prevailed in the year. Consequently, gross profit was maintained at a healthy Rs. 503 million, an increase from Rs. 421.8 million in the previous year.

A higher gross profit contributed to the year's increase in operating profits. The noteworthy contribution of Rs. 69.5 million from other income, and lower administration cost and management fees with a gain from fair value of

biological assets of Rs. 6.8 million contributed to the year's operating profit of Rs. 349.6 million compared to Rs. 272.8 million in the previous year.

Net profit before tax at Rs. 263.4 million was an increase compared to Rs. 193.7 million in the previous year. Lower finance costs of Rs. 57.1 million coupled with operating profits buffered the year's net earnings.

The hydro sector contributed a profit after tax of Rs. 39.2 million, albeit; lower than the previous year, towards the group after tax profit of Rs. 267.4 million, an increase from Rs. 199.5 million in the previous year.

Cash flow for the period ended March 2015 was 1.76 times of profit before tax. Operating cash flow was Rs. 463.8 million whilst free cash flow was Rs. 200.7 million; total bank borrowings at

the year-end was Rs. 409.3 million, a reduction of Rs. 120.4 million from the previous year. Leverage levels reduced with debt to equity improving from 48.9 percent in 2013 to 36.4 percent to end March 2015.

Investment in capital expenditure during the year was Rs. 263.3 million and shareholders were paid a dividend of Rs. 71.25 million in respect of their final dividends for 2013.

Financial position improved with lower borrowing levels compared to the previous year along with shareholder funds to Rs. 1.6 billion from the previous year's level of Rs. 1.5 billion.

Group financial position improved with an increase in equity by Rs. 198.1 million to Rs. 1,849.2 million.

PROFITABILITY AND GROWTH

Revenue and profit growth of Rs. 1.1 billion and Rs. 49.5 million respectively contributed to the group revenue of Rs. 4.8 billion and net profit before tax of Rs. 286.3 million in the year under review, 2014/15. The year on year growth for the twelve months ending December 2014 was 6 percent and negative 4.0 percent respectively.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

REVENUE

Group revenue for the year was Rs. 4.8 billion, an increase of 30.6 percent from the previous year. The contribution from tea to group revenue is 96 percent whilst the hydropower turnover reflected a decline to Rs. 117 million from Rs. 118 million as against the previous year. The revenue from other income and rubber increased to Rs. 61.9 million from the previous year's Rs. 58.4 million. This was mainly on account of other income.

HYDROPOWER SECTOR PERFORMANCE

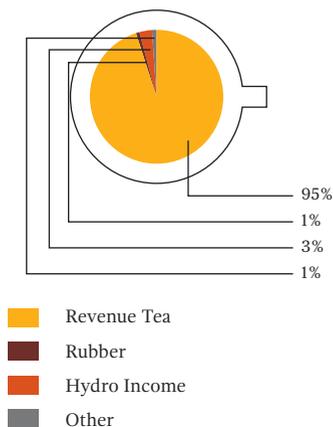
The revenue for the year ending March 2015 was Rs. 117.5 million. The hydropower sector made a contribution to the group results with a net profit before tax of Rs. 22.9 million, representing a decrease of Rs. 20.1 million over the previous year. Lower rainfall reduced energy output to 8.72 Mn Kwh, decreased by 4 percent from 9.08 Mn Kwh in 2013.

HYDROPOWER GENERATION (MN KWH)			
Year	Somerset	Palmerston	Radella
2014/15	4.29	3.44	0.98
2013	4.25	3.76	1.05
2012	2.33	1.85	0.48

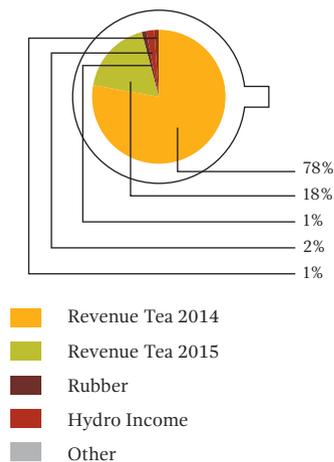
Consolidated revenue in the year posted Rs. 4.76 billion compared to Rs. 3.64 billion in the preceding year.

REVENUE - SEGMENTAL ANALYSIS - 2010-2015					
Rs. Mn					
	2014/15	2013	2012	2011	2010
Revenue Tea	4,581.6	3,469.9	3,200.5	2,558.0	2,821.5
Rubber	24.6	39.1	40.1	55.1	36.5
Other	37.3	19.3	18.6	22.1	28.0
Hydro Income	117.5	118.5	58.9	109.3	116.6
Total Revenue	4,761.0	3,646.8	3,318.1	2,744.5	3,002.6

Segmental Analysis - 2013



Segmental Analysis - 2014/15



GROUP QUARTERLY REVENUE - UPDATE TO 2014/15							
	Q1- 2014	Q2- 2014	Q3- 2014	Q4- 2014	1Q- 2015	15 Months	12 Months
Rs. Mn	31.03.2014	31.06.2014	30.09.2014	31.12.2014	31.03.2015	31.03.2015	31.12.2013
Tea	984	863.2	959.2	915.7	859.3	4,581.6	3,469.8
Rubber	10	2.6	2.9	2.7	6.3	24.6	39.1
Hydro Power	5.0	11.8	33.3	43.1	24.3	117.5	118.5
Other	6.0	6.1	9.7	5.9	9.6	37.4	19.3
Total	1,005	883.50	1,005.10	967.4	899.4	4,761.1	3,646.8

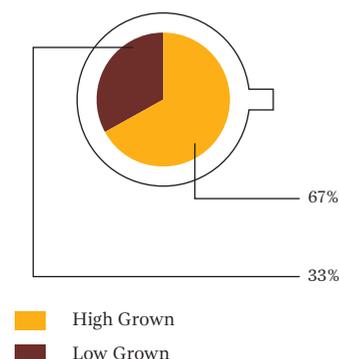
Tea revenue posted an increase of Rs. 1.1 billion compared to the previous year, driven on higher prices and volumes. A strong tea market continued at the Colombo Tea Auctions from year ending December 2013 to July/August 2014; thereafter, the trend reversed with tea prices dipping, steeper from end-December 2014 to the quarter ended 31st March 2015. The average price (GSA) of tea at the end December 2014 was Rs. 494.64 per kilogram compared to Rs. 467.76 per kilogram at end-December 2013; and by end-March 2015, it had reduced to Rs. 466.07 per kilogram. The decline in high grown was Rs. 491.33 per kilogram and low grown stood at Rs. 539.65 per kilogram compared to end-December 2014. Impacted by adverse weather in the first quarter, tea production declined by 329,446 kilograms in the 12 months ended December 2014 as against the level achieved in the preceding year. Tea production for the period end-March 2015 was higher compared to the same period last year and the total tea production for the fifteen months ending March 2015 stood at 8.83 million kilograms.

High grown tea recorded a turnover of Rs. 2.9 billion with an average price of Rs. 473.72 per kilogram whilst low grown turnover was Rs. 1.4 billion with an average of Rs. 511.84 per kilogram for the period ending March 2015. High grown tea turnover recorded an increase in turnover in all quarters over 2013 except in the first quarters of 2014 and 2015, due to a crop shortfall and price decline respectively compared to 2013.

The low grown tea turnover reflected an increase of Rs. 424.6 million over the same period with turnover being below last year from the fourth quarter to end first quarter 2015, consequent to a rapid decline in tea prices at the Colombo Tea Auctions.

Rubber prices continued their downward spiral from last year and were Rs. 261.58 per kilogram at the end of March 2015 compared to Rs. 335.36 per kilogram in December 2013. Rubber turnover in the period was Rs. 24.6 million, down by 37.1 percent over the previous year.

Composition of Regional Tea Revenue

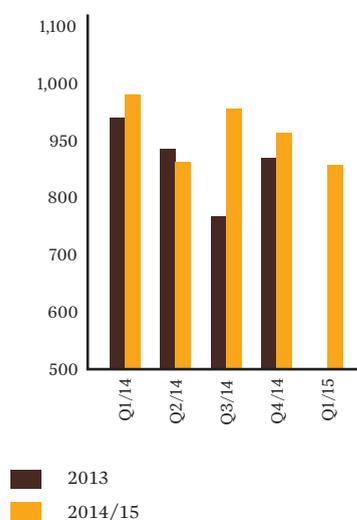


MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Quarterly Revenue Tea						
Rs. Mn						
Year	1st Q	2nd Q	3rd Q	4th Q	1st Q 2015	Total
2010	685.8	800.6	698.3	817.9	-	3,002.6
2011	742.7	755.4	547.1	747.2	-	2,792.4
2012	763.6	760.3	877.6	799.0	-	3200.5
2013	943.0	886.4	768.3	872.2	-	3,469.9
2014/15	984.0	863.2	959.2	915.7	859.3	4,581.5

Tea revenue in the high and low grown increased in the first quarter by Rs. 17.8 million compared to the previous year, corresponding to 22.06 percent, led by the low grown on a strong tea market and increased production. Low grown decreased in the second quarter by Rs. 110.10 million as compared to the same period last year. Higher bought crop intake of 14,370 kilograms had a positive impact despite receiving higher prices than last year.

Quarterly Turnover Tea (Rs. Mn)



Complemented by higher prices in both elevations, the third quarter revenue increased by Rs. 190.9 million compared to the corresponding quarter of the previous year. In the fourth quarter, revenue increased by Rs. 43.5 million as against the corresponding quarter in 2013. The increase was from high grown by Rs. 53.3 million given the very strong market whilst, low grown declined by Rs. 9.8 million following the dip in tea prices.

Revenue in the first quarter ending March 2015 showed a significant decline with the same period last year and to that of the fourth quarter. High grown revenue decreased by Rs. 79.6 million and low grown declined by Rs. 45.4 million compared to the same period last year. Tea prices sharply declined at the Colombo Tea Auctions by Rs. 28.57 per kilogram compared to end-December 2013.

COST OF SALES

The cost of sales for the year was Rs. 4.2 billion and was an increase of 31.8 percent from the previous year. Wage cost representing close to 70 percent of cost of production remained the main cost component of cost of sales; the cost of production for the period ending March 2015 was Rs. 458.85 per kilogram. The impact of the full year's wage increase was reflected this year compared to the previous year. Higher fixed cost per kilogram consequent to a crop loss also increased average cost of production of made tea from Rs. 448.07 per kilogram in 2013 to Rs. 468.55 per kilogram at the end of December 2014. Lower tea prices paid to bought leaf suppliers also supported to bring down the cost of production in the low grown during the period ending March 2015.

GROSS PROFIT

The gross profit increased from Rs. 337.2 million to Rs. 436.6 million from the previous year. This was due to the increase in cost of sales in line with the revenue increase from the previous year. The increase in revenue stood at 31.6 percent and cost of sales at 31.8 percent for the year ending March 2015. The gross profit margin at the year-end was 9.4 percent compared to 9.5 percent in the previous year. Higher tea prices up until December 2014, cost and productivity management initiatives throughout the year buffered the impact of low margins in the final quarter ending March 2015.

GAINS /LOSS ON FAIR VALUE OF BIOLOGICAL ASSETS

In line with the Sri Lanka Financial Reporting Standards, the gain arising from an annual revaluation by a professional valuer of biological assets of the Company was Rs. 6.8 million compared to Rs. 13.1 million in 2013. The assets represent the merchantable and pre-merchantable timber stand in the Company. (Refer note 14.c. of the Notes to the Financial Statements on page 297).

OTHER INCOME AND GAINS

Other income and gains arising mainly from sale of trees, dividends from subsidiaries and amortization of grant were Rs. 69.5 million, an increase compared to Rs. 50.7 million in 2013.

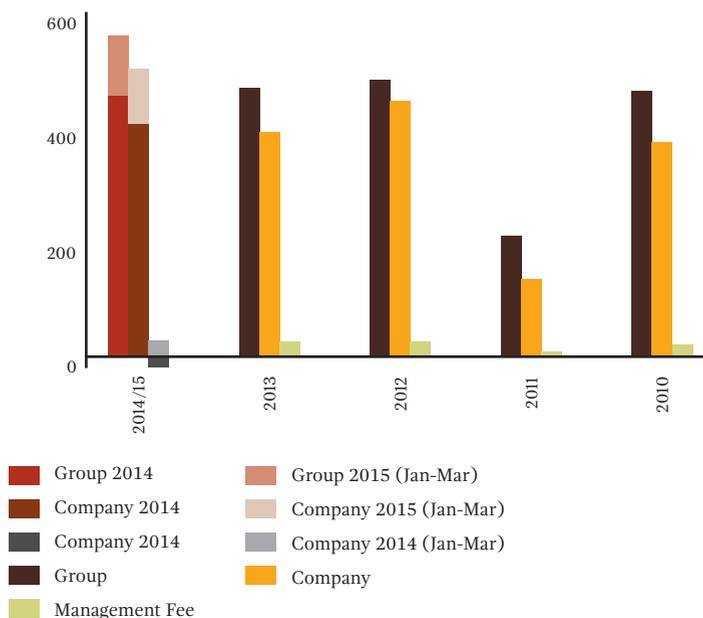
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

Notwithstanding the impact from lower hydro earnings, the Group EBITDA posted a growth of 18 percent to reach Rs. 576.9 million for the fifteen months ended 2015.

The group EBITDA reflected an increase of Rs. 87.9 million to post Rs. 576.9 million for the year; with a contribution of Rs. 517.0 million from TTE and Rs. 59.9 million from the hydropower sector. TTE EBITDA earnings increased due to a healthy contribution from operating profits, whilst the hydro sector decreased by Rs. 22.9 million to the previous year, due to lower power generation.

EBITDA - 2010-2015					
Rs. Mn	2014/15	2013	2012	2011	2010
Group	576.9	489	501.6	217.4	480.8
Company	517	276.4	463.6	139.8	384.9
Management Fee	6.2	26.7	27.2	5.9	23.5

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA-Rs. Mn)



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MANAGEMENT FEE

The management fee for the year reduced from Rs. 20.4 million in the previous year to Rs. 6.3 million in the current year, consequent to a Board decision to waive-off management fees with effect from April 2014. The management fee is payable to Hayleys Plantation Services (Pvt) Ltd; managing agents and is computed at 5.0 percent on EBITDA of TTE.

ADMINISTRATIVE EXPENSES

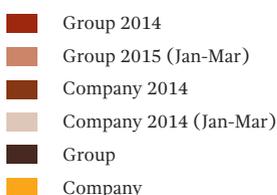
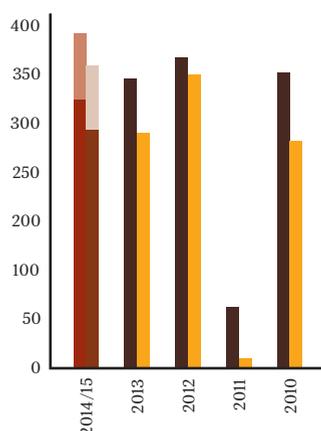
Administration expenditure was Rs. 157 million, an increase of 54.7 percent from the previous year's expenditure of Rs. 101.5 million. Higher overhead costs impacted by cost-inflation and the pro rata cost increase for a fifteen month vis-à-vis twelve months in the previous year is also reflected in the year's administrative expenses.

Consolidated operating profits increased to Rs. 388.4 million from Rs. 338.4 million in the previous year – a decline on a pro rata basis when compared to a twelve month period ending 2013, due to lower earnings from the hydro sector.

PROFIT FROM OPERATIONS

OPERATING PROFIT - 2010-2015					
Rs. Mn	2014/15	2013	2012	2011	2010
Group	388.4	338.4	362.7	71.8	345.4
Company	349.6	272.9	342.7	11.5	265.8

Operating Profit (Rs Mn)



Group's operating profit for the year 2014/15 was Rs. 388.4 million, a decrease of Rs. 27.7 million on a pro rata basis vis-à-vis a twelve month period. TTE PLC's contribution to group profit was Rs. 349.6 million whilst the hydro sector was Rs. 38.8 million. TTE PLC profits were higher compared to the last year by Rs. 6.88 million on a pro-rata basis, but hydro sector was comparatively lower. The bullish tea market conditions up to mid-2014 coupled with satisfactory crop levels had a positive impact on revenue, although the increase in cost of production eroded some of the gains. At the estate level, the operating profit in terms of high grown stood at Rs. 329.6 million whilst low grown was Rs. 38.8 million. A good first half and a fourth quarter contributed to the estate profits with a seasonal third quarter loss.

The hydro sector did not perform well compared to the last year, due to power generation being adversely affected in the two quarters ending March and June 2014 due to low rain fall. Earnings improved from the third quarter onwards to the final quarter ending March 2015 that recouped the loss as at end June 2014.

Revenue from other income including gains on biological assets made a contribution of Rs. 76.3 million, a 21.8 percent contribution towards the Company's operating profits.

(Refer: note 7 of the notes to the Financial Statements on page 289).

FINANCE COST

Following an accommodative stance in monetary policy, money market rates gradually adjusted downwards. In line with interest rate trends, the Group's finance cost declined to Rs. 72.9 million from Rs. 80.5 million, representing a 9.0 percent drop vis-à-vis the year 2013. The Company's finance cost for the fifteen month period was on par with the previous year's twelve month period - cost of Rs. 58 million. The Hydro power sector also reduced their finance cost to Rs. 15.7 million compared to Rs. 21.9 million for a twelve month period. Lower borrowing levels and treasury management to optimise market rates also contributed to the savings in the year. The average cost of funds in the Company decreased from 10.9 percent in 2013 to 8.2 percent at the end of the year.

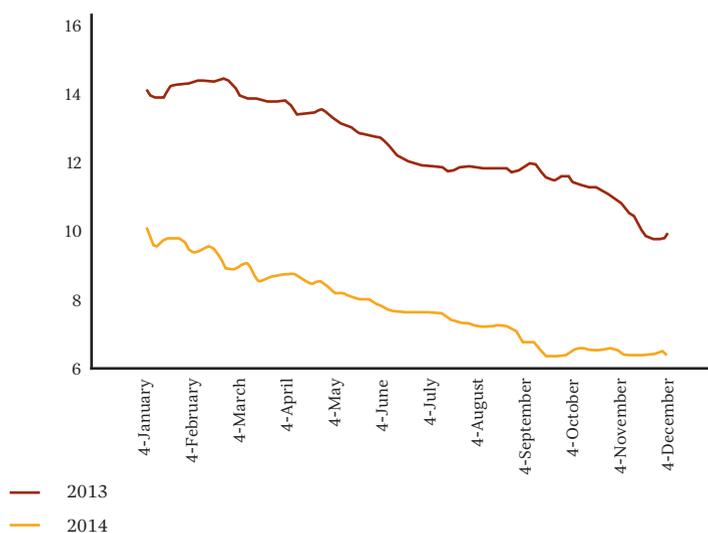
PROFIT BEFORE TAX

Profit Before Tax increased to Rs. 263.4 Mn in year 2014/15 recording 36 percent increase when comparing with previous financial year. For the period ended 31st December 2014, company's PBT was 6.6 percent higher than the previous year same period.

MONETARY POLICY

With a continuing backdrop of an accommodative monetary policy, interest rates broadly remained low during the year in review. The monetary policy during 2014 was mainly concentrated at keeping interest rates low to promote credit growth, which was at a lower than expected levels, to promote economic growth. Weighted Average Prime Lending Rate (AWPLR) touched record lows of 6.30 percent to end December 2014 after opening the year in January at 10.13 percent. Treasury bill rates continued to drop even during 2014 from 7.74 percent to 6.01 percent from January 2014 to December 2014 respectively. On the policy-end in January 2014, Central Bank of Sri Lanka narrowed the policy rate corridor from 200 basis points to 150 basis points by reducing the Standard Lending Facility Rate (SLFR) previously known as the Reverse Repo Rate by 50 basis points to 8.0 percent. However, credit growth remained sluggish during the first half of 2014. Low interest rates were further sustained by the high liquidity in the rupee market, which was fueled by the two sovereign bond issues in January and April 2014 for USD 1.0 billion and USD 500 million, yielding at 6.0 percent and 5.125 percent respectively. Settlements from the Government institutions during this period further increased excess funds in the market. The second half of 2014 however, witnessed an increase in demand for consumer and luxury goods, reflecting an increase in imports. A notable rise in credit growth was experienced in the latter part of 2014, mainly resulting from an increase in imports.

AWPLR (%)



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

SOLVENCY

Solvency Certificate



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka
Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
ey@lka.ey.com
ey.com

ADB/CSW/SJJC

Report of the Auditors to the Board of Directors of
Talawakelle Tea Estates PLC

We have audited the accompanying Statement of Solvency as at 31 March 2015 prepared by the Board of Directors for the purpose of distribution as required by Section 56(2) of the Companies Act No 07 of 2007, which has been derived from the Audited Financial Statements of the Company for the period ended 31 March 2015.

The Board of Directors is responsible to take into account such matters under Section 57 of Act. Our responsibility is to provide a report at its request, on the application of Section 57 of the Act by the Board of Directors. The accompanying Statement is the responsibility of the Board of Directors.

We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatements. Our audit includes examining, on a test basis, evidence supporting the amounts, disclosures in the Statement, and inquiring of management as to whether subsequent events have occurred up to 19 May 2015, which might affect the value of the company's assets and liabilities as at 31 March 2015. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Statement presents fairly in all material respects the status of Solvency of the Company, in accordance with Section 57 of the Companies Act No. 07 of 2007, as at 31 March 2015.

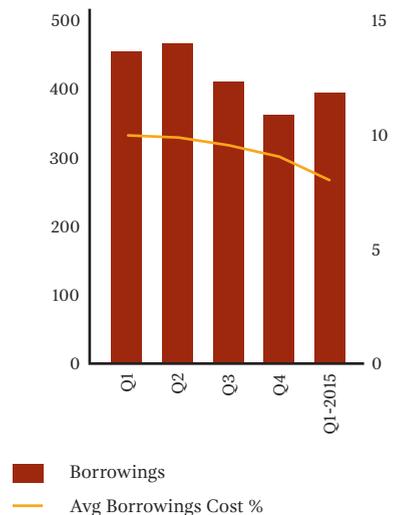
Colombo
19 May 2015

Partners: A D B Talawatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA M. N. A De Silva FCA M. Y. A De Silva FCA W R H Fernando FCA FCMA
W S S P Fernando FCA FCMA M. L. V. L. Tiroshka FCA A P A Gunasekera FCA FCMA A Harath FCA D K Hulangonnewa FCA FCMA L B (Lond) H M A Jayasinghe FCA FCMA
M. A. A. Ludowyke FCA FCMA M. C. G. S. Manatunga FCA N M Sulaiman ACA ACMA B E Wijetillak FCA ACMA

A member firm of Ernst & Young Global Limited

Section 56 of the Companies Act No.07 of 2007 requires that a solvency test be performed prior to the payment of dividends. In order to satisfy this requirement, the Company carried out a solvency test prior to the payment of the final dividend Rs. 3.00 per ordinary share. As per the requirement of the above Act, the Company's auditors have certified that the Company has the ability to pay its dues in the normal course of business and that the value of the assets is greater than the value of its liabilities and the Company's stated capital.

Borrowings & Cost of Funds
(Rs. Mn) (%)



TAXATION

Tax rate in the year was the same as the previous year; tax rate for agriculture is 10 percent whilst tea manufacture is 28 percent.

The Company tax charge for the year is Rs. 35.1 million consisting of income tax of Rs. 11.4 million and deferred tax of Rs. 23.7 million.

The hydro sector is still enjoying the tax holiday period. However, deferred tax liability in the year reversed from Rs. 5.3 million in the previous year to deferred tax asset of Rs. 14.7 million in the current year.

OTHER COMPREHENSIVE INCOME

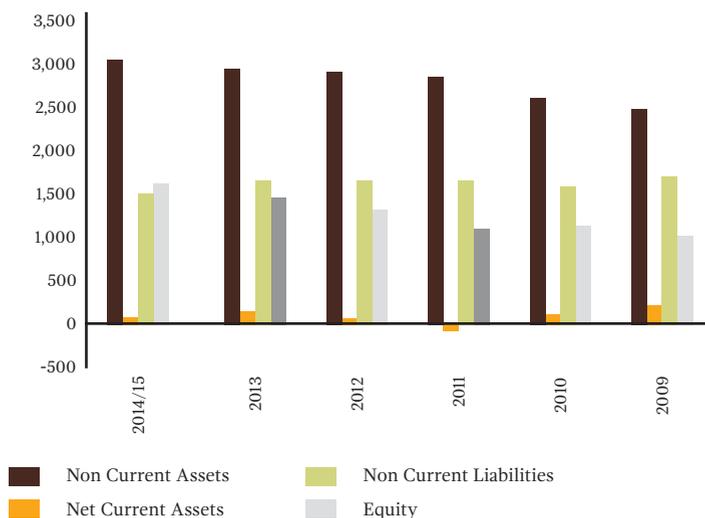
In compliance with the Sri Lanka Financial Reporting Standards, actuarial gain arising from the valuation of the defined benefit planed cost was Rs. 18.4 million and the related tax component on timing difference was Rs. 2.9 million as against Rs. 34.2 million and Rs. 5.4 million respectively in 2013.

FINANCIAL POSITION

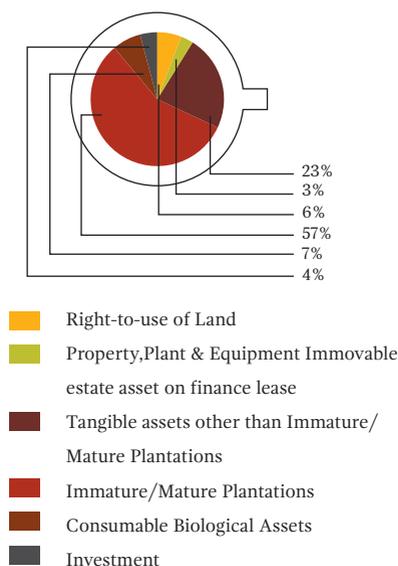
Non-current Assets

The investment in non-current assets at the year-end was Rs. 3 billion, representing 82 percent of total assets. The investment in immature/mature plantations and tangible assets at the year-end was Rs. 1.75 billion and Rs. 726.3 million respectively. The capital expenditure incurred on non-current assets was Rs. 263.3 million during the year.

Balance Sheet Composition (Rs. Mn)



Non Current Asset Composition



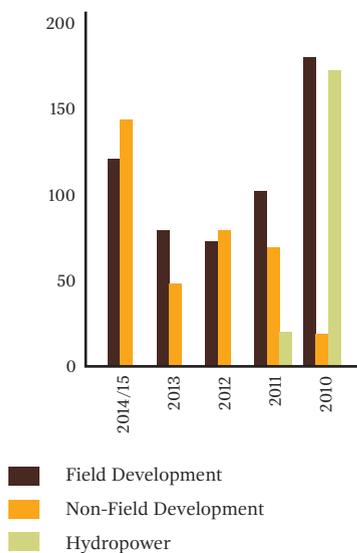
MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

**CAPITAL EXPENDITURE OF
RS. 263.3 MILLION WAS
FINANCED BY
INTERNAL EARNINGS.**

CAPITAL EXPENDITURE					
Expenditure Items	2014/15	2013	2012	2011	2010
	(Rs. Mn)				
Field Development	120.1	79.2	71.5	102.2	180.8
Non-Field Development	143.2	47.7	79.8	68.0	17.6
Hydropower	Nil	Nil	Nil	0.8	6.9
Total - Group	263.3	126.9	151.3	171.0	205.3

The group investment of Rs. 263.3 million was accounted for, by TTE PLC whilst the hydro power sector capital expenditure investment was nil.

**Capital Expenditure
(Rs, Mn)**



During the year, investment in field development, factory buildings, machinery and equipment and vehicles were enhanced compared to the previous year. The investments in field development were Rs. 143.2 million while property plant and equipment was Rs. 120.1 million.

INVESTMENT IN SUBSIDIARIES

During the year, the Company did not invest in the hydropower sector. The total investment as at the reporting date in the hydropower sector is Rs. 134.9 million in equity and preference shares.

Debt leverage levels reduced for the third consecutive year- debt equity cover reduced from 51.8 percent in 2013 to 37.3 percent in 2014.

The Company's capital employed increased from Rs. 2,190 million to Rs. 2,241.7 million at year-end 31st March 2015. The capital employed was funded from equity Rs. 1,643.4 million and

Rs. 598.3 million debt capital respectively. The share of equity in capital employed increased from 67.1 percent in 2013 to 73.31 percent, thereby reducing the debt equity cover from 48.9 percent to 36.4 percent in the current period.

The Group level debt equity was 37.3 percent, a decrease from the position of 51.8 percent in last year, due to a lower level of debt at TTE PLC. Group total debt was Rs. 690.5 million compared to Rs. 855.6 million in the previous year and the current ratio was 1.15 times and net current assets were Rs. 94 million.

DEBT

The Company's debt exposure consisting of the Government lease liability and bank borrowings declined in the year from Rs. 718.9 million to Rs. 598.3 million, improving the financial leverage risk indicators in the capital structure for the third consecutive year. The long term borrowing levels reduced from Rs. 530.9 million to Rs. 380.9 million with an increase of Rs. 28.9 million in short term borrowings. The share of debt capital

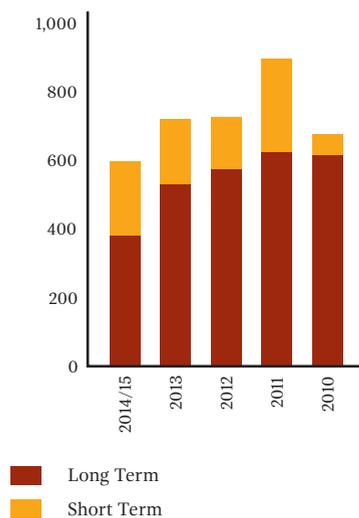
in capital employed was 26.7 percent, a reduction from 32.8 percent in the previous year.

EQUITY

Shareholder funds at the end of the year were Rs. 1,643 million, an increase from Rs. 1,470.9 million in 2013. Consequently, share of equity at the year-end was 73.3 percent of the total capital employed compared to 67.1 percent in 2013. During the period, retained earnings increased by Rs. 165.7 million and timber reserves by Rs. 6.8 million.

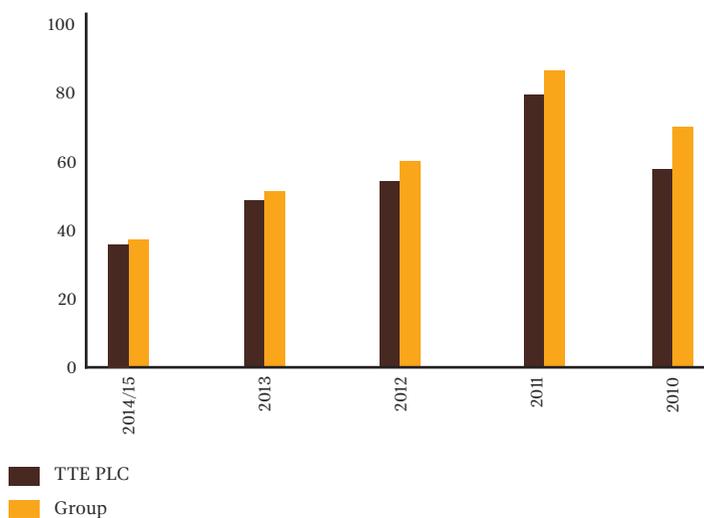
Financial position improved as at the year-end with an increase in shareholder funds by Rs. 172.5 million and a decline in borrowings by Rs. 120.5 million.

Short and Long Term Bank Borrowings (Rs. Mn)



DEBT/ EQUITY					
As a Percentage					
	2014	2013	2012	2011	2010
Company	36.4	48.9	54.3	79.6	58.1
Group	37.3	51.8	60.0	86.7	70.0

Debt Equity (%)



BANK BORROWING STRUCTURE					
As at Year End	2014/15	2013	2012	2011	2010
	Rs. Mn				
Short Term	217.4	187.8	150.8	273.3	60.6
Long Term	380.9	530.9	578.1	625.1	616.9
Total - Company	598.3	718.7	728.9	898.4	677.5
Group	690.5	855.6	895.9	1092.4	898.3

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

WORKING CAPITAL

WORKING CAPITAL					
Rs. Mn	2014	2013	2012	2011	2010
Working Capital	293.7	341.4	217.4	198.3	137.7

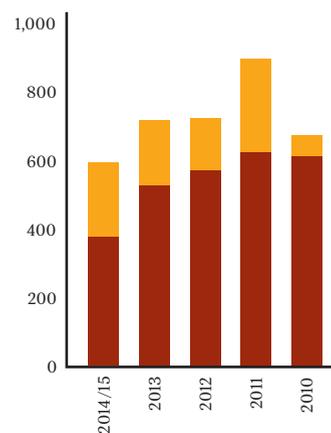
The investment in working capital in the year was Rs. 293.7 million compared to Rs. 341.4 million in the previous year, a decline of Rs. 47.7 million, and representing 14 percent. A reduction in current assets by 10.8 percent contributed to the lower investment in working capital. The decline in current assets was due to inventory and trade and other receivables at the year-end 31 March 2015, which reflected a reduced position of Rs. 78.6 million compared to the previous year. The Company's current ratio was 1.16 times to 1.28 times in the previous year.

LIQUIDITY

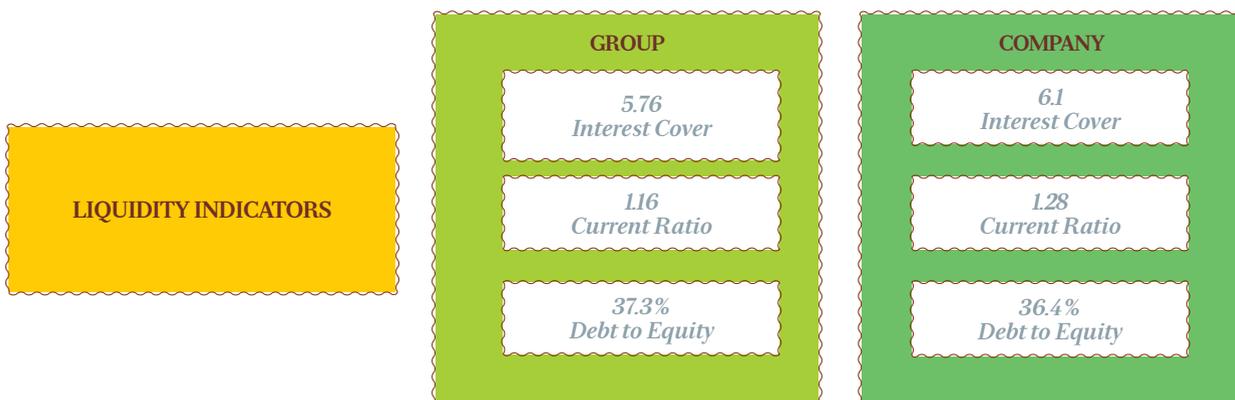
Financial leverage levels improved and were further consolidated in the year with an improvement in gearing levels and interest cover. Group debt/equity improved from 51.8 percent to 37.3 percent and interest cover from 3.37 times to 5.76 times in 2014.

Liquidity risk indicators in terms of the Company; interest cover improved from 4.7 times to 6.1 times in 2014, current asset ratio was 1.28 times, and debt/equity reduced from 54.2% to 36.4% in 2014.

Short and Long Term Bank Borrowings (Rs. Mn)



■ Long Term
■ Short Term



CASH FLOW

The higher free cash flows in the year was utilised to finance capital expenditure and reduce total borrowings. The net cash flow from operations increased by Rs. 231.8 million to Rs. 463.8 million, representing 1.8 times of profit before tax.

The Company recorded its third consecutive year of positive free cash flows amounting to Rs. 200.7 million.

Cash flow from operations increased to Rs. 463.8 million from Rs. 231.9 million in 2013. A higher operational profit and reduction in working capital investment contributed to the year's improved cash flow. Operating profits before working capital changes increased by Rs. 106.4 million and the impact of working capital changes was positive at Rs. 34.2 million as against a negative of Rs. 121.7 million on cash generated from operations in 2013.

OPERATING CASH FLOW -					
Rs. Mn					
	2014/15	2013	2012	2011	2010
Company	463.8	231.9	315.2	69.1	415.3
Group	532.3	301.0	336.1	108.7	321.8

The group net cash flow from operations in the year was Rs. 532.3 million, an increase of Rs. 231.3 million over the previous year. The increase was mainly due to higher net operating cash flows with respect to the Company, and the hydro power sector recording a decrease in net cash from operations of Rs. 0.6 million. The group recorded a reduction in bank borrowings from Rs. 666.0 million to Rs. 501.6 million.

Cash outflows on investment activities increased in the period by Rs. 128.3 million. The investments were in field development of Rs. 142.4 million and purchase of property, plant & equipment of Rs. 120.9 million.

The free cash flow was a positive of Rs. 200.7 million compared to Rs. 105 million in the previous year. This represents the surplus from operating cash flow after meeting funding of investment activities. A positive free cash flow enabled to finance investment activities from internal funds only.

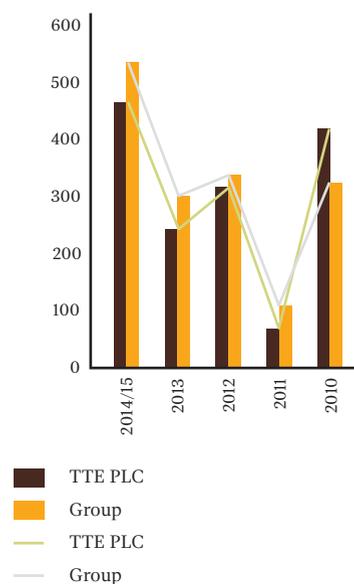
The cash outflow on net financing activities amounted to Rs. 269.9 million, an increase from Rs. 142.5 million in the previous year. A higher dividend payment of Rs. 71.2 million in respect of 2013 and long term loan repayments of Rs. 221.3 million increased the outflows in the period. The net decrease in cash and cash

equivalents in the period was Rs. 49.5 million compared to Rs. 10.5 million in the previous year. The period end cash and cash equivalents was a deficit at Rs. 133.9 million to Rs. 84.4 million in 2013. However, total bank borrowings at the period-end were Rs. 409.1 million vs. Rs. 529.6 million in the previous year.

The debt service of term loans in 2015 will absorb Rs. 76.4 million with the expiry of the grace period of the term loans received under the ADB Credit Line.

Refer note 22 to the Financial Statements on page 301.

Operating cash flow trend Group & Company



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

FINANCIAL STABILITY

Return on Equity (ROE)

The group's return on equity has been consistent; with this year recording a positive 15.1 percent to the previous year's 12.2 percent .

GROUP RETURNS					
Group	2014/15	2013	2012	2011	2010
ROE (%)	15.1	12.2	17.4	(4.3)	13.1
Profit Attributable to Equity Holders (Rs.Mn)	239.3	173.5	215.9	(51.4)	147.4

PERFORMANCE MEASUREMENT

Dividends

A final dividend of Rs 3.00 per share is proposed for the year amounting to Rs. 71.25 million on profit after tax of Rs. 228.3 million.

Earnings Per Share

The Group net profit before tax of Rs. 286.4 million contributed to higher positive earnings per share of Rs. 10.08 from Rs. 7.31 in the previous year.

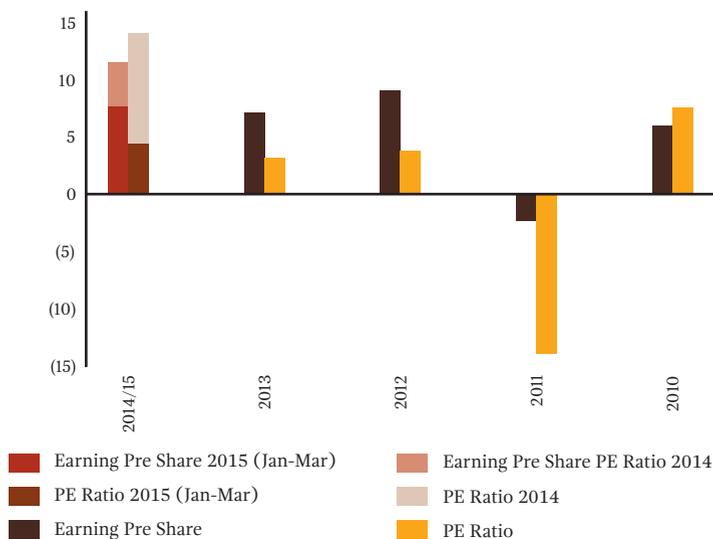
GROUP EARNINGS PER SHARE & SHARE PRICE					
TTE PLC	2014	2013	2012	2011	2010
Earnings Per Share (Rs)	10.08	7.31	9.09	-2.17	6.21
PE Ratio	3.48	3.28	3.85	-13.72	7.74

PERFORMANCE OF THE SHARE

The Company's share price had increased by 46.3 percent compared to the price recorded at 31st December 2013. Share price moved up to Rs. 35.1 during the period, performing ahead of the other Regional Plantation Companies on the Colombo Stock Exchange. The price was influenced by the overall market sentiments as All Share Price Index gained from 5,912.8 points to 6,820.2 points and The Plantation Index from 727.0 points to 757.0 points. During the period ended 31st March 2015, the highest price recorded was Rs. 38.90.

Value of share traded during the period was Rs. 86.4 million representing an increase of 150 percent when compared

Earning Per Share & PE Ratio (Rs./Times)



to previous financial year. Price earnings ratio increased by 6.1 percent in year 2014 with the significant increase in market value of a share whilst net assets per share increased to Rs. 78/- from Rs. 70/- in previous year. Market capitalisation increased by 46.2 percent from the previous year to Rs. 834 million this year.

EQUITY					
	2014	2013	2012	2011	2010
Rs Mn					
Company	1,643	1470.9	1343.0	1128.6	1161.5
Group	1,849	1651.2	1492.3	1260.4	1280.9

MARKET VALUE ADDED

Refer: Economic Value Creation, Page 69.

The above represents a measurement of value creation by the Company. Market value added is the difference between the current market value of the firm and the capital contributed by the investors. Market value addition increased by 119.8 percent from Rs. 220 million in previous year to Rs. 483.6 million in this year. while value added of Rs. 3.2 Billion as discussed in detail under the section 'Economic Value Creation' of this Annual Report.

FINANCIAL REPORTING

The Company is committed to adopt best practices for financial reporting and accounting practices. The financial reports on pages 262 to 318 are prepared as per Sri Lanka Financial Reporting Standards and every attempt is made to give the readers a clear and comprehensive understanding of them. We ensure timely delivery of quarterly and annual financial statements and its preparation as per accounting standards including compliance with the Colombo Stock Exchange disclosure requirements.

OUR ACHIEVEMENTS

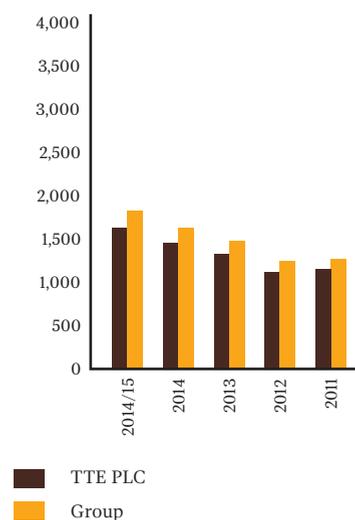
The Annual Report of TTE PLC for the financial year 2013 was recognised with a GOLD Award in the Plantation sector at the Annual Report Awards competition organised by the Institute of Chartered Accountants of Sri Lanka and the Second Runner-up at the South Asian Federation of Accountants Awards.

FINANCIAL RISK MANAGEMENT

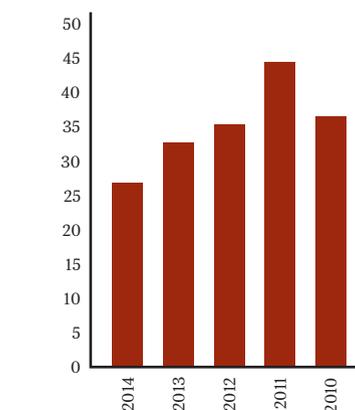
Refer: Risk Management, Page 200.

The overall risk management strategy of the Company has identified financial risk management as a critical risk. Accordingly, the main risk elements identified are; liquidity, interest rate, higher operational gearing and financial reporting framework. The impact of exchange risk is indirect, as it impacts the prices at the Tea Auctions. The most significant is liquidity risk; cyclical revenue, high operating break-even level and long gestation period on capital expenditure. The risk management section in this report details the mitigating measures in place.

Equity
(Rs. Mn)



Gearing
(%)



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

GROUP INCOME STATEMENT UPDATE TO 2014/15						
	3 Months Ended	6 Months Ended	9 Months Ended	12 Months Ended	15 Months Ended	12 Months Ended
	31.03.2014	30.06.2014	30.09.2014	31.12.2014	31.03.2015	31.12.2013
	Rs. Mn					
Revenue	1,005.06	1,888.83	2,894.06	3,861.58	4,761.10	3,646.80
Cost of Sales	(899.74)	(1,678.53)	(2,624.26)	(3,428.64)	(4,257.94)	(3,225.00)
Gross Profit	105.32	210.30	269.80	432.94	503.16	421.80
Gain on Fair Value of Biological Assets		-	-	-	6.83	13.12
Other income and gain	-	4.71	31.51	41.95	53.27	39.27
Administrative Expenses	(35.65)	(73.12)	(108.73)	(138.70)	(168.56)	(109.00)
Management Fee	(6.30)	(12.43)	(16.26)	(25.02)	(6.28)	(26.70)
Government Lease Interest	(5.98)	(12.16)	(18.23)	(24.65)	(32.60)	(23.20)
Finance Cost	(19.25)	(34.52)	(47.62)	(59.13)	(69.44)	(78.50)
Profit/(Loss) before taxation	38.14	82.78	110.47	227.39	286.38	236.79



The flowing rivers and springs give life and sustenance to our industry as well as the flora and fauna that surround it. We will continue to protect and enrich our valued biodiversity as our most precious gift of nature



ENVIRONMENT

ENVIRONMENT MANAGEMENT- REPORT CONTENT SYNOPSIS

MATERIALITY ASPECTS	GRI- G4 INDICATOR	DESCRIPTION	QUALITY OF REPORT COVERAGE
Management Approach			
Materials	G4-EN-1	Materials used by weight or volume	Comprehensive
Energy	G4-EN-3	Energy consumption within organisation	Comprehensive
	G4-EN-4	Energy consumption outside organisation	
	G4-EN-5	Energy intensity	
	G4-EN-6	Reduction of energy consumption	
	G4-EN-7	Reduction in energy requirements of products and services	
Water	G4-EN- 8	Total Water withdrawal by source	Moderate
	G4-EN-9	Water sources significantly affected by withdrawal of water	
Biodiversity	G4-EN-11	Operational sites owned, leased managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	Comprehensive
	G4-EN-12	Description of Significant impacts of activities, products and services on biodiversity in protected areas of high biodiversity value outside protected areas	
	G4-EN-13	Habitats protected or restored	
	G4-EN-14	Total number of ICUN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	
Emissions	G4-EN-15	Direct Greenhouse Gas (GHG)emissions (Scope 1)	Comprehensive
	G4-EN-16	Energy indirect Greenhouse Gas (GHG) emissions (Scope 2)	
	G4-EN-17	Other indirect Greenhouse Gas (GHG) emissions (Scope 3)	
	G4-EN-18	Greenhouse Gas (GHG) emissions intensity	
	G4-EN-19	Reduction of Greenhouse Gas (GHG) emissions	
	G4-EN-20	Emissions of Ozone-depleting substances (ODS)	
	G4-EN-21	NOx, SOx and other air emissions	

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

MATERIALITY ASPECTS	GRI- G4 INDICATOR	DESCRIPTION	QUALITY OF REPORT COVERAGE
Management Approach			
Effluents & Waste	G4-EN-22	Total water discharge by quality and destination	Moderate
	G4-EN-23	Total Weight of waste by type and disposal method	Comprehensive
	G4-EN-24	Total number and volume of significant spills	
	G4-EN-25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel convention ² Annex I, II, III and VIII and percentage of transported waste shipped internationally	
	G4-EN-26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	
Products and Services	G4-EN-27	Extent of impact mitigation of environmental impacts of products and services	Moderate
	G4-EN-28	Percentage of products sold and their packaging materials that are reclaimed by category	Comprehensive
	G4-EN-29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	
Transport	G4-EN-30	Environmental impacts of transport in operations and staff travel	Comprehensive Covered in detail under Emissions
Overall	G4-EN-31	Total environmental protection expenditures and investments by type	Comprehensive Detailed investments given
Supplier Environment Assessment	G4-EN 32	Percentage of New suppliers screened using environmental criteria	Moderate
	G4-EN-33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	
Environment Grievance Mechanism	G4-EN-34	Number of environmental grievances handled through formal mechanisms	Moderate

OVERVIEW

Being a plantation company and a custodian of 6,490 hectares of nation's high value and environmentally sensitive land resource, we are deeply committed towards protecting the environment in which we operate for the benefit of present and future generations. We are fully conscious of the necessity to utilise our resources effectively whilst managing operational impacts and minimising our footprint on the environment. We are also conscious of the reality that both the environment and climate directly impact the well-being of our estate community, as well as our business activities.

MANAGEMENT APPROACH G4-15

"WE RESPECT AND FOLLOW NATIONAL POLICIES, LEGISLATION AND MULTILATERAL ENVIRONMENTAL AGREEMENTS AND INTERNATIONAL CERTIFICATION PROGRAMMES"

NATIONAL

- ☞ National Policies and Enactments related to Environment and Biodiversity
- ☞ Central Environment Authority & applicable environment related regulations

INTERNATIONAL

- ☞ United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol for regulating of green house gas concentrations (GHG) in the atmosphere and combating climate change.
- ☞ United Nations Convention on Biological Diversity (UNCBD) for the conservation of biodiversity and sustainable use of its components
- ☞ United Nations-REDD (Reducing Emissions from Deforestation and Forest Degradation) Programme.
- ☞ Rainforest Alliance -Sustainable Agriculture Certification Programme

Our approach to environment management is well in line with the national policies and legislative requirements relating to environment and biodiversity. We also respect and follow relevant multilateral environmental agreements, declarations and programmes. Accordingly, we are focused in our efforts and have aligned our environment related policies, strategies and programmes to achieve the objectives set out in such agreements and declarations.

ENVIRONMENTAL POLICY

We have in place a comprehensive environmental policy which addresses all vital aspects of environmental management and all employees and the resident community have been educated on its contents and intent for effective implementation and compliance. The environment policy sets forth our commitment to bring in environmentally responsible practices to both field and processing operations underscored by resource optimisation, waste management, water and biodiversity conservation.

ENVIRONMENTAL POLICY

- ☞ The environmental policy reviews the commitment of TTE PLC, in partnership with the plantation and local community to conserve and manage the environment in which we operate for the benefit and wellbeing of the present and future generations within plantations and its neighborhood.
- ☞ Towards achieving this objective, we shall pursue environmentally friendly and responsible methods in all our agricultural operations, field practices and manufacturing process to ensure that all natural resources and ecosystems will be managed in a sustainable manner.
- ☞ Biodiversity and water sources in particular will be protected through a well-managed conservation programme.
- ☞ We shall endeavour to conserve the usage of all resources by optimising resource utilization and minimizing waste through practicing cleaner production principles.
- ☞ Education and awareness will be promoted at all levels in a manner designed to increase the level of awareness of all aspects of the environment and its relevance, importance, care and management.
- ☞ We are committed to comply with applicable environmental laws and regulations at all times
- ☞ The state of the environment will be continually assessed and environmental management strategies, systems and objectives will be periodically reviewed and upgraded to achieve continual improvements.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

ENVIRONMENTAL STRATEGY

" OUR SUSTAINABLE ENVIRONMENTAL MANAGEMENT STRATEGY FOLLOWS AN INTEGRATED APPROACH"

Based on the SWOT analysis for environment related aspects along with a comprehensive risk assessment underscored by our environmental policy, we have formulated our sustainable environmental strategy which incorporates an integrated and structured environmental management programme. This programme encompasses nine strategic imperatives influencing and impacting the environment in which we operate - ecosystem, water, carbon footprint, climate change, forestry, biodiversity, soil, agro chemical and fertilizer and solid waste. Our action plans and management programmes are formulated based on these imperatives.

SWOT ANALYSIS OF ENVIRONMENT

STRENGTHS

- ☞ Comprehensive environment policy in place
- ☞ Top management commitment and dedicated officers to spearhead forestry and sustainability initiatives
- ☞ Commitment to reduce energy consumption and carbon footprint
- ☞ Rainforest Alliance – Sustainable Agriculture Certification Programme
- ☞ Rich biodiversity and ecosystems
- ☞ Three hydro power plants
- ☞ Implementation of cleaner production technologies and sustainable agriculture practices
- ☞ Strong, competent and motivated teams to carry out sustainable initiatives

OPPORTUNITIES

- ☞ Availability of land for promoting sustainable environmental initiatives
- ☞ Availability of lakes, ponds, wetlands with swamps and marshes for effective rain water harvesting and promoting wildlife
- ☞ Availability of water streams for hydropower generation
- ☞ Greater demand for green & ethical products
- ☞ Awareness building amongst employees, communities and suppliers
- ☞ Recycling of solid waste
- ☞ Production of organic fertiliser

WEAKNESSES

- ☞ Water and land pollution due to organic fertiliser and agrochemical applications in estates
- ☞ Excessive generation of solid waste by the expanding estate community
- ☞ Degraded soil due to erosion

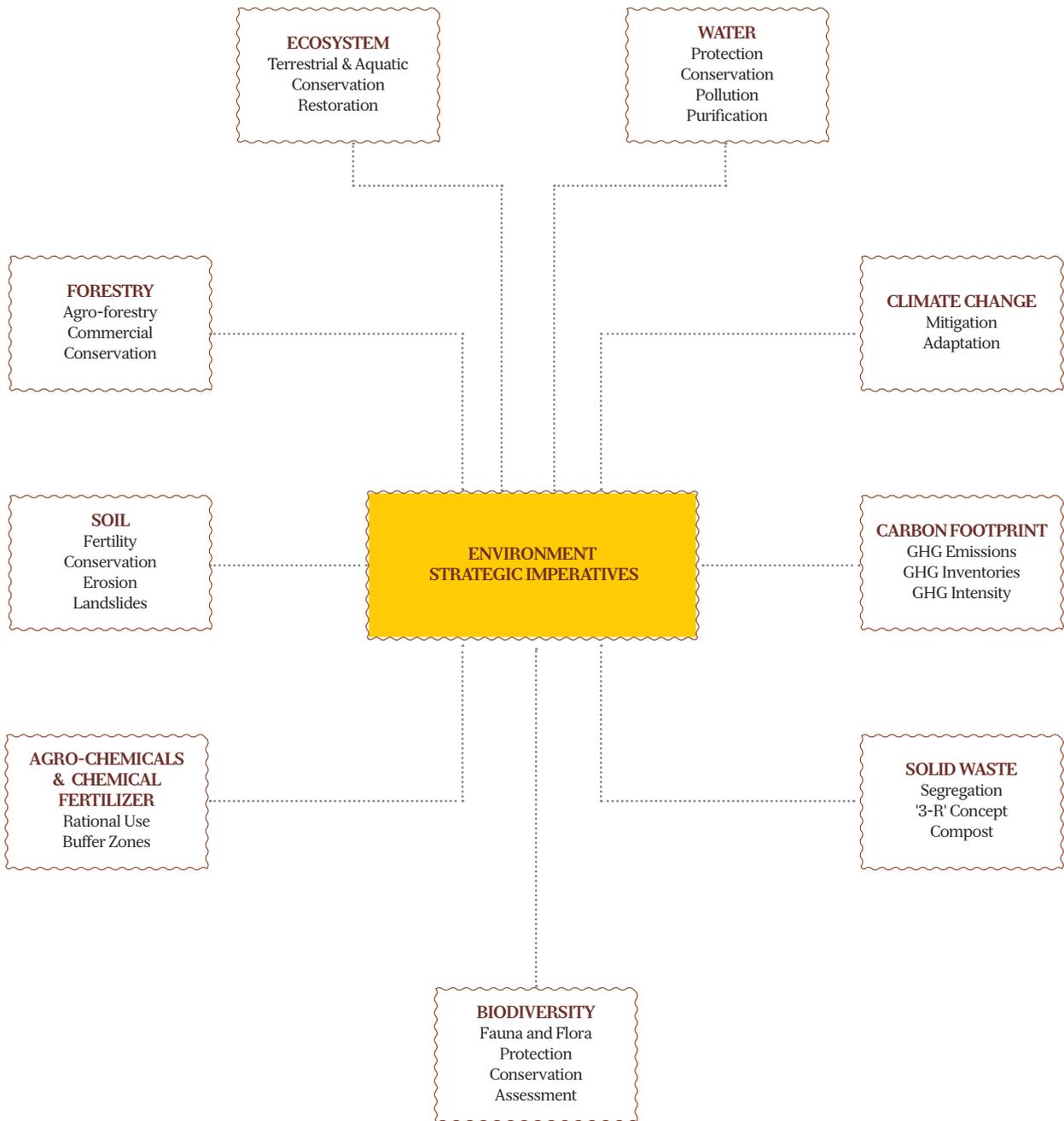
THREATS

- ☞ Climate change affecting availability of water and crop productivities
- ☞ Soil erosion, landslides and land degradation due to extreme weather conditions
- ☞ Greater demand for water by the expanding community.
- ☞ Ground and water pollution by agrochemical and chemical fertilizer usage.

ENVIRONMENTAL RISK ASSESSMENT RISKS ASSOCIATED WITH NATURAL, OPERATIONAL AND HUMAN ACTIVITIES	
CLIMATE CHANGE <ul style="list-style-type: none"> ☞ Extreme weather conditions ☞ Changes in rainfall pattern and ambient temperature 	HIGH
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ Landslides and land degradation ☞ Adverse impact on yields and quality of tea ☞ Difficulty in forecasting crop and quality of tea ☞ Decline in crop intakes and profitability ☞ Reduced employment opportunities ☞ Adverse impacts on biodiversity 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Planting tea, green manure/shade, native and fruit plant species to increase tree canopy cover and carbon sequestration ☞ Rainwater harvesting in reservoirs and ponds to sustain the ground water table and regulate ambient temperatures ☞ Implementing sustainable agriculture practices ☞ Planting drought resistant cultivars
WATER <ul style="list-style-type: none"> ☞ Water scarcity due to climate change and high consumption by the expanding estate community 	MODERATE
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ Estate community may experience hardships due to water scarcity ☞ Crop intakes and profitability may be adversely affected due to declining water table ☞ Adverse impacts on biodiversity 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Protection of all water sources ☞ Rainwater harvesting in reservoirs and ponds to sustain the ground water table ☞ Implementing water conservation measures ☞ Training and educating operational teams and the estate community
WATER POLLUTION <ul style="list-style-type: none"> ☞ Contamination of water sources due to operational and human activities and wild animals 	MODERATE
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ Agrochemicals and chemical fertiliser used in operational activities and by the resident vegetable cultivators could adversely impact the quality of water ☞ Wild animals particularly mammals may adversely impact the water quality 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Protection of water sources ☞ Establishment of chemical free buffer zones along all water sources ☞ Measuring, Monitoring and reducing agrochemical usage through integrated weed management and integrated pest management practices ☞ Periodical testing of both drinking & wastewater quality for required parameters ☞ Training and educating operational teams and the estate community

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

ENVIRONMENTAL RISK ASSESSMENT RISKS ASSOCIATED WITH NATURAL, OPERATIONAL AND HUMAN ACTIVITIES	
SOIL FERTILITY <ul style="list-style-type: none"> ☞ Depletion of soil organic matter and nutrients 	MODERATE
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ Extreme rainy weather may cause loss of topsoil, soil fertility and soil nutrients ☞ Steep terrain in the tea fields may accelerate the soil erosion intensity 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Planting green manure/shade trees ☞ Composting and burying prunings and weeds ☞ Re-cutting contour and leader drains ☞ Establishing stone and live terraces ☞ Establishing ground cover crops ☞ Soil testing and rational application of Dolomite and chemical fertilizer
SOLID WASTE <ul style="list-style-type: none"> ☞ Solid waste generated from operational activities and domestic consumption 	MODERATE
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ Solid waste generated may cause land and water pollution ☞ Solid waste generated may cause spread of diseases ☞ Solid waste generated may adversely impact the ecosystems and biodiversity 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Implementing an integrated solid waste management programme promoting '3-R' concept ☞ Measuring and monitoring the quantity of different types of solid waste recycled ☞ Producing compost from biodegradable waste ☞ Training and educating operational teams and estate community including school children
GREENHOUSE GAS (GHG) EMISSIONS <ul style="list-style-type: none"> ☞ GHG emissions from operational activities and domestic consumption 	MODERATE
RISK ASSESSMENT <ul style="list-style-type: none"> ☞ GHG emissions from fuel used in transport and supervisory vehicles ☞ GHG emissions from electricity usage in factories, staff quarters, offices and other buildings 	RISK MANAGEMENT STRATEGIES <ul style="list-style-type: none"> ☞ Measuring and monitoring GHG emissions at each operational site ☞ Measuring and monitoring electricity and fuel consumption at each operational site ☞ Installation of energy saving machinery, lighting and implementation of other energy conservation measures ☞ Implementation of cleaner production technologies ☞ Planting trees and increasing tree canopy cover for increased carbon sequestration ☞ Training and educating operational teams and estate community



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

PROMOTING SUSTAINABLE GROWTH Environmental Goals vs. Achievements		
Environmental Goal	Achievement - 2014	Achievement - 2013
Agrochemical Usage		
☞ Usage of Insecticides – Zero	☞ Zero	☞ 28 Litres
☞ Usage of Herbicides – 2.5L/Hec/annum	☞ 2.9L/Hec/annum	☞ 3.5L/Hec/annum
Energy		
☞ Electricity – 1.3 kgs/kWh	☞ 1.24 kgs/kWh	☞ 1.21 kgs/kWh
☞ Firewood – 220 kgs/cum	☞ 182 kgs/cum	☞ 182 kgs/cum
GHG Emissions		
☞ 0.65 tCO2e per ton Tea	☞ 0.72 tCO2e per ton Tea	☞ 0.72 tCO2e per ton Tea
Increasing Tree Inventories & Canopy cover		
☞ Fuelwood species - 200,000 plants per annum	☞ 115,906 plants	☞ 31,040 plants
☞ Green manure/Shade species - 25,000 plants per annum	☞ 11,760 plants	☞ 22,788 plants
☞ Native, Fruits & other plant species – 25,000 plants per annum	☞ 17,047 plants	☞ 11,100 plants
Solid Waste Recycling		
☞ 10% Increase Over Previous Year	☞ 1%	☞ 50%
Production Waste		
☞ Zero	☞ Zero	☞ 186,656 kgs
Quality of Drinking Water		
☞ Meet Specified Parameters	☞ Partially Achieved	☞ Partially Achieved
Quality of Wastewater		
☞ Meet Specified Parameters	☞ Achieved except fecal contamination in some sources	☞ Achieved except fecal contamination in some sources

RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE CERTIFICATION PROGRAM



Rainforest Alliance Certification Audit in Progress

The Mission of RA is to protect ecosystems, biodiversity, and the people and wildlife that depend on them by transforming land management practices, business practices and consumer behaviours. RA Standard follows ten universal principles of sustainable agriculture which are built on the three pillars of Sustainability - environment, economy and social justice. The objective is to mitigate environmental and social risks caused by agricultural activities, through a process that provides a measure of farm's social and environmental performance and best management practices and motivates each estate to consistently enhance its performance in their respective areas to ensure sustainability.

An Internal Management System (IMS) with an implementation mechanism and a manual consisting of policies, objectives, strategies, programmes, activities and key sustainability performance indicators have been developed to effectively implement and monitor the activities of the Rainforest Alliance Program. Apart from regular inspections and evaluations, comprehensive internal audits are carried out on each estate by a competent and qualified team headed by the RA Group Administrator, General Manager – Sustainability & Quality Management Development. Certification audits are carried out annually by RA assigned officers from India. All our twelve high grown estates and Kiruwanaganga which is the prime low grown estate are now RA certified.



SRI LANKA BUSINESS AND BIODIVERSITY PLATFORM (SLB&BP)

SLB&BP is a forum to foster dialogue between the private sector and conservation agencies. The Ceylon Chamber of Commerce has joined together with IUCN (International Union for Conservation of Nature) and Dilmah Conservation to launch the Platform aimed at providing valuable services to Sri Lankan business invested in sustainable development and conserving the natural resources of our country. SLB&BP acts as a knowledge sharing system; a nationally-owned, member-driven mechanism to promote dialogue and improve the exchange of knowledge, information and methods on biodiversity conservation and sustainable development, within and between the private sector and to link with existing and emerging networks and initiatives. It aims to provide assistance to business to find solutions to adjust their activities to ensure environmentally responsible management and sustainable growth, whilst providing benefits to biodiversity and ecosystems.

The Platform is now firmly established at The Ceylon Chamber of Commerce as the only national initiative in which the corporate sector works together with the public sector and concerned partners on environmental and biodiversity conservation issues.

During April 2014, TTE PLC joined the Platform and as an active member of the Platform, was invited to share the experience on biodiversity integration and benefits at the Plantation Sector Networking and Learning Event of the forum held during the month of November 2014. The General Manager-Sustainability and Quality Management Development made a comprehensive presentation on the biodiversity integration strategies and initiatives implemented by the company and the benefits derived.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

OVERALL – TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS BY TYPE G4-EN- 31

The Company invested a sum of Rs 26.4 million during the year 2014 to carry out the following initiatives and measures adopted to protect the environment under pinned by our strategic imperatives:

- ☞ Soil management and conservation - Rs. 7,009,902
- ☞ Protection of water sources and water conservation - Rs. 975,198
- ☞ Planting of agro-forestry, fuelwood and native tree species - Rs. 8,389,922
- ☞ Construction of wastewater purification systems - Rs. 1,088,685
- ☞ Drinking and wastewater and soil quality testing and monitoring - Rs. 787,592
- ☞ Integrated solid waste management - Rs. 1,956,491
- ☞ Establishment of vegetative barriers, and chemical free buffer zones - Rs. 2,906,108
- ☞ Training and educational programmes and erecting of sign boards - Rs. 689,534
- ☞ Establishment of Rainforest Information and Education Centers (RIEC) - Rs. 182,002
- ☞ Rainforest Alliance – sustainable agriculture programme certification - Rs. 1,925,640

RECOGNITION - ENVIRONMENTAL STEWARDSHIP

" TTE PLC WINS GOLD AWARD FOR EXCELLENCE IN ENVIRONMENTAL SUSTAINABILITY "
National Business Excellence Awards 2014

In recognition of the environmental initiatives implemented and the tangible results achieved, TTE PLC was awarded the Gold for Excellence in Environmental Sustainability at the ‘National Business Excellence Awards 2014’ organised by the National Chamber of Commerce. TTE PLC was also adjudged the winner under the category - ‘Agriculture and Plantations’ at the ACCA Sustainability Reporting Awards 2013 whilst being recognised for energy management initiatives and environmental friendliness at the National Plantation Awards 2012 organised by the Ministry of Plantation Industries.

In 2011, Mattakelle estate won a National Green Award, awarded by the Central Environmental Authority, which was incidentally the only award won by the entire Plantations Sector at this event.



Sustainability Reporting Award and Certificate



General Manager–Sustainability & Quality Management Development Receiving the Gold Award



MATERIALS G4-EN-1

Being a producer of black and green tea for export, the primary materials consumed broadly fall under three categories:

- ☞ raw materials- green leaf
- ☞ processing material and
- ☞ packing materials

Our consumption during the year under review, as set out in the table below, has marginally declined in terms of green leaf and process materials except Petrol and Dolomite as compared to the prior year patterns. Application of a higher quantity of Dolomite was necessitated to rectify the soil acidity levels and improve soil fertility.

MATERIAL USAGE					
Material Consumption	Unit	Quantity			
		2015 (Jan-Mar)	2014	2013	2012
Raw Materials - Renewable					
Estate Leaf	Kilograms	6,572,895	24,727,429	26,580,864	26,664,226
Bought Leaf	Kilograms	1,332,445	6,557,235	6,287,002	7,932,138
Total Green Leaf	Kilograms	7,905,340	31,284,664	32,867,866	34,596,364
Associated Process Materials					
Fuel- Non Renewable					
Diesel	Litres	47,914	215,763	216,201	235,330
Petrol	Litres	21,744	108,005	98,571	83,705
Oil	Litres	528	2,522	3,447	2,968
Fuel-Renewable					
Firewood	Cubic Metres	8,359	37,042	38,858	39,556
Briquettes	Kilograms	50,695	338,065	367,420	228,545
Fertilizer-Non-Renewable					
Fertilizer	Metric Tons	649	3,159	3,441	3,690
Dolomite	Metric Tons	829	1,533	1,005	1,207
Agrochemicals	Litres	2,536	11,632	14,385	11,505
	Kilograms	216	2,852	1,922	1,804
Packing Materials - Renewable					
Paper Bags	Number	41,612	164,868	171,325	163,944
All data was sourced from direct measurements and actual consumption from each estate and head office					

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

ENERGY G4- EN-3 & EN-4

Energy Consumption

"Advocating sustainable energy sources to reduce dependence on fossil fuels and GHG emissions"

The Company is fully aware of the significance of switching over to sustainable energy sources and thereby, reducing the dependence on fossil fuels.

Some of the key measures adopted and initiated to reduce the direct and indirect energy consumption in daily operations are set out below:

- ☞ Operating all tea driers on renewable energy; firewood and briquettes
- ☞ Investing on energy efficient machinery & equipment
- ☞ Installation of energy efficient capacity banks, lighting and VSDs in all factories
- ☞ Implementation of machinery and light switch on/off plans

- ☞ Power factor correction
- ☞ Educational and awareness programs on energy conservation under the Rainforest Alliance – Sustainable Agriculture Certification Programme targeting the employees and resident communities

Electricity consumption recorded in 2014 is the lowest during the past three years and indicates a reduction of 4.85 percent when compared with the consumption level in 2013.

DIRECT ENERGY CONSUMPTION - PRIMARY SOURCE					
Energy Source / Area of Operation	Unit	Quantity			
		2015 (Jan-Mar)	2014	2013	2012
Firewood	Cubic Metres	8,359	37,072	38,858	39,556
Briquettes	Kilograms	50,695	338,065	367,420	228,545
Diesel					
Power Generators	Litres	5,123	22,960	21,601	37,878
Estate Transport	Litres	37,452	156,600	164,129	157,278
Estate Supervisory Vehicles, Ambulances	Litres	2,806	17,359	23,014	29,563
Any others	Litres	1,400	9,573	-	-
Head Office Vehicles	Litres	1,133	9,272	7,457	10,611
Total Diesel	Litres	47,914	215,764	216,201	235,330
Gasoline					
Estate Supervisory Vehicles, Motorcycles, Ambulances	Litres	17,838	77,052	67,414	55,683
Agriculture Equipment and Machinery	Litres	1,689	6,782	14,736	8,451
Any Others	Litres	343	1,434	-	-
Head Office Vehicles	Litres	2,052	22,737	16,421	19,571
Total Gasoline	Litres	21,922	108,005	98,571	83,705
Oil					
Estate Supervisory Vehicles, Motorcycles, Ambulances	Litres	312	1,435	1,879	1,636
Agriculture Equipment and Machinery	Litres	80	378	616	297
Factory Machinery	Litres	69	469	632	715
Any Others	Litres	1	16	-	-
Head Office Vehicles	Litres	55	224	320	320
Total Oil	Litres	517	2,522	3,447	2,968
Method: direct measurements and actual consumption of each estate and head office					

INDIRECT ENERGY CONSUMPTION - PRIMARY SOURCE				
Energy Source/ Area of Operation	UNITS (kWh)			
	2015 (Jan-Mar)	2014	2013	2012
High Grown Manufacture	987,460	3,996,786	4,461,411	4,340,565
Low Grown Manufacture	465,978	2,027,388	1,802,865	1,918,304
Bungalows, Quarters, Offices and Other Estate Buildings	159,631	600,897	681,642	674,920
Head Office	17,025	58,050	78,103	65,187
Total	1,630,094	6,683,121	7,024,021	6,998,976

Method: direct measurements and actual consumption of each estate and head office

ENERGY INTENSITY G4-EN- 5

Energy Intensity is computed in kilograms of made tea produced for unit of energy; kWh consumed in respect of following areas of the operation:

Non-Renewable Energy

- ☞ Electricity consumed in factories- kgs/ kWh
- ☞ Electricity consumed in bungalows, staff quarters, offices and other buildings kWh/Staff Member

☞ Fuel consumed by all vehicles – kgs/ Litre

Renewable Energy

- ☞ Firewood consumed in factories – kgs/cum

Non-Renewable Energy

Electricity Intensity - Factories

Electricity consumption and electricity intensity in processing factories are critical for the tea industry as they

involve both high costs and significant environmental impacts including climate change. Electricity intensity in factories is indicated by kilograms of made tea produced for unit (kWh) of electricity consumed. In the reporting year, we achieved 1.24 kgs/kWh, reflecting a marginal improvement over 1.21 kgs/kWh recorded in 2013. We aim at achieving an output of 1.30 kgs/kWh in the financial year 2015/2016, which we have achieved during the quarter January-March 2015. Electricity intensity in high and low grown factories and overall is detailed out below:

ELECTRICITY INTENSITY IN FACTORIES – KGS/ KWH					
Category	Target	2013	2014	Variance	2015 (Jan-Mar)
High Grown Factories	1.4	1.22	1.29	+0.07	1.40
Low Grown Factories	1.2	1.19	1.14	-0.05	1.09
All Factories	1.3	1.21	1.24	+0.03	1.30

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Electricity Intensity in Bungalows, Staff Quarters, Offices and other Buildings

Electricity intensity in bungalows, staff quarters, offices and other buildings is indicated by units (kWh) of electricity used per staff member. In these buildings in high and low grown estates, all estates and head office separately as detailed out below: During the year 2014, all estates have recorded 1,268 kWh/staff member, which indicates an improvement of 15% over 1495 kWh/staff member recorded in 2013. Electricity intensity of 1,707 kWh/staff member recorded at the head office too indicates an improvement of, 30% when compared with the intensity of 2,441 kWh/staff member recorded in 2013.

Our Target is to reduce the intensity on estates to 1,000 kWh/staff member, head office to 1,500 kWh/staff member and overall to 1,100 kWh/staff member.

ELECTRICITY INTENSITY IN BUNGALOWS, STAFF QUARTERS, OFFICES & OTHER BUILDINGS kWh/STAFF MEMBER					
Category	Target	2013	2014	Variance	2015 (Jan-Mar)
High Grown Estates	1,200	1,730	1,478	-252	392
Low Grown Estates	600	865	711	-154	192
All Estates	1,000	1,495	1,268	-227	337
Head Office	1,500	2,441	1,707	-734	501
Overall	1,100	1,557	1,297	-260	348

Fuel Intensity - Vehicles

Fuel intensity in vehicles are indicated by kilograms of made tea produced for unit of fuel (Litres) used in all vehicles. In the year 2014, high grown, low grown and all estate vehicles have achieved a fuel intensity of 25.54 kgs/litre, which is marginally lower than the fuel intensity of 26.56 kgs/litre recorded in 2013. Our target is to achieve a fuel intensity of 30 kgs/litre for the financial year 2015/2016 and we have achieved 28.47 kgs/litre during the quarter; January-March 2015. Fuel intensity for low grown, high grown and all estates is detailed out below:

FUEL INTENSITY - VEHICLES - kgs/LITRE					
Category	Target	2013	2014	Variance	2015 (Jan-Mar)
High Grown Estates	30.0	27.94	25.67	- 2.27	28.17
Low Grown Estates	30.0	23.52	25.26	+ 1.74	29.30
All Estates	30.0	26.56	25.54	-1.02	28.47

Renewable Energy

Firewood Intensity - Factories

Due to the scarce supply of fuelwood and high consumption, firewood intensity in factories is critical for the industry. Firewood intensity is indicated by kilograms of made tea produced for a cubic meter of firewood. Firewood intensity recorded by all factories in year 2014 was 182 kgs/cum which is the same intensity recorded in 2013. Our target is to achieve 220 kgs/cum of firewood intensity for the financial year 2015/16. Firewood intensity for high and low grown factories and overall is detailed out below:

Category	FIREWOOD INTENSITY - kgs/cum				
	Target	2013	2014	Variance	2015 (Jan-Mar)
High Grown Factories	230	198	200	2	206
Low Grown Factories	200	172	172	-	160
All Factories	220	182	182	-	191

REDUCTION OF ENERGY CONSUMPTION G4-EN- 6 & EN-7

Reduction Achieved in Factories, Bungalows, Staff Quarters, Offices and other Buildings

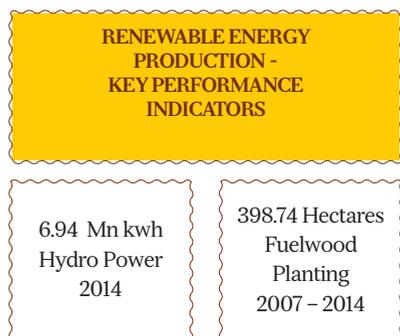
A 4 percent reduction in electricity consumption representing 240,102 kWh was achieved within the processing factories in 2014 in comparison with the consumption levels achieved in 2013. A significant reduction of 100,798 kWh corresponding to 13 percent was achieved in bungalows, staff quarters, offices and other buildings. A total reduction of 340,900 kWh was achieved during the year which corresponded to 5 percent.

CONSUMPTION OF ELECTRICITY - kWh				
Year	Quantity of Made Tea (kgs)	Factories	Bungalows, Staff Quarters, Offices & Other Buildings	Total Consumption
2014	7,451,527	6,024,174	658,947	6,683,121
2013	7,726,547	6,264,276	759,745	7,024,021
Variance	- 275,020	-240,102	-100,798	-340,900
2015 (Jan-Mar)	1,892,198	1,453,438	176,656	1,630,094

Energy consumption in all factories is closely monitored at both, estate and at the corporate level. Significant reductions have been recorded in the year 2014 on Somerset, Wattegoda, Bearwell and Deniyaya factories. Improving process efficiencies, installing energy efficient machinery, changing over to lighting such as CFL and LED bulbs, power factor corrections and educational and awareness programmes conducted amongst all employees supported the Company to record reductions in electricity consumption.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

**RENEWABLE ENERGY PRODUCTION
BY PRIMARY SOURCE**



HYDRO POWER ENERGY

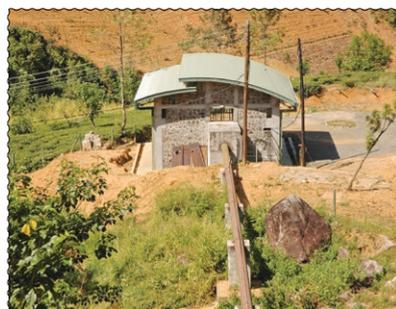
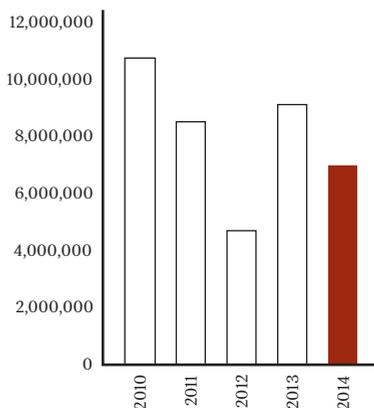
The Company generated 6,947,570 kWh of electricity during the year from the three mini-hydro power plants which we have supplied to the National grid to support national production. This represents a significant decrease of 23 percent compared to the amount generated in 2013 given the relatively lower rainfall experienced in the year.

Power generated through our hydro power units is almost equal to the 7,020,902 kWh purchased from Ceylon Electricity Board for operational activities significantly supporting a national cause of energy sustainability.

The units of electricity generated by the Hydro Plants at Radella, Palmerston and Somerset during the period 2010-2015 are detailed out below:

HYDRO POWER GENERATIONS						
Hydro Power Projects	UNITS (kWh)					
	2015 (Jan-Mar)	2014	2013	2012	2011	2010
Somerset	989,330	3,304,174	4,259,219	2,334,902	4,347,782	5,204,647
Palmerston	602,539	2,841,027	3,767,099	1,859,451	3,317,906	4,607,860
Radella	180,184	802,369	1,057,455	483,976	825,266	881,907
Total	1,772,053	6,947,570	9,083,773	4,678,329	8,490,954	10,694,414

**Hydropower Projects
Total Electricity Generated (kWh) Mn**



Hydropower Plant - Radella Estate



Hydropower Plant - Somerset Estate

FUELWOOD

Planting fuelwood is a continuous programme under our sustainability initiatives. An extent of 55.25 hectares consisting of following plant species were planted in 2014.

FUELWOOD SPECIES	2014
Eucalyptus spp.	83,199
Acacia decurrens	11,127
Calliandra calothyrsus	21,580
Total	115,906

Apart from Eucalyptus *spp.* blocks, we have now commenced establishing mixed forestry blocks using species such as *Calliandra calothyrsus*, *Acacia decurrens*, etc, to optimise land utilization and achieve sustainability in land use. The table given below indicates the extent of fuelwood planted by the Company since 2007.

FUELWOOD PLANTED FROM 2007

REGION	2007 - 2014 (HA)
Low Grown	68.52
High Grown	330.22
Total	398.74



Eucalyptus spp. Nursery



Young *Eucalyptus spp.* Block



A Well Grown *Eucalyptus spp.* Block

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

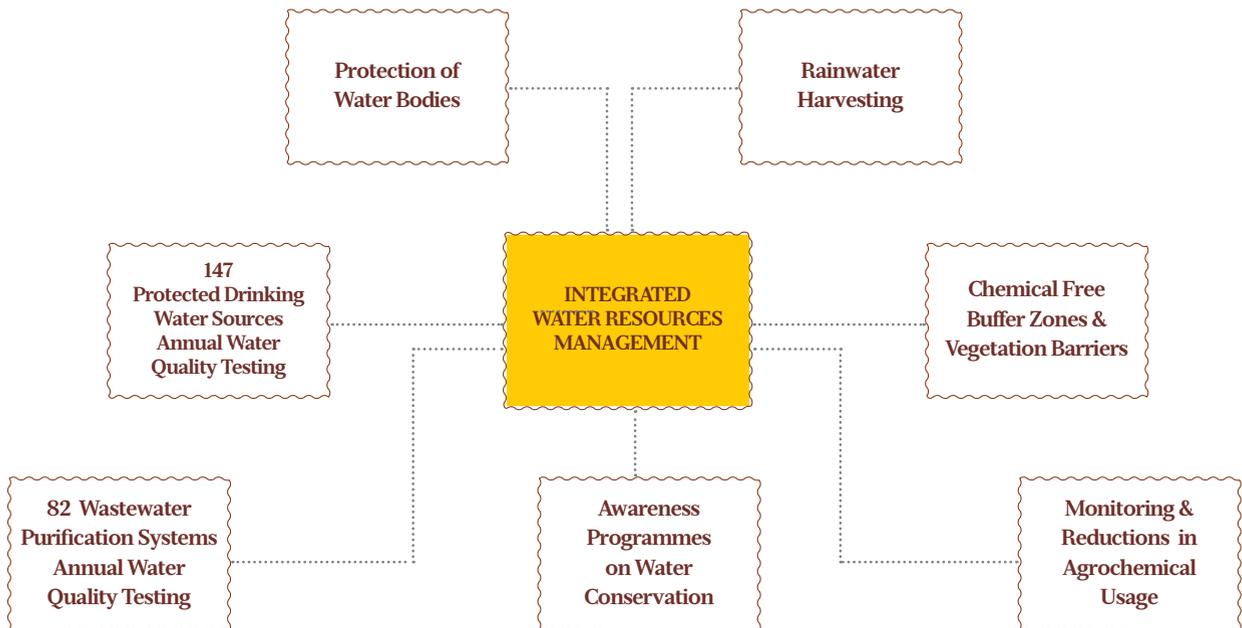
WATER

“Managing Sri Lanka’s water sustainability in the face of increasing demands and a challenging climate will be one of the defining challenges of the next few decades”

*Jeremy Bird – Director General - IWMI
April-2015*

“Today’s water problems cannot be solved by science alone, they are instead human problems of governance, policy, leadership and social resilience”

*The Stockholm Water Prize Committee
February-2015*



" Our sustainable water management strategy follows an integrated approach"

PROTECTING WATER SOURCES

G4- EN-9

As clearly emphasised by the Director General of IWMI in April 2015, managing Sri Lanka's water sustainability in the face of increasing demands and a changing climate will no doubt be one of the most defining challenges. This statement is very relevant to the plantations sector as well and we are conscious of the reality that the sustainability of the estate community, crop production and biodiversity are heavily dependant on availability of water.

The Company, therefore, is committed to protect and sustain all water sources available on our lands to ensure adequate supplies of wholesome water to the estate community, factories, nurseries and in some instances to neighboring villages and towns.

Under the Rainforest Alliance Sustainable Agriculture Certification Programme, all water sources and water bodies within estates have been identified and mapped. A management programme with necessary initiatives to protect all water sources and conserve water in all spheres of activity has been implemented. Our water sources are well protected with live and mechanical fences, meshes and tree species such as *Terminalia arjuna* (Kumbuk), *Albizia*, *Calliandra calothyrsus*, *Gliricidia sepium*, etc., which

have been planted for conservation of these sources. Water quality in all such drinking water sources which amounts to 147 is tested annually for required parameters.

Rainwater harvesting is done through many lakes, ponds and wetland areas available on estates, which are all well protected. Ponds are constructed at strategic locations for rainwater harvesting and sustaining the ground water table. Chemical free buffer zones with specified distances and vegetative barriers have been established around all water sources and water bodies to prevent any contamination due to agricultural operations.



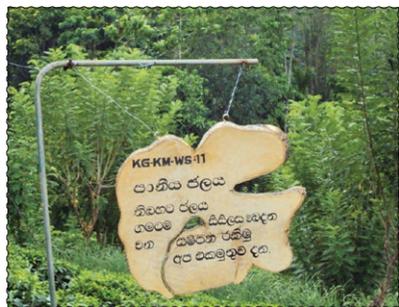
Protected Drinking Water Source
Great Western Estate



Water Distribution Map
Holyrood Estate



Protected Drinking Water Source
Great Western Estate



Identification of a Water Source
Kiruwanaganga Estate



Protected Drinking Water Source
Calsay Estate



Protected Drinking Water Source
Wattegoda Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Mini Tanks Created between Tea Fields on Estates for Rainwater Harvesting, Promotion of Biodiversity and Improving Micro-Climate



Somerset Estate



Wattegoda Estate



Mattakelle Estate



Kiruwana ganga Estate

Agrochemical usage is closely monitored both at estate level and corporate level to ensure that minimum quantities are applied and progressive reductions achieved annually. Out of 20 agrochemicals recommended for the industry by the Tea Research Institute (TRI), we have effectively reduced the number of agrochemicals used to five. Herbicides are the most widely used agrochemical and during the year 2014, we have achieved a reduction of 19 percent when compared with the consumption in 2013. We have completely suspended the usage of

insecticides and promote biological control measures on all estates to control pest and insect attacks.

Wastewater management including purification systems and other progressive measures will be discussed under emissions, effluents and waste management.

Regular Training and awareness programs are conducted through the Rainforest Alliance – Sustainable Agriculture program to educate the estate staff and communities on the importance

of protecting water sources, and the need for water conservation for the benefit of the present and future generations.

Company will further upgrade, integrated water resources management strategies and programs in collaboration with the International Water Management Institute (IWMI), and we have already consulted the scientists at IWMI in this regard.

In view of the above protective and conservation measures, non of the water sources are significantly affected by withdrawal of water.

WATER WITHDRAWAL

G4-EN- 8

In processing facilities, water is used only for humidification of the rolling room during the manufacturing process and washing the rolling room after the manufacturing process. In addition, water is used by the employees engaged in factories. Therefore, Tea manufacturing process does not consume large volumes of water.

Water required for operations are sourced from water springs and streams that are located within our estates, which are well protected. Therefore, we do not draw water from national supplies. Water collected from rain harvesting is also used as a source, albeit to a lesser extent. In the year under review, our estates, as a total, withdrew 14,920,000 litres (14920 kilolitres) of water. We have measured the actual consumption of factories per day and computed the total consumption based on 300 operating days. Due to complexities, the Company has not tracked water usage by the resident communities, which now consist of a large number of vegetable cultivators and those who work outside the estate.

BIODIVERSITY

G4-EN- 11, EN-12 & EN-13

The Company's Environmental Policy has clearly demonstrated our strong commitment towards protecting biodiversity and water sources through a well-managed conservation programme.

All 17 TTE PLC estates are located in the Hill Country Wet-Zone (HCWZ) and Low Count Wet-Zone (LCWZ) which are the regions with the highest forest cover and biodiversity that regulates climate and rainfall in the Wet-Zone. Origins of imported watersheds, catchment areas feeding national rivers- Nilwala, Gin, Kotmale Oya and Nanuoya are within TTE PLC 's estates, which are located in environmentally sensitive and vulnerable regions.



Gin Ganga Flowing through Downside Division of Deniyaya Estate

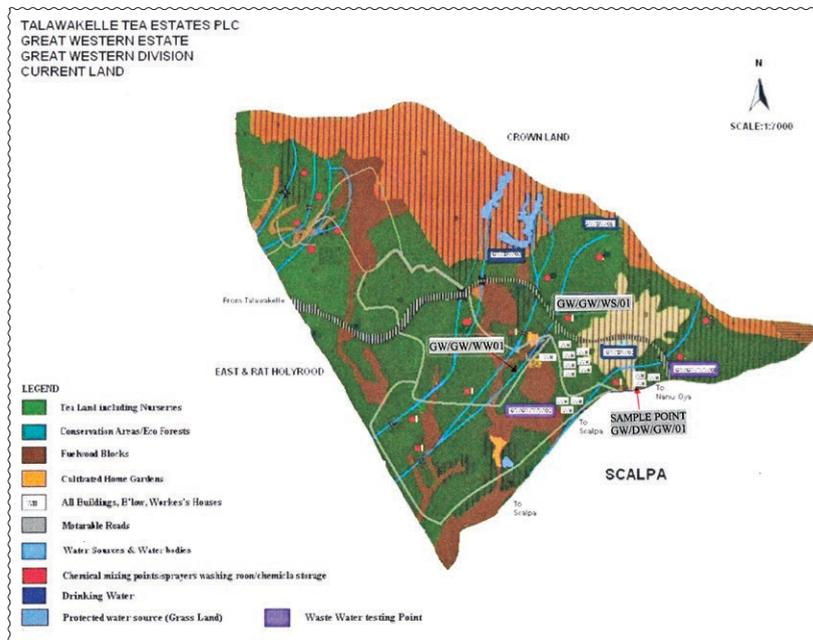


Nilwala Ganga Flowing through Lower Division of Deniyaya Estate



Nanuoya Flowing through Palmerston and Great Western Estates

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



Land Utilisation Map - Great Western Estate



Rich Ecosystems and Landscapes
Logie Estate



Rich Ecosystems and Landscapes
Calsay Estate

All estates within the Company, in both high and low grown regions are therefore, rich in biodiversity. The estates are endowed with diverse ecosystems and habitats consisting of lakes, ponds, streams, wetlands with swamps and marshes, waterfalls, riparian habitats, eco-forests and Eucalyptus forests. All these habitats provide sanctuary for the precious biodiversity within estates. The lakes and wetland store rain water and provide much needed seepage water essential to maintain the ground water table, regulate atmospheric temperatures and also the splendour of the ecosystems.

We have implemented several measures to conserve and consolidate the rich biodiversity habitats in order to sustain and develop the diverse fauna and flora in the region, including the Rainforest Alliance (RA) Sustainable Agriculture Certification programme on 13 of our estates.



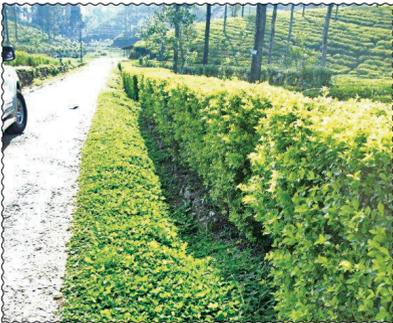
Protected Reservoir - Wattedoda Estate



Protected Reservoir - Logie Estate



Protected Reservoirs - Great Western Estate



Planting of Arachis pintoii to Control of Erosion along Motor Roads Great Western Estate



Planting of Arachis pintoii to Control of Erosion along Motor Roads Bearwell Estate



Vegetative Barriers and Buffer Zones established along water bodies Bearwell Estate



Road Banks Well Protected with Arachis Pintoii - Clarendon Estate



Conservation of Habitats between Tea Fields Bearwell Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



Chemical Free Buffer Zones and Vegetation Barriers to Protect the community from Agrochemical Drift - Great Western Estate

Through the Rainforest Alliance Programme, we have identified 244 hectares as biodiversity conservation areas and necessary initiatives have been implemented to protect and conserve these blocks to enrich the biodiversity value of our estates. All biodiversity blocks and wildlife habitats are identified on maps and protected with a 5 meter chemical free buffer zone and clear warning and sign boards in languages familiar to the community. All certified estates have undertaken biodiversity surveys by professional bodies and are aware of all faunal and floral species available within estates. The studies revealed that habitats within estates provide unique niches and support maintenance of natural diversity of estates, which aspect will be further discussed under fauna and flora species.

Estates have also established Rainforest Educational and Information Centres (REICs) as a key strategy to drive and sustain the programme. These centres, which are well equipped with books, leaflets, brochures, posters and other educational materials are effectively used to train and educate the community on the sustainable concepts, strategies and activities under the ten principles of sustainable agriculture including ecosystems and biodiversity management, water and wildlife conservation and integrated solid waste management.



Rainforest Educational and Information Centre (REIC) - Kiruwanaganga Estate



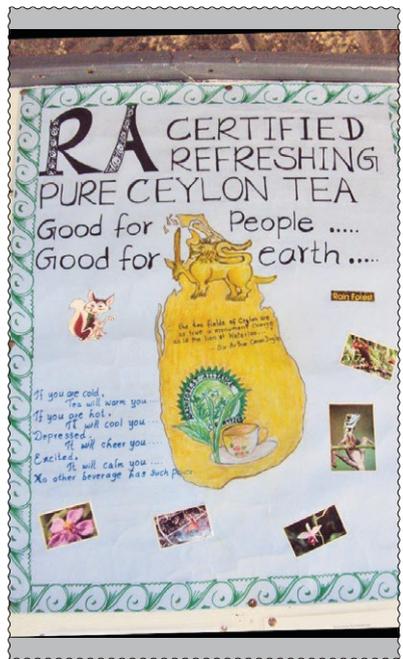
An Onsite Training Programme on Kiruwanaganga Estate



Educating School Children on Environment - Kiruwanaganga Estate



RA Programme Initiatives Depicted by Employees and Community Members Kiruwanaganga Estate



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

PROF. KOTAGAMA VISITS TEA ESTATES AT TALAWAKELLE

Senior professor of environmental management of the University of Colombo and renowned environmental scientist professor Sarath Kotagama visited several tea estates at Talawakelle on 2nd and 3rd July 2014 to evaluate the environmental management practices implemented under the Rainforest Alliance Sustainable Agriculture Certification programme and extended his expert advice for further improvement of current practices. Professor Kotagama together with a team of scientists visited Mattakelle, Logie and Great Western estates for this purpose and also conducted a workshop for estate management teams to communicate his observations and recommendations necessary for improvements.



Prof. Kotagama with the General Manager – Sustainability & Quality Management Development and Estate Management teams of Talawakelle and Nanu Oya

Critical environmental issues such as climate change, water scarcity, protecting of water bodies, rain water harvesting, management of domestic wastewater, integrated solid waste management and protecting wildlife habitats on estates were discussed during the visit and the professor shared his invaluable knowledge, insights and experience on these subjects with the management teams of estates.

In view of the above initiatives consisting of required protective and precautionary measures implemented, biodiversity and habitats are not affected directly or indirectly by our operational activities.



Professor Kotagama Sharing his Knowledge and Insights with Deputy General Managers- Mattakelle & Great Western



Professor Kotagama Planting a Walla Patta (Gyrinops walla) Plant, Holyrood Training Centre

FAUNAL SPECIES WITHIN ESTATES-ICUN RED DATA LIST - 2007 G4-EN- 14

CONSERVATION STATUS	NUMBER OF SPECIES
Globally Threatened	01
Critically Endangered & Endangered	14
Threatened	12
Vulnerable	10
Near Threatened	24
Total	61

SOME SELECTED ENDANGERED, THREATENED AND VULNERABLE FAUNA SPECIES IDENTIFIED

ESTATES	TAXONOMIC GROUP	COMMON AND SCIENTIFIC NAME	CONSERVATION STATUS
Mattakelle	Birds	 Kashmir Flycatcher (<i>Ficedula subrubra</i>)	Globally Threatened
		 Pied Bush Chat (<i>Saxicola caprata</i>)	Endangered
Mattakelle & Somerset	Butterflies	 Gaudy Baron (<i>Euthalia lubentina</i>)	Endangered
		 Tamil Bush Brown (<i>Mycalesis visala subdita</i>)	
		 Ceylon Tiger (<i>Parantica taprobana</i>)	Endangered
		 Dark Palmdart (<i>Telicota ancilla</i>)	
Somerset	Amphibians	 Karunaratne's Narrow Mouth Frog (<i>Microhyla karunaratnei</i>)	Critically Endangered
		 Horton Plains Shrub Frog (<i>Pseudophilautus alto</i>)	Endangered & Endemic
		 Dull-Green Shrub Frog (<i>Pseudophilautus viridis</i>)	
		 Small Eared Shrub Frog (<i>Pseudophilautus microtympanum</i>)	
Wattegoda	Butterflies	 Paint Brush Swift (<i>Boaris penicillata</i>)	Critically Endangered
Indola	Reptiles	 Rough Horn Lizard (<i>Ceratophona asperal</i>)	Endemic & Endangered
Calsay	Mammals	 Golden Palm Civet (<i>Paradoxurus</i>)	Vulnerable
Kiruwanaganga	Land Mollusks	 Ratnadvipia karuii	Critically Endangered
	Dragonflies	 Wijaya's Scissortail (<i>Microgomphus wijaya</i>)	Endangered
		 Yerbury's Elf (<i>Tetrathemyis yerburyii</i>)	
	Amphibians	 Sharp-Snouted Shrub Frog (<i>Pseudophilautus cuspis</i>)	Endangered
		 Leaf Dwelling Shrub Frog (<i>Pseudophilautus folicola</i>)	
		 Golden Frog (<i>Hylarana aurantianca</i>)	Vulnerable
	Birds	 Sri Lanka White - Throated Flowerpecker (<i>Dicaeum vincens</i>)	Threatened & Vulnerable
	Mammals	 Purple - faced Leaf Monkey (<i>Semnopithecus vetulus</i>)	Threatened & Vulnerable
Mammals	 Giant Squirrel (<i>Ratufa macroura</i>)	Threatened & Vulnerable	
	 Dusky Squirrel (<i>Funambulus sublineatus</i>)		

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

Estate management together with the participation of the estate communities continue to protect the habitats created for wildlife conservation namely home gardens, seasonal and perennials streams, small scale reservoirs and ponds, wetland, secondary forests and tea fields. These areas have been continually expanded to enhance conservation measures and promote wildlife.

The biodiversity surveys carried out within our estates revealed that there are over 220 faunal species, both vertebrates and invertebrates - mammals, birds, butterflies, dragonflies, amphibians, reptiles, fish, crabs and land mollusks living within our estates. Our estates are also habitats to over 60 species that are categorised as endangered, threatened and vulnerable species as per the IUCN Red Data List published in 2007.

Hunting, capturing and trafficking wild animals/birds and rearing of these species within estates have been strictly prohibited. In addition, wildlife sightings by the community are recorded for close monitoring of the presence of each species.

The identification of the Kashmir Flycatcher (*Ficedula subrubra*) on Mattakelle estate which is a globally threatened species and a Pied Bush Chat (*Saxicola caprata*) which is an endangered species and a critically endangered butterfly species Paint Brush Swift (*Boaris penicillata*) on Wattegoda and Karunaratne's Narrow Mouth Frog (*Microhyla karunaratnei*) on Somerset were the highlights of the surveys conducted on high grown estates.

Interestingly, according to IUCN Red List – 2007, endangered species of butterfly species namely Gaudy Baron (*Euthalia lubentina*), Tamil Bush Brown (*Mycalesis visala subdita*), and vulnerable species Ceylon Tiger (*Parantica taprobana*), Dark Palm dart (*Telicota ancilla*) were also recorded in the survey conducted on Mattakelle and Somerset. Three other endangered and endemic frog species namely Horton Plains Shrub Frog (*Pseudophilautus alto*), Dull-Green Shrub Frog (*Pseudophilautus viridis*) and Small Eared Shrub Frog (*Pseudophilautus microtypanum*) were also identified on Somerset. A rich population of the endemic and vulnerable Golden Palm Civets (*Paradoxurus*) was recorded on Calsay.

The survey carried out on Kiruwanaganga estate documented the existence of critically endangered land mollusk species, namely Ratnadvipia karuii which according to the survey report, found abundantly at the estate. It is heartening and encouraging to observe that report further affirmed that Kiruwanaganga has been identified



Wildlife Protection – Logie Estate



A Well Maintained Wildlife Sightings Record Book - Kiruwanaganga Estate



Banks Protected with Grass Buffer Zones Palmerton Estate



Buffer Zones and Wildlife Habitats Established Between Tea Fields – Bearwell Estate

as a dragonfly hotspot and two of the recorded species, namely Wijaya's Scissortail (*Microgomphus wijaya*) and Yerbury's Elf (*Tetrathemysis yerburyii*) are endangered species according to the 2007 Red List and none of their presence has been recorded previously within the Galle district. It is also most interesting to learn that amphibian species - Sharp-Snouted Shrub Frog (*Pseudophilautus cuspis*) and Leaf Dwelling Shrub Frog (*Pseudophilautus folicola*) which were recorded from Kiruwanaganga estate are currently considered as endangered species and *Hylarana aurantianca* which was also found at Kiruwanaganga is considered a vulnerable species.

A single specimen of the endemic and endangered Rough Horn Lizard (*Ceratophora aspera*) has also been found at the forest edge bordering Indola estate. Among bird species, Sri Lanka White - Throated Flowerpecker (*Dicaeum vincens*), and among mammals, Purple - Faced Leaf Monkey (*Semnopithecus vetulus*), Giant Squirrel (*Ratufa macroura*)

and Dusky Squirrel (*Funambulus sublineatus*) are threatened and vulnerable species identified during the survey on Kiruwanaganga.

The follow up biodiversity survey conducted on Mattakelle by the "Friends of Horton Plains" which, was completed in April 2013 revealed that the diversity of invertebrates and vertebrates in Mattakelle has increased significantly than the previous biodiversity survey conducted in 2010. The wetlands and seasonal streams of the estate protected the amphibians and birds species. Report also confirms that the ponds constructed for wastewater purification have created habitats important for aquatic life such as dragonflies, fresh water fishes and amphibians. During this survey, a number of observations were made on the threatened, endangered and rare species attesting the importance of the ecosystem and the effectiveness of the biodiversity conservation measures implemented on Mattakelle.



Rock Python (*Python molurus*)
Kiruwanaganga Estate



Barking Deer (*Muntiacus muntjak*)
Kiruwanaganga Estate



Protected Bird
Calsay Estate
Spot-Bellied Eagle Owl (*Bubo nipalensis*)



Yellow Fronted Barbet (*Megalaima flavifrons*)
Calsay Estate



Sri Lanka White-Eye (*Zosterops ceylonsis*)
Calsay Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



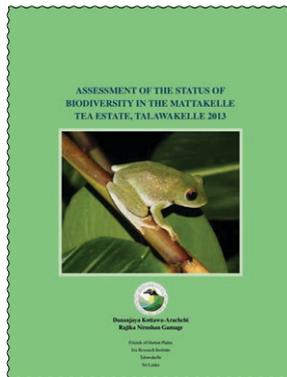
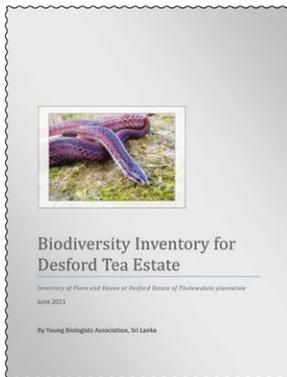
*Tamil Treebrown
(Lethe drypettis)
Endangered (EN) species*



*Gaudy Baron
(Euthalia lubentina)
Endangered (EN) species*



*Wijaya's Scissortail
(Microgomphus wijaya)
Endangered (EN) species*



*Rough-Horn Lizard
(Ceratophora aspera)
Endangered (EN) species*



*Whistling Lizard
(Catotes lolepis)
Endemic & Vulnerable (VU) species*



*Narrow Mouth Frog
(Microhyla karunaratnei)
Critically Endangered (CR) species*



*Deignam's Lankaskink
(Lankascincus deignani)
Endangered (EN) species*

FLORA OF TALAWAKELLE ESTATES

The agro-ecosystems on estates are dominated by tea (*Camellia sinensis*) fields with low shade trees such as *Erythrina lithosperma*, *Calliandra calothyrsus*, *Gliricidia sepium* and high shade trees *Grevillea robusta* and *Albizia* species. Tea fields are also entwined with species such as *Bambusa vulgaris*, *Cassia spectabilis*, *Toona ciliate* etc. *Vetiveria zizanoides* and *Arachis pintoii* have been planted intensely to conserve the vulnerable highland ecosystems. In addition, eco forests and home gardens are planted with a variety of native and endemic tree species and fruit trees adding value to the profound biodiversity within estates.

Among many diverse species of flora amounting to 169 species including 27 endemic species, identification of a protected and endemic plant namely *Oncosperma fasciculatum* on Wattegoda, estate is noteworthy. Two critically endangered floral species namely Diyapara (*Dillenia triquetra*) and Ruk (*Horsfieldia iryagedhi*) have also been identified at Kiruwanaganga. Two endangered species namely Vewal (*Calamus zeylanicus*), Kaluwara (*Diospyros ebenum*) and many other vulnerable species too have been identified during the Kiruwanaganga survey and the estate can be proud to be the custodian of such profound biodiversity.



Wild Orchids - *Phaius tankervilleae*
found in between tea fields
on an estate in upcountry



Protected Forests - Kiruwanaganga Estate



Protected Forests - Mattakelle Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

TREE PLANTING INITIATIVE

"WE PLANTED OVER ONE MILLION PLANTS ON OUR ESTATES DURING THE YEAR 2014"

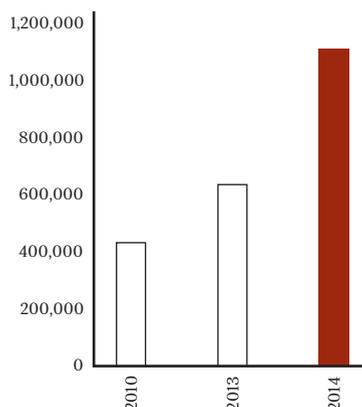
With the objective of consistently increasing tree canopy cover, enriching the biodiversity value and achieving environmental and business sustainability, we continue to plant a variety of plants annually. Increasing canopy cover at plantation, household and community level will have immediate benefits to estate communities in reducing local temperatures, changing the micro-climate, conservation of water resources and enhancing ecosystem services. We also believe and conscious of the fact that every tree we plant will result in carbon dioxide sequestration and contribute positively towards mitigating the adverse impacts of Greenhouse Gas (GHG) emissions and climate change and also support the objectives of UNFCCC, Kyoto Protocol and UN-REDD programme for regulation of GHG concentrations in the atmosphere.

In addition to planting Tea (*Camellia sinensis*), Green manure/shade trees and Eucalyptus to sustain our core business, native, fruit and other plant species too are planted to add value to the existing biodiversity.

As an annual initiative, we are proud to report that over one million plants were planted on our estates during the year 2014 as detailed out below;

TREE PLANTING			
PLANT SPECIES	NUMBER OF PLANTS PLANTED		
	2012	2013	2014
Camellia sinensis (Tea)	355,829	560,870	870,731
Havea brasiliensis (Rubber)	-	4,848	-
Eucalyptus	42,560	31,040	83,199
Gravillia robusta	2,693	5,550	952
Calliandra calothyrsus	1,865	5,890	21,580
Gliricidea sepium	-	-	11,760
Erythrina lithosperma (Dadaps)	-	11,348	6,682
Bambusa vulgaris	-	777	523
Toona ciliate	-	1,000	-
Acacia decurrens	-	-	11,127
Terminalia arjuna (Kumbuk)	-	-	1,205
Cinnamomum zeylanicum (Cinnamon)	-	-	81,000
Microbiota decussata (Cyprus)	-	-	580
Alibizzia	-	-	1,140
Fruits, Native and other Plant Species	26,180	11,100	14,439
Total	429,127	632,423	1,104,918

Total Plant Species Planted 2012-2014



Kumbuk (*Terminalia arjuna*) –
A Native Plant Planted



Future Generation - Tree Planting Initiative - Planting Native & Fruit Plants - Palmerston Estate

EMISSIONS

GREENHOUSE GAS (GHG) EMISSIONS G4-EN- 15, EN-16 & EN-17

EMISSIONS KEY PERFORMANCE INDICATORS - 2014		
5,389 tCO ₂ e GHG Emissions	0.72 tCO ₂ e/per ton of made tea GHG Emissions Intensity	4,724 tCO ₂ e Net GHG Emissions Saved from Hydropower Generation

through many initiatives including the Rainforest Alliance – Sustainable Agriculture Certification Programme. Emissions related to purchased items such as fertiliser, agrochemicals, packing material etc., and fertiliser applied have been excluded from the above calculations.

We have followed GHG protocol methodologies and guidelines for computation of GHG emissions.

Fuel and electricity usage in all estates, factories, offices, buildings, bungalows and the head office have been taken into account for the corporate's emissions computation. The consumption of GHG emissions in all locations is monitored and controlled

DIRECT GHG EMISSIONS								
Source - Fuel Usage	2015 (Jan-Mar)		2014		2013		2012	
	Diesel (Litres)	Petrol (Litres)						
Generators	5,123	-	22,960	-	21,601	-	37,878	-
Internal Transport Vehicles	37,452	-	156,600	-	164,129	-	157,278	-
Supervisory Vehicles-Jeeps,Cars, Motorcycles& Ambulance	2,806	17,838	17,359	77,052	23,014	67,414	29,563	55,683
Agricultural Equipment	-	1,689	-	6,782	-	14,736	-	8,451
Head Office	1,133	2,052	9,272	22,737	7,457	16,421	10,611	19,571
Total	46,514	21,579	206,191	106,571	216,201	98,571	235,330	83,705

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

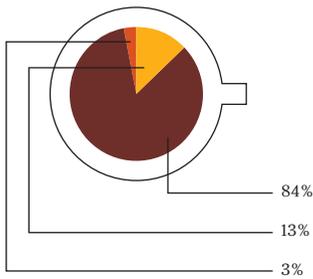
INDIRECT GHG EMISSIONS				
Source - GHG Emissions	2015 (Jan-Mar)	2014	2013	2012
Purchased Electricity - Operations	1,453,438	6,024,174	6,264,276	6,258,869
Purchased Electricity - Estate Bungalows and Head Office	176,656	658,947	759,745	740,107
Total	1,630,094	6,683,121	7,024,021	6,998,976

The following table indicates the breakdown of GHG emissions by source for 2013, 2014 and 2015 (Jan-Mar)

GHG EMISSIONS BY SOURCE							
GHG EMISSION SOURCE	UNITS	2015 (Jan-Mar)		2014		2013	
		QUANTITY	GHG EMISSION tCO ₂ e	QUANTITY	GHG EMISSION tCO ₂ e	QUANTITY	GHG EMISSION tCO ₂ e
Scope 1 - Combustion of fuels in stationary sources							
Diesel for Power Generators	litre	5,123	13.71	22,960	61.44	21,601	57.8
Scope 1 - Combustion of fuels in mobile sources							
Diesel for Vehicles	litre	40,258	107.73	173,800	465.09	194,600	520.75
Petrol for Vehicles	litre	17,838	40.53	77,053	175.06	83,835	190.47
Petrol for Agricultural Equipment	litre	1,689	3.84	6,782	15.41	14,736	33.48
Scope 2 - Purchased from Ceylon Electricity Board (CEB)							
Electricity purchased from CEB	KWh	1,630,094	1,108.46	6,683,121	4,544.52	7,024,021	4,776.33
Scope 3							
International Air Travel	km	26,328	3.16	55,884	6.71	26,748	3.12
Diesel used by outsourced transporters	litre	13,494	36.11	45,231	121.04	42,750	114.4
Total tCO ₂ e			1,313.54		5,389.27		5,696.36

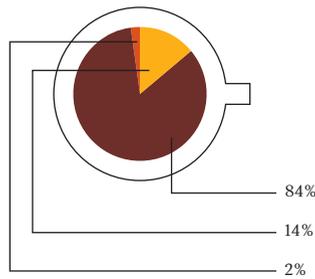
GHG EMISSIONS BY SOURCE - tCO ₂ e					
	2015	(Jan-Mar)	2014	2013	2012
Scope 1		165.81	717.00	802.51	819.92
Scope 2		1,108.46	4,544.52	4,776.33	4,759.30
Scope 3		39.27	127.75	117.52	245.86
Total		1,313.54	5,389.27	5696.36	5825.08

GHG Emissions tCO₂e 2014



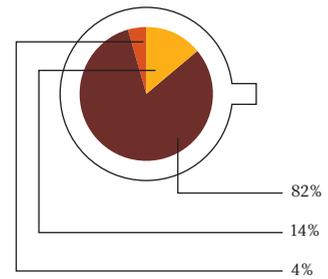
Scope 1	-	717.00
Scope 2	-	4,544.52
Scope 3	-	127.75

GHG Emissions tCO₂e 2013



Scope 1	-	802.51
Scope 2	-	4,776.33
Scope 3	-	117.52

GHG Emissions tCO₂e 2012



Scope 1	-	819.92
Scope 2	-	4,759.30
Scope 3	-	245.86

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

GHG EMISSIONS INTENSITY G4-EN- 18

GHG emissions intensity is computed in tCO₂e per ton of made tea produced, which is a new performance indicator for the tea industry. Electricity and fuel used under both scope 1 (energy direct) and scope 2 (energy indirect) are included in the computation. Emissions intensity is computed separately for high, low grown and all estates as detailed out below:

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY tCO ₂ e PER TON OF MADE TEA					
Category	Target	2013	2014	Variance	2015 (Jan-Mar)
High Grown Factory	0.65	0.71	0.70	- 0.01	0.64
Low Grown Factory	0.65	0.73	0.73	-	0.74
All Factories	0.65	0.72	0.72	-	0.68

Whilst the GHG emissions intensity of 0.72 tCO₂e recorded in 2014 has remained the same as in 2013, our target is to achieve an intensity of 0.65 tCO₂e per ton of made tea in the ensuing years. Towards achieving this objective, we commenced measuring the GHG emissions intensity on each estate since 2012, analyse performance in each area of operation and identify estates and areas for improvement.

During the year 2014, Somerset has achieved the lowest GHG emission intensity of 0.59 tCO₂e and we commend the Deputy General Manager of Somerset and the estate team for this splendid achievement. The next lowest emission intensity of 0.60 tCO₂e was achieved by Bearwell which again deserves our commendation.

REDUCTION IN GREENHOUSE GAS EMISSIONS G4-EN- 19, 20 & 21

Aligned to our Environment Policy, we are strongly committed to reduce our carbon footprint and thereby, support

to slow the pace of global warming and air pollution. Towards this end, we commenced to compute our direct and indirect Greenhouse Gas (GHG) emissions for each estate and company in 2012.

During the year 2014, GHG emissions from electricity usage in factories, bungalows, staff quarters, offices and other buildings reduced by 231 tCO₂e over the year 2013 to reach a total of 4,545tCO₂e.

The Company generated 6,947,570 kWh of electricity through the three hydro power plants during 2014, which is an equivalent of a saving of 4724 tCO₂e. Due to this saving, the net GHG emission of the company was only 665 tCO₂e.

Conversion of all tea driers operating in factories from fossil fuel to wood based renewable energy by installation of hot water generators was a major energy conservation initiative undertaken by the Company over the years. This

initiative alone supported to reduce GHG emissions by over 3,000 tCO₂e per annum.

Installation of energy saving machinery, including replacement of high powered motors with low powered motors, capacitor banks, variable speed drives (VSD's), energy saving lighting and close monitoring and controlling of energy usage at each location are many other initiatives undertaken by the Company successfully to conserve energy and reduce GHG emissions.

Emission of ozone depleting substances from our production facilities is non-existent and in domestic equipment almost negligible; NO_x or SO_x gasses produced through our daily operations and households too, are negligible.

ELECTRICITY CONSUMPTION AND GHG EMISSIONS					
Year	Factories kWh	GHG Emissions tCO2e	Bungalows, Staff Quarters, Offices & Other Buildings kWh	GHG Emissions tCO2e	Total GHG Emissions tCO2e
2013	6,264,276	4260	759,745	516	4,776
2014	6,024,174	4096	658,947	449	4,545
Variance	- 240,102	-164	- 100,798	- 67	-231
2015 (Jan-Mar)	1,453,438	988	176,656	120	1,108

EFFLUENTS & WASTE

Wastewater Management

G4-EN- 22

WASTE MANAGEMENT KEY PERFORMANCE INDICATORS - 2014

82 Factory & Domestic Wastewater Purification Systems in Estates

As a key initiative of the Rainforest Alliance Program, 82 wastewater purification systems with sedimentation and filtration tanks have been constructed on all estates to treat

factory and domestic wastewater. These systems have enabled the factories to treat wastewater prior to discharging as well as to purify domestic wastewater generated. In addition, we have promoted bioremediation through conservation of natural vegetation as well as by planting recommended species such as *Canna generalis* (Canas), *Tithonia diversifolia* (wild sunflower), *Vetiveria zizanoides*, *Wedelia trilobata* in channels through which wastewater is flowing. These initiatives ensure that factories and domestic wastewater generated on

estates is adequately purified before releasing to the natural water bodies. This aspect is verified by annual laboratory testing of samples for required parameters to be within permissible limits.



Wastewater Purification System
Logie Estate



Wastewater Purification System
Wattegoda Estate



Wastewater Purification System
Somerset Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



Bio-remediation for Wastewater Purification
- Clarendon Estate

During the year 2014 the amount of water discharged in processing factories after purification amounts to 14,920,000 liters. (14,920 kiloliters), which is based on the amount of water consumed in these factories.

SOLID WASTE MANAGEMENT

G4-EN- 23, EN-24, EN-25 & EN-26

**SOLID WASTE
KEY PERFORMANCE
INDICATORS - 2014**

232,510 Kilograms
of compost from
Bio-Degradable
Waste

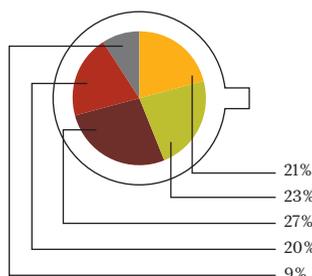
6,848 Kilograms
Solid Waste
Recycled

Through the Rainforest Sustainable Agriculture Certification Programme, estates have implemented an integrated waste management programme based on the '3 - R' concept of reducing, re-using and recycling. Through this programme, all bio-degradable waste is utilised to produce compost which is used in tea fields and home garden plots of the community and a quantity of 232,510 kgs of compost was produced during the year 2014. Metal, glass, plastic, polythene, paper and hazardous E-waste are segregated, collected separately and sent for recycling to authorised collectors. The functioning of open waste dumps and burning of waste have been prohibited on all estates.

The quantity of solid waste sent for recycling in 2014 amounts to 6,848 kilograms which indicates an increase of 1.89 percent when compared with the quantity of 6,721 kilograms sent for recycling in 2013. Categories and quantities of solid waste sent for recycling during the year are detailed below:

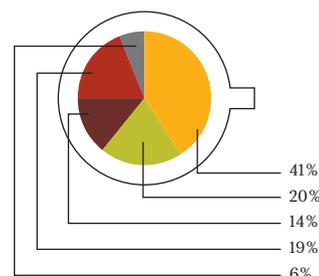
SOLID WASTE				
	2015 (Jan-Mar)	2014	2013	2012
Category	Quantity Recycled (kgs)			
Glass	348	2,850	1,791	1,180
Plastic	368	1,349	1,430	1,471
Polythene	440	973	636	846
Metal/Iron	322	1,284	2,019	816
Paper	149	392	845	-
E-waste (Nos)	27	33	73	-
Total	1,627	6,848	6,721	4,313

Solid Waste Recycled by Category of Waste 2015 (Jan-Mar)



Glass	-	348
Plastic	-	368
Polythene	-	440
Metal/Iron	-	322
Paper	-	149

Solid Waste Recycled by Category of Waste 2014



Glass	-	2,850
Plastic	-	1,349
Polythene	-	973
Metal/Iron	-	1,284
Paper	-	392

Training and awareness programmes on integrated waste management are being carried out regularly to educate all employees and the resident community. With active participation of the community, awareness building initiatives have created a clean healthy environment and a profound impact contributing positively towards uplifting the image, dignity and wellbeing of the estate community.

Waste in our tea production process could be considered zero, as all refuse tea generated at each factory is sent for reprocessing in two separate factories – Wangioya in the high grown region and Pethiyagoda in low grown region. The absolute refuse tea from these factories is sent to Unilever Sri Lanka Ceytea factory of Agrapatna and Raigna estate factory at Horana, for further extraction, thereby maintaining zero production waste.

Integrated Solid Waste Management



Kiruwanaganga Estate



Holyrood Estate



"Jeewa Kotu" – Kiruwanaganga Estate



"Jeewa Kotu" – Radella Estate



*Educational Display Board
Kiruwanaganga Estate*



*Handing over Solid Waste for
Recycling at a Government
-Collection Centre – Mattakelle Estate*

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



River Banks Protected with Grass Buffer Zones – Palmerston & Great Western Estates



*5M Buffer Zone along a Water Body-
Mattakelle Estate*

No spills have been reported from any of the estates. Through the Rainforest Alliance Programme, as a precautionary and preventive measure, spill collection mechanisms have been constructed in all fuel and chemical storage facilities.

No waste deemed hazardous under the terms of basel convention has been transported, imported, exported or treated.

Chemical free buffer zones extending up to 20 metres around all drinking water sources and 5 metres along all other water bodies have been established to prevent any run off to water bodies. Banks of lakes and rivers are protected with wide grass buffer zones and riparian habitats.

Due to effective preventive and precautionary measures implemented, discharges of water and run off have not affected any habitats and water bodies.

PRODUCTS AND SERVICES

G4-EN- 27 & EN-28

The Company produces only black and green tea which is bio-degradable and environmentally friendly and therefore, does not cause any environmental risks and hazards.

Packing materials used are mainly exported with produce and therefore, not practical to reclaim.

TRANSPORT **G4-EN- 30**

Due to effective preventive measures implemented and close monitoring of activities, transporting of products, other goods and materials or members of the workforce have not caused any adverse environmental impacts. Only environmental impact is the GHG emissions from fuel used for transport. Necessary precautions have been taken to ensure fuel efficiency, regular maintenance of vehicles, obtain green certification and monitor fuel consumption for early detection of

wastage. GHG emissions from fuel usage for transport are covered in detail under emissions section above.

COMPLIANCE **G4-EN- 29**

No monetary or non-monetary fines or sanctions were imposed on the Company for non-compliance of any environmental related rules and regulations. We fully comply with the rules and regulations stipulated by the Central Environmental Authority and the relevant national legislation.

All our processing factories have obtained Environmental Protection Licences (EPL) from local authorities, which assures compliance with environmental laws and regulations.

In addition, all high grown estates and Kiruwanaganga estate among low grown estates have now received Rainforest Alliance - Sustainable Agriculture Network (RA/SAN) and Ethical Tea Partnership (ETP) Certifications, which provide further assurance for our compliance.

File No: CPC/NPSC-10/36 Licence No: No. CEA 3802 R₁

NATIONAL ENVIRONMENTAL ACT NO. 47 OF 1980
ENVIRONMENTAL PROTECTION LICENCE ISSUED UNDER SECTION 23B

Hollrood Tea Factory of Hollrood estate, Talawakelle situated within the area of authority of the Nuwara Eliya Pradeshiya Sabha of Kotagala is hereby authorized to discharge/deposit effluents/waste and /or emit noise/vibrations/air emissions which may arise as a result of the operation of the said industry/process, in accordance with the standards and criteria prescribed by the National Environmental (Protection and Quality) Regulations No. 1 of 2008, published in the gazette No. 1534/18 dated 01.02.2008 and the National Environmental (Noise Control) Regulation No. 01 of 1996, published in the gazette No. 924/12 dated 23.05.1996.

This licence shall be in force from **04-11-2012** to **03-11-2015** unless it is earlier cancelled or suspended. This licence is subject to the general terms and conditions stated overleaf and to the additional terms and conditions stated below.

Conditions

1. Constructions or expansions of the proposed industry should conform to the zoning plan of the area.
2. Noise generation due to the machinery operations at the factory premises should be maintained at or below 60 dB (A) during day (between 9000 hours to 1800 hours) and at or below 50 dB (A) during night (between 1800 hours to 0600 hours).
3. Refused tea generation during factory processes should be disposed in environmentally accepted protected manner. That is better to use as fertilizer for tea lands.
4. All domestic wastewater shall be released into a properly constructed soakage pit.
5. Solid waste disposal.
 - 5.1. No open air burning of solid waste shall be carried out within or outside the premises.
 - 5.2. Solid waste shall not be disposed into a water body or at a site where it is likely to enter a water body.
 - 5.3. If any solid wastes is to be disposed of in a landfill site it shall be done with prior approval of the relevant local authority and Central Environmental Authority.
 - 5.4. The method of disposal of solid waste should be forwarded to the Nuwaraeliya Pradeshiya Sabha and approval obtained.
6. Health and safety of workers shall be ensured as stipulated in the factories Ordinance and its Amendments.
7. Prior approval of the Nuwaraeliya Pradeshiya Sabha shall be obtained for any change or expansion of the factory process other than those stated in the Environmental Protection Licence application dated **24-04-2013**.
8. The operations of the industry shall be strictly adhered to any conditions stipulated by the Nuwaraeliya Pradeshiya Sabha or Central Environmental Authority as and when required for controlling any kind of pollution.
9. Prior approval of the Nuwaraeliya Pradeshiya Sabha shall be obtained for installation or operation of any machinery other than those stated in the Environmental Protection Licence application dated **24-04-2013**.
10. This Environmental Protection Licence is issued only with respect to carry out the **Hollrood Tea Factory** situated at **Hollrood estate, Talawakelle**.

Date: 29-04-2013

[Signature]
Chairman/Director General/Authorized Officer
Central Environmental Authority

Environmental Protection Licence (EPL)
Central Environmental Authority



Ethical Tea Partnership
Improving the lives of tea workers and their environment

This is to confirm that **Mattakelle** Owned by **Talawakelle Tea Estates Ltd** Producing the following selling mark(s):

Mattakelle is considered a **PARTICIPANT** in the Ethical Tea Partnership programme. ETP is pleased to be working with the estate/factory on the continuous improvement of the welfare and working conditions of its workers, as well as on environmental sustainability. The Estate's selling mark(s) is/are approved for purchase by the ETP member companies.

Expiration Date: **25/05/2014***

[Signature]
Sarah Roberts
Executive Director, ETP

*ETP reserves the right to suspend this participation in the ETP programme if sufficient improvements are not made and/or communicated to ETP.

This document remains the property of the Ethical Tea Partnership

Ethical Tea Partnership (ETP)

Rainforest Alliance

CERTIFICATE for **M/S TALAWAKELLE TEA ESTATES PLC.**
TALAWAKELLE GRIFF P, MATTAKELLE, BRANWELL, HIRI, HIRI, GABRI, WESTERN, WATTELODDA, PALMERSTON, DENFORD, MOMMENT, CLARENDON, CAJAN, LOGIE, BARDELLA, KIRIWA, NANGANGA ESTATE AND WANGODIA FACTORY
Central Province, Sri Lanka

CERTIFICATE SCOPE

The certificate holder meets the Sustainable Agriculture Network requirements.
Certificate Registration Code: RA-G-03141
Standard: SAN-S-1-1 Sustainable Agriculture STD; SAN-S-3-1 Group Cert STD; SAN-P-S-1-2 Farm/Group Admin Cert Policy; SAN-S-2-1 Prohibited Pesticide List
Certification Valid From: May 5, 2015 to May 4, 2018
Certificate Type: Group
Product(s): Tea
Certificate Locations: Central Province, Sri Lanka
This certification was conducted in collaboration with Wood Certification

[Signature]
Jon Jickling
Jon Jickling, Director, Certification

Rainforest Alliance
233 Broadway, 28th Floor
New York, NY 10078 USA

Rainforest Alliance is accredited by ICAS as a Sustainable Agriculture Network Certifier.
ICAS Accreditation Number: 88

This certificate alone does not constitute evidence that a particular crop or product supplied by a certificate holder is certified.

This certificate is the property of Rainforest Alliance. This certificate and all copies or reproductions of this certificate shall be returned or destroyed if requested by Rainforest Alliance.

© Sustainable Agriculture Network and Rainforest Alliance. All rights reserved.

SAN **RA**

Rainforest Alliance - Sustainable Agriculture Network (RA/SAN) Certificate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

SUPPLIER ENVIRONMENTAL ASSESSMENT G4-EN- 32 & 33

Key Supplier Certification & Assessments	
Suppliers	Environment Assessments/ Standards
Fertiliser and Agrochemical	ISO 14001:2004 EMS ISO 9001:2008 QMS
Packing Material	ISO 14001:2004 - EMS ISO 22000:2005 - FSMS ISO 9001:2008 - QMS
Firewood	Periodic evaluations by TTE PLC's staff on their legality and environmental practices

We have established long-standing relationships with our supplier base. All our supplies are met by our traditional suppliers, whom we have carefully selected and retained following continuous and consistent evaluations on their business credentials as well as on their practices and values in terms of social and environmental facets. We have not engaged with any new suppliers in the year under review.

Our key suppliers consist of smallholder green leaf suppliers in the low grown region with respect to our bought leaf operations, fertiliser, agrochemical, packing material, firewood and fuel suppliers.

Activities of all our smallholders are monitored by the Tea Smallholdings Development Authority and Tea Inspectors engaged by them. On

our part, we conduct awareness and educational programmes on the required environmental practices through the Rainforest Alliance Sustainable Agriculture Certification Programme. We intend to include all smallholder leaf suppliers under this certification programme within the next two years.

Based on our evaluations, we have limited our fertiliser and agrochemical suppliers to two and these suppliers have already obtained ISO 14001:2004 Environmental Management Systems Certification which confirms that these companies fully comply with all environmental aspects as required. In addition, these suppliers have also obtained ISO 9001:2008 QMS Certification. We have also limited our packing material suppliers to two and both suppliers have obtained above ISO certifications, which confirm that they

too comply with relevant environmental aspects as required including environmental impact assessments. Due measures are in place at the purchasing division; head office, to carryout periodic audits on the validity of their certificates and requirements.

All firewood suppliers are evaluated through a structured questionnaire to ensure that they do not violate any environmental laws and requirements and are legally authorised to supply firewood to our factories.

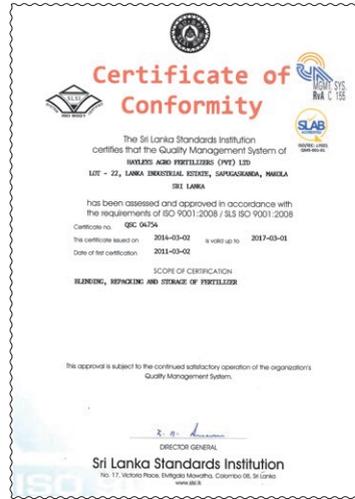
In view of the foregoing, we have not identified any suppliers as having significant actual or potential negative environmental impacts.

ENVIRONMENTAL GRIEVANCE MECHANISMS G4-EN- 34

Through the Rainforest Alliance Sustainable Agriculture Programme, Health and Safety Committees have been formed on all estates and the members have been educated and empowered to monitor environmental aspects in their respective estates and report grievances and complaints if any, to the estate Management or to the Auditors during Rainforest Alliance Certification Audits and Internal Audits. In view of the effective environmental management systems and programmes implemented, we have not received any complaints or grievances related to environmental impacts from any of our operational sites.



ISO 14001:2004 EMS Certification,
Hayleys Agro Fertilizers (Pvt) Ltd



ISO 9001:2008/SL/S ISO 9001:2008
QMS Certification
Hayleys Agro Fertilizers (Pvt) Ltd



ISO 14001:2004 EMS Certification
Uni-Dil Packing Ltd



ISO 22000:2005 FSMS Certification
Uni-Dil Paper Sacks (Pvt) Ltd



ISO 9001:2008 QMS Certification,
Un-Dil Packaging (Pvt)Ltd
Uni-Dil PaperSacks (Pvt) Ltd

By changing the conditions, the mindset and values of the people who are a part of our story, we have continuously improved the quality of life of our greatest asset.



PEOPLE & SOCIAL DEVELOPMENT

PEOPLE & SOCIAL DEVELOPMENT - REPORT CONTENT SYNOPSIS			
Materiality Aspects	GRI - G4 Indicator	Description	Quality of Report Coverage
Management Approach			
Labour Practices & Decent Work			
Employment	G4-LA1	New employee hires & turnover	Comprehensive
	G4-LA2	Benefits provided for full-time employees	
	G4-LA3	Retention after parental leave	
Labour Management/ Relations	G4-LA4	Minimum notice period regarding operational changes	Moderate
Occupational Health & Safety	G4-LA5	Workforce representation in formal joint management worker health safety committees	Comprehensive
	G4-LA6	Work related injury and lost days	
Training & Education	G4-LA9	Hours of training per employee	Comprehensive
	G4-LA10	Programmes for skills management and lifelong learning	
	G4-LA11	Performance and career development review	
Diversity & Equal Opportunity	G4-LA12	Governance bodies & workforce as per diversity indicators	Moderate
Equal remuneration for men & women	G4-LA13	Ratio of basic salary/wage of women to men	Comprehensive
Supplier Assessment for Labour Practices	G4-LA14	New suppliers screened for their labour practices	Limited - reference to environment management section
Labour Practices Grievance Mechanism	G4-LA16	Grievance on labour practices through formal mechanism	Moderate
Human Rights			
Investment	G4-HR2	Employees trained for human rights and training hours	Moderate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

PEOPLE & SOCIAL DEVELOPMENT - REPORT CONTENT SYNOPSIS			
Materiality Aspects	GRI - G4 Indicator	Description	Quality of Report Coverage
Non-discrimination	G4-HR3	Incidents of discrimination and corrective action	Moderate
Freedom of Association & Collective Bargaining	G4-HR4	Operations and suppliers - right to association and collective bargaining	Moderate
Child Labour	G4-HR5	Operations & suppliers identified with child labour risk	Moderate
Forced or Compulsory Labour	G4-HR6	Operations & suppliers identified with incidents of forced or compulsory labour	Moderate
Supplier Human Rights Assessment	G4-HR10	New suppliers screened using human rights criteria	Limited - reference to the section 'Environment Management'
Human rights grievance mechanism	G4-HR12	Grievances on human rights through formal mechanism	Covered under labour grievance mechanism
Society			
Local Communities	G4-SO1	Operations with local community engagement, impact assessment and development programmes	Comprehensive
Public Policy	G4-SO6	Value of political contributions	Moderate
Compliance	G4-SO8	Monetary fines and non monetary sanctions for non compliance	Sets out compliance status

OVERVIEW

As a responsible Regional Plantation Company, we recognise the significance of providing an inclusive platform to nurture and develop our workforce and empower resident communities. This has always played a critical part in driving sustainable growth and returns which underscores our positioning in the industry.

MANAGEMENT APPROACH

With a workforce of over 8,800 employees and 41,700 resident communities, we have adopted a unique model to ensure that all our people are developed, motivated and participate positively in the affairs of the organisation. The Human Resource and Social Policy in place clearly demonstrates our strategic focus on engaging our employees and the communities in which we operate, upholding best practices and business ethics. Our policy outlines our commitment to 'equal opportunity' for all our employees within the workplace; ensure their dignity and wellbeing along with the resident communities; whilst operating in compliance with applicable labour laws, industry regulations and standards.

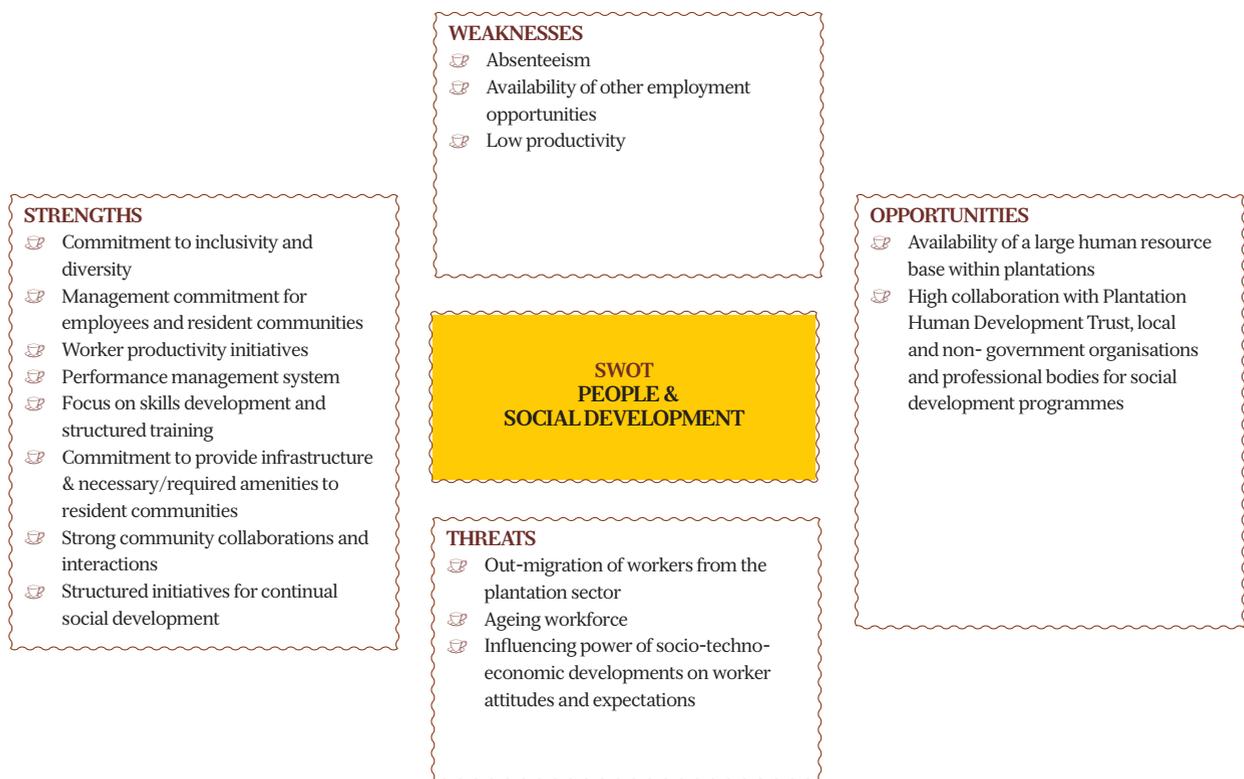
HUMAN RESOURCE & SOCIAL POLICY

- ☞ People will continue to be our **most valued resource** and we are committed to **nurture and develop** them consistently.
- ☞ "Treating people at all levels with **dignity and respect**" will be the **key guiding principle** of all our human resource management practices.
- ☞ We are committed to enhance the **quality of life, self-esteem and morale** of all our employees and create an environment in which people can use their **initiative, be creative, innovative** and unleash their **full potential**.
- ☞ **Training, empowerment, motivation and recognition** will be integral practices at all levels towards managing and developing human talents effectively.
- ☞ We are committed to provide **equal opportunities** for all employees and **prohibit any form of discrimination or discriminatory practices** in respect of all employment related activities.
- ☞ We **uphold and respect the freedom of association**, right to form and join trade unions and **bargain collectively**.
- ☞ We shall **prohibit any form of forced and bonded labour** in all our operations.
- ☞ We shall **not engage child and young workers** and the minimum age of employment would be **18 at all levels**.
- ☞ We shall comply with all applicable **labour laws, industry regulations and standards** on working conditions and payment of salaries, wages, overtime and other statutory dues.
- ☞ We shall **consult local communities** regarding plans for new projects, constructions, diversification, change of ownership or any other operational changes that affect the local communities and their views will be considered in the decisions making process.
- ☞ We shall give priority to **local workers** for training and employment on estates.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

PEOPLE AND SOCIAL STRATEGY

With due consideration on the SWOT Analysis we have carried out for social aspects of our organisation and in line with our Human Resource and Social Policy, we have identified seven strategic imperatives in terms of developing and ensuring the wellbeing of our workforce and enabling our resident communities to better their quality of life.





Harvesters with new gear -
Holyrood Estate

Based on our strategic imperatives, our focus for the financial year 2014/15 was as follows:

- ☞ Ensure availability and retention of manpower with required skills, competencies and attitudes
- ☞ Identify key value drivers to enhance motivation, quality of life and satisfaction
- ☞ Sustain an enabling culture rewarding high performance
- ☞ Create a learning organisation and implement knowledge management strategies and programmes
- ☞ Map career paths for talented and outstanding employees
- ☞ Consolidate the social development programme - 'Home for Every Plantation Worker'
- ☞ Consolidate the Rainforest Alliance Sustainable Agriculture Certification Programme and Ethical Tea Partnership (ETP) Programme



A Tidy Environment for Children -
Great Western Estate



Medical Camps for the Community -
Radella Club



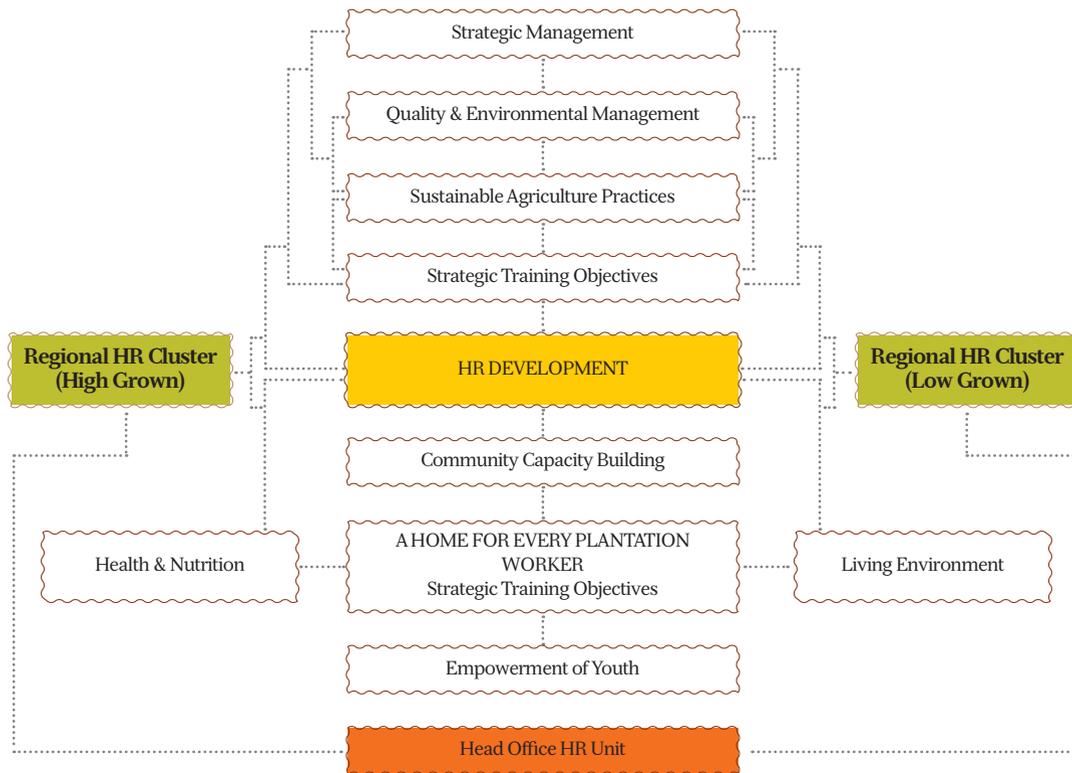
Health & Safety Practices for Factory
Employees - Moragalla Estate



Worker Productivity -
Deniyaya Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

TTE'S HUMAN RESOURCE DEVELOPMENT PROCESS



HR Cluster Meetings - High Grown Estates

HR Cluster Meetings - Low Grown Estates

The HR function for the entire TTE PLC Group is centralised at the HR Department, Head Office; and is headed by the Managing Director with the support of qualified HR Personnel. The basic unit coordinating HR development activities is the estate HR cluster within estates. At the next level, regional HR clusters have been formed for Talawakelle, Nanu Oya and Deniyaya regions. Estates located in these regions are represented by the regional HR Clusters whose members are elected by their peers in the estate HR Clusters.

The overall functions of HR and Social Development including Strategy Development, action planning and execution are co-ordinated and managed at the Head Office level. All Training and Development activities with regard to the four main axes of our business operations viz. Sustainable Agriculture Practices, Quality & Environmental Management, Strategic Management and HR Development come under the purview of Head Office HR Department. It is the aim of the organisation to achieve quality and address labour and social concerns as an integral part of its overall strategic objectives, underscored by the top-line growth and profitability.

LABOUR PRACTICES & DECENT WORK

Workforce Analysis G4-10

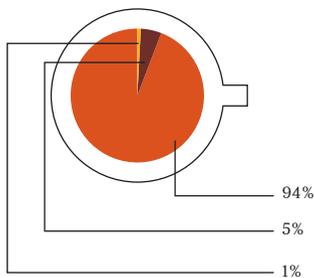


The total workforce as at 31st March 2015 stands at 8,827 employees. Being a Plantation Company, out of the total workforce, 8,310 employees, representing 94 percent of the total are employed under the manual grade category. The majority, nearly 82 percent of the manual grade is employed in the high grown estates. Staff grade category is five percent whilst the executive grade is less than one percent of the total cadre.

Out of the total workforce, 99 percent 8,779 employees are employed on a full-time basis; whilst typically for a plantation business, the balance one percent representing 48 employees are on contract basis.

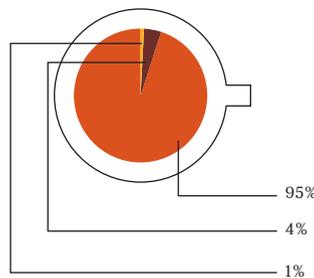
WORKFORCE				
Employee Category	No. of Employees as at 31st March 2015			
	Full-Time	Temporary	Contract	Total
Executives	61	-	11	72
Staff	408	-	37	445
Manual Grade	8,310	-	-	8,310
Total	8,779	-	48	8,827

All Employees as at 31 March 2015



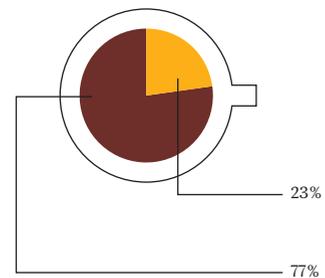
- Executives
- Staff
- Manual Grade

Full-Time Employees as at 31 March 2015



- Executives
- Staff
- Manual Grade

Contract Employees as at 31 March 2015



- Executives
- Staff

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

WORKFORCE - REGIONWISE			
Region/Grade	No. of Employees as at 31st March 2015		
	High Grown	Low Grown	Colombo
Executives	36	12	24
Staff	317	118	10
Manual Grade	6,810	1,500	-
Total	7,163	1,630	34

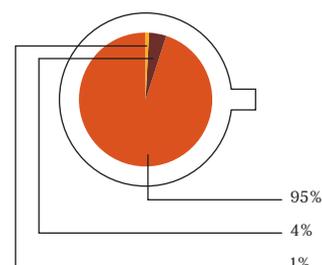
DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12

TTE PLC has always upheld diversity within the workplace, nurturing a culture that respects and treats all employees impartially without being biased on any socio-economic considerations. The Company policies coupled with collective agreements enshrine 'equal opportunity'. Our certification programmes including Rainforest Alliance-Sustainable Farm Certification, Ethical Tea Partnership and UTZ Sustainable Tea complement and validate our efforts in this direction.

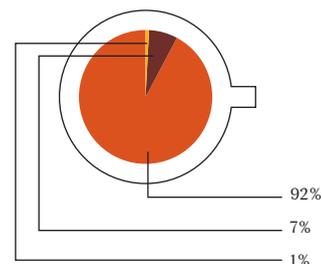
DIVERSITY REPRESENTATION			
Employee Category - As a Percentage of Full-time Cadre, as at 31st March '15			
	Executive	Staff	Manual
Gender			
Male	82%	87%	95%
Female	92%	93%	94%
Age			
Below 30 years	36%	12%	19%
31-40 years	31%	38%	32%
41-50 years	17%	26%	25%
51-60 years	7%	16%	12%

Employees in High Grown Estates as at 31 March 2015



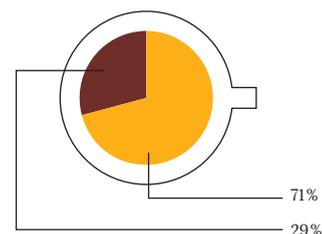
- Executives
- Staff
- Manual Grade

Employees in Low Grown Estates as at 31 March 2015



- Executives
- Staff
- Manual Grade

Employees in Colombo Office as at 31 March 2015



- Executives
- Staff

GENDER ANALYSIS

We maintain a good gender balance within our workforce, with 56 percent as female employees mainly falling under the category of manual staff as tea harvesters as at end-March 2015. This is characteristic of a plantation based business. Amongst the executive and staff level cadre, 143 employees dominate with 28% percent of the total cadre.

Our Board is represented by a female director, Ms M D A Perera who contributes positively to the Board proceedings with her expertise in finance and management especially within the tea industry.

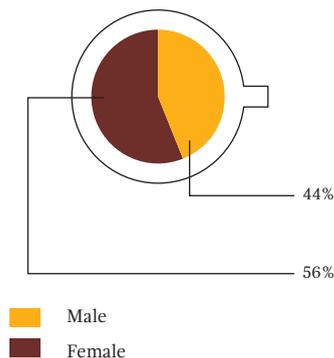
AGE ANALYSIS

As evidenced by the age analysis, we have a strong workforce with a good combination between senior employees and the younger generation, across the categories, reflecting stability within the organisation. Majority of the staff and manual grade employees are between 31 to 50 age categories. The executive cadre is well represented to bring out the expertise and steadiness usually associated with the representation of the experienced staff combined with the vitality of the younger executives.

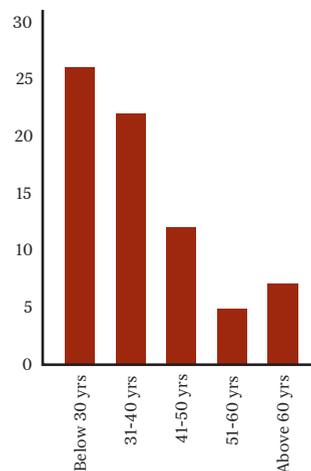
EMPLOYEE CATEGORY	AGE ANALYSIS AS AT 31ST MARCH 2015				
	Below 30 yrs	31-40 yrs	41-50 yrs	51-60 yrs	Above 60 yrs
Executives	26	22	12	5	7
Staff	53	169	122	91	10
Manual Grade	1,603	3,007	2,365	1,320	15
Total	1,682	3,198	2,499	1,416	32

GENDER REPRESENTATION as at 31st March '15	
Gender	Workforce
Male	3,884
Female	4,943
Total	8,827

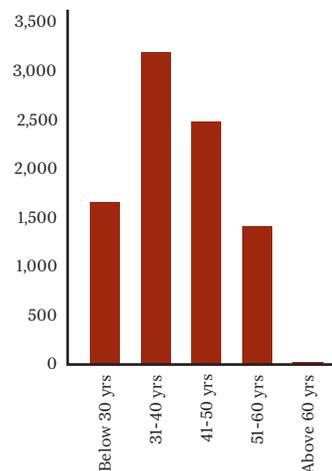
Gender Representation as at 31 March 2015



Age Analysis - Executives as at 31 March 2015



Age Analysis - Staff & Manual Grade as at 31 March 2015



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

RECRUITMENT & RETENTION G4-LA-1



During the reporting period, we recruited a total of 813 employees with 86 percent in the manual grades. Out of the recruitments, 56 percent were females representing 453 employees. Out of the executive and staff level recruitments of 16 percent, 18 were female employees, in turn representing 19 percent of the total employees recruited. Recruitment of all employees in our organisation follow best practices in line with 'equal opportunity'.

We give due precedence to internal recruitments including transfers and cross placement across estates as well as promotions to higher categories. This process is purely based on performance merit which is ascertained on an annual basis. For the 15 months of 2014/15, we promoted 54 employees at the executive and staff categories.

Reinforcing best practices of HR and labour management, the overall retention rate commendably stood at 86 percent during the reporting period and the average turnover was 22 percent. The turnover of the manual grade for the year corresponded to a ratio of 23 percent which is comparable with the industry norms.

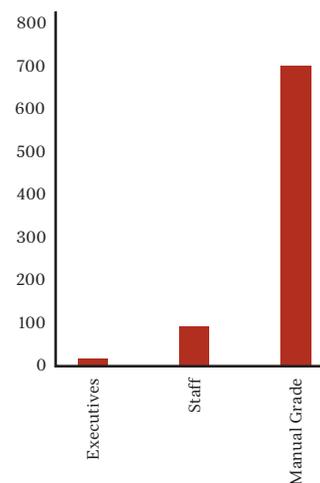
MATERNITY LEAVE & RETENTION G4-LA3

Our female employees are entitled for maternity leave as per legislation. Out of 418 employees who availed this leave entitlement of 84 working days, 362 have returned back to work, corresponding to 99.6 percent. According to Sri Lankan labour regulations, male workers are not entitled to parental leave.

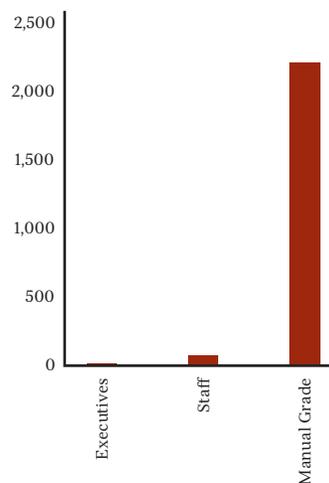
SERVICE ANALYSIS

We maintain a healthy service record and as at 31st March 2015, within our estates, a substantial number of employees representing 71 percent of the staff and manual grades are between 05 to 20 years. In terms of the executive grade, over 85 percent is within this service category.

Recruitments
For the 15 months ended 31-03-2015



Turnover
For the 15 months ended 31-03-2015



EMPLOYEE CATEGORY	SERVICE ANALYSIS AS AT 31ST MARCH 2015				
	Below 5 yrs	6-10 yrs	11-20 yrs	21-30 yrs	Above 30 yrs
Executives	28	13	20	9	2
Staff	132	94	125	55	39
Manual Grade	1,883	1,943	2,079	1,554	851
Total	2,043	2,050	2,224	1,618	892

REMUNERATION & REWARDS

G4-LA2 & LA13

Refer: Economic Value Creation, Page 69

Being an 'equal opportunity' employer, the Company's Remuneration Policy is non-discriminatory and offers equality in remuneration and benefits to all employees without social prejudice. This is further upheld within the collective agreements entered with the trade unions, for both staff and worker categories. We uphold equal remuneration ratios between genders.

As will be discussed under 'Economic Value Creation' section, we also meet our statutory obligations including Employee Provident Fund, Employee Trust Fund and gratuity payments. We also provide, comprehensive benefits for full time employees with a best-fit for their employee category and the job role and duties entailed therein.

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES

Executives - Estates

- ☕ Housing
- ☕ Medical
- ☕ Insurance
- ☕ Tea Allowance
- ☕ Electricity

Executives - Head Office

- ☕ Medical
- ☕ Tea Allowance

Staff - Estates

- ☕ Quarters
- ☕ Electricity
- ☕ Water
- ☕ Tea Allowance
- ☕ Medical
- ☕ Death Grants

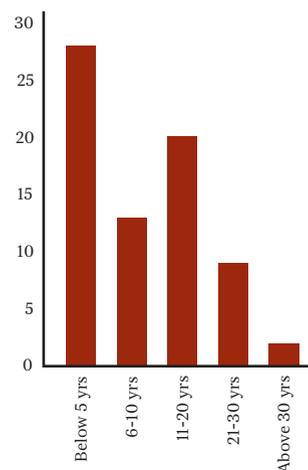
Staff - Head Office

- ☕ Tea Allowance
- ☕ Medical

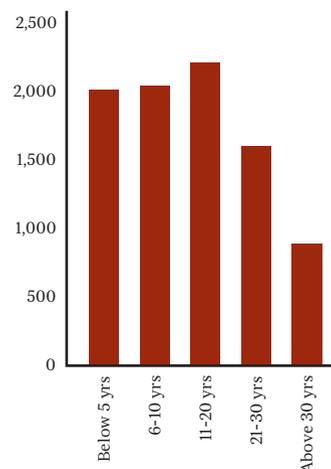
Manual Grade

- ☕ Water
- ☕ Housing
- ☕ Tea Allowance
- ☕ Free Drugs
- ☕ Medical Facilities
- ☕ Ambulance
- ☕ Child Development Centers
- ☕ Free Clinics
- ☕ Milk & Wheat Flour (Children)
- ☕ Death Donation
- ☕ Mid-Day-Meal
- ☕ Nutrition Programme

Service Analysis - Executives
As at 31 March 2015



Service Analysis - Staff & Manual Grade
As at 31 March 2015



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

LABOUR/MANAGEMENT RELATIONS G4-II & G4-LA4

Over 98 percent of the workforce is covered by the relevant collective bargaining agreements with trade unions. Special clauses are included in these agreements to ensure transparency and accountability in making significant operational changes and corporate decisions. The clause - 'Labour Management Relations' included in the collective agreement assigned for the manual grade stipulates that any change to work arrangements, norms, productivity, etc. shall be effected only after a consensus has been reached through fortnightly consultations with the trade unions. Part II of the collective agreement assigned to the staff grade specifically sets out that any material change to the Company's structure or operations even amalgamation, sub-leasing of estates/divisions shall be finalised with prior notice and consensus between the management and unions.

OCCUPATIONAL HEALTH & SAFETY G4-LA5 & LA6

OCCUPATIONAL HEALTH & SAFETY KEY PERFORMANCE INDICATORS - 2014		
2,998 Employees Trained	120 Health & Safety Programmes	13% Manual & Staff Representatives in Health & Safety Committees

HEALTH & SAFETY POLICY

- ☞ We are totally committed to provide a **safe and clean work environment** to all employees and ensure their **health and safety** at the work place.
- ☞ Towards achieving this objective, we shall adopt, **reasonably practicable preventive and protective safety measures** in all production and processing areas to manage **occupational hazards, risks and prevent accidents**.
- ☞ Employees will be regularly **trained and educated** on relevant health and safety aspects and will be **actively involved** in implementing health and safety programmes, through the establishment and efficient functioning of **Health and Safety Committees** spearheaded by respective Estate Managers.
- ☞ We are committed to comply with applicable **National Health and Safety laws and regulations** at all times.
- ☞ We shall carryout regular **health and safety risk assessments and review** Health and Safety Standards, programmes and objectives periodically to ensure **Continual Improvements**.

The Health and Safety Policy has been communicated to all estate managers for effective implementation and each estate has a comprehensive occupational health and safety programme, covering all employee categories. Employees are given training in all aspects of occupational health and safety. During the reporting period, 2,998 employees received training on health & safety measures that are in place across the organisation.

Training programmes have been carried out on the following topics;

TRAINING PROGRAMMES ON HEALTH & SAFETY	TOTAL DURATION (HRS)	NO OF PARTICIPANTS
Awareness Training on;		
Emergency Preparedness & Response	138	55
Environmental Pollution	78	52
First Aid Training (Field & Factory)	60	30
Awareness of General Hygiene	4	751
Good Safety Practices at Work	136	68
Handling of Chemicals & Use of PPEs	535	274
Awareness of Health & Safety	1,593	809
Importance of Nutrition	120	60
Integrated Waste Management	48	24
Knowledge & Improvement of MSDS	538	96
Prevention on Dengue/Anemia	749	749
Water Conservation	42	30
Total	4,041	2,998



*Knowledge & Improvement of MSDS -
Great Western Estate*



First Aid Training - Bearwell Estate

Medical Centers with qualified health and medical staff are available on our estates. Five ambulances are located at strategically placed estates providing 24-hour medical service.

Worker health and safety committees have been established in all divisions and factories within our estates. These committees take an active role in leading special projects to address health and safety issues targeting not only employees but also families and the communities within the estates. These projects include awareness training on health to upkeep mental and physical well-being as well as on safe manufacturing practices and agro chemical application.



*Health & Safety Committee -
Holyrood Estate*



*Training on Environmental Pollution -
Logie Estate*



*Health & Safety Training for Sprayers -
Somerset Estate*

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

During the reporting period, these committees were well represented comprising 28 executives, 233 staff and 872 manual grade employees to ensure effective implementation and monitoring of the health and safety programmes. In terms of the total workforce, manual grade employees accounted for over 10 percent representation of the committees whilst 52 percent and 39 percent were represented by staff and executive categories respectively.

Quarterly Human Development Progress (HDP) Reports were introduced to focus on child care, plucker analysis, maternal care, health and medical care and worker absenteeism analysis.

New washing and changing rooms have been provided for all agrochemical sprayers. Personal protective equipment's (PPE's) have been provided for all agrochemical sprayers to ensure their safety during handling and spraying agrochemical. All agrochemical handlers and spraying workers have been given extensive training on safety requirements to be fulfilled during agrochemical transport, storage and applications, including Material Safety Data Sheets (MSDS's).

INJURY AND LOST DAYS

In the reporting year, 288 staff & manual grade employees were injured on work-related accidents within the fields and in factory operations, representing 3.3 percent of the total workforce.

The total lost days given these injuries were 493 days. All employees injured were given due leave of absence in their official duties along with medical bills relating to injuries comprehensively covered. There were no fatalities reported during the year under review.

TRAINING & EDUCATION G4-LA9 & LA10



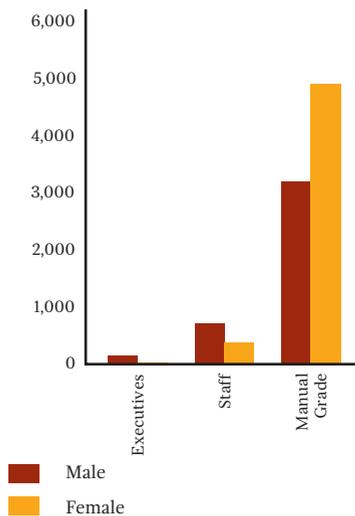
Training and education is considered the cornerstone of the organisation's development strategy-securing its sustainability well into the future. We treat all our employees as an asset to the organisation-delivering the competitive edge we have established over the years. We are focused in our efforts to continuously and consistently motivate, enhance and upgrade their skills and competencies. Our objective is to develop core competencies of all employees to meet the present and future job requirements based on the Company's business and operational strategies.

As traditionally done on plantations, skills and knowledge are imparted primarily through on-the job training by experienced executives and staff in respective departments. In addition, need based internal and external programmes are conducted to enhance skills and competencies. As mentioned above, our training is structured to address the four-focused areas of sustainable agriculture practices; quality and environmental management; strategic management; and HR Development. During this reporting year, we invested Rs. 1.6 million on local and overseas training programmes for 9,281 employees at all levels including a fair representation in terms of gender. The training covered the areas of sustainable agriculture, occupational health and safety, waste and energy management and certification standards for the staff and manual grades whilst the executive grades were given an exposure into best practices in management, harvesting and field cultivation practices, plantation finance and management and environmental management.

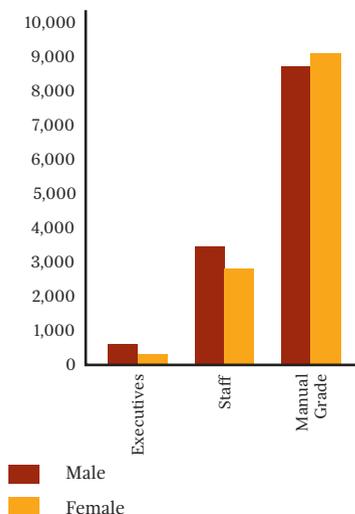
Workshops on 'Field Practices for Planting Executives' were conducted by the Managing Director himself, to emphasize the importance of the practical aspects of the industry and to highlight the direct and close relationships between the executives and workers.

EMPLOYEE CATEGORY	NO. OF PERSONNEL		TRAINING HOURS	
	Male	Female	Male	Female
Executives	136	15	596	262
Staff	687	377	3,398	2,777
Manual Grade	3,175	4,891	8,655	9,065
Total	3,998	5,283	12,649	12,104

**Number of Personnel Trained
For the 15 months ended 31-03-2015**



**Employee Training - Hours
For the 15 months ended 31-03-2015**



Training programmes are structured according to identified skill gaps. Therefore, the training directly contributes towards productivity improvement through employee skill development and also through employee motivation.

We have created a learning organisation by facilitating skills enhancement for employees through on-the-job training, internal and external training programmes at research institutes such as Tea Research Institute and Rubber Research Institute and academic programmes collaborating with specialised institutes such as National Institute of Plantation Management and Post Graduate Institute of Management. We also collaborate with partner organisations to build capacity and develop skills. Our representatives participate in the TRI Advisory Committee gaining exposure to current practices in tea plantations. This year, we also partnered 'Natures Secrets' on R&D to reduce the usage of chemical fertiliser.

All employees are encouraged to apply their training at work. Those receiving academic training are encouraged to apply their knowledge to improve existing management systems whilst those receiving technical training have the freedom to experiment to improve existing equipment and techniques. This enables all other employees to learn from them through collaborative support. We also encourage the trained staff to carryout structured internal training programmes to impart their training and learning to their colleagues.



TRI Training



TRI Training on Plucking & Agricultural Practices - Field Staff



TRI Training on Plucking & Agricultural Practices - Asst Mangers

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

TRAINING PROGRAMMES - FOR 15 MONTHS ENDED 31.3.2015

EXECUTIVE TRAINING

- | | |
|--|--|
| <ul style="list-style-type: none"> ☞ Professional Development to Effectively Engage in Strategic Decision Making Process ☞ Plantation Sector Networking & Learning Event 2014 ☞ Plucking and Agricultural Practices towards Improving Field & Labour Productivity ☞ Quantification of GHG Emissions & Calculating Carbon Footprint According to ISO 14064-1,2,3 Standards ☞ Professional Programme in Tea Manufacture & Factory Practices ☞ Workshop on "Social Sciences Research & Comprehensive Research Proposal Development" ☞ Workshop on "Land Matters" for Estate Managers | <ul style="list-style-type: none"> ☞ Effective Communication for the Workplace ☞ Unleash Your Limitless Physical & Mental Power for Career Success and Leadership Development ☞ Adopting Environmental Management Accounting Guidelines ☞ Cost Reduction through Creativity & Innovation ☞ Leading High Performing Teams ☞ Shop & Office Employees' Act ☞ Seminar on Sri Lanka Accounting Standards ☞ Breaking Barriers for Better Workplace ☞ Importance of Plucking Methods Improvement ☞ Crisis Management Training Programme ☞ Integrated Pest Management Programme |
|--|--|

Staff Training

- | | |
|---|---|
| <ul style="list-style-type: none"> ☞ Plucking and Agricultural Practices towards Improving Field & Labour Productivity ☞ Certificate in Secretarial Studies ☞ Awareness on Amendments to Tax Laws ☞ Awareness on Occupational Health & Safety ☞ Waste Disposal Management Programme ☞ ISO 22000 Food Safety Programme ☞ Basic Concept of MSDS Training Programme | <ul style="list-style-type: none"> ☞ Cash Plucking Training Programme ☞ Skill Development Programme ☞ Awareness on Accounting/IT/HR ☞ Waste Management & Recycling Programme ☞ Business Correspondence |
|---|---|

Manual Grade Training

- | | |
|--|--|
| <ul style="list-style-type: none"> ☞ Safety Use of Personal Protective Equipment ☞ Plucking and Tapping Programmes ☞ MSDS & Safe use of Agro Chemicals for Sprayers ☞ Accident & Emergency Service Awareness Training Programme ☞ Demonstrating Waste Water Treatment Systems ☞ Awareness on RA Concept and 10 Principles ☞ Fire Fighting Training for Factory Workers ☞ Energy Management Programme ☞ Waste Management Recycling Programme | <ul style="list-style-type: none"> ☞ Awareness on Good Hygienic Practices ☞ Training on Leadership ☞ Awareness of Safe Work at Workplace ☞ Importance of 'Anemia' Prevention ☞ First Aid Training & Health & Safety Methods ☞ Mushroom & Green Leaves Cultivation at Home Garden ☞ Motivating Harvesters for Regular Attendance ☞ Awareness on Food Nutrients, Proteins and Eliminate Anemia for Healthy Life ☞ Energy Conservation |
|--|--|

PERFORMANCE MANAGEMENT

G4-LA11

**PERFORMANCE EVALUATIONS
KEY PERFORMANCE INDICATORS - 2014**

100%
of Executives & Staff
Performance Evaluated

The Company in the preceding year initiated a Performance Management Scheme which encompasses employees across Executives and Staff categories within the organisation. This year, 2014/15, this initiative was given precedence with more structure on the performance criteria and mechanism to implement and monitor performance effectively.

All Executive and Staff employees were evaluated on their performance and were duly remunerated and incentives and recognition extended for high achievers.

In the manual grade employees, harvesters were evaluated according to their attendance and plucking quantity. They were rewarded and recognized monthly, under the 'Gold Card System'.

PERFORMANCE MANAGEMENT SCHEME - FOR 15 MONTHS ENDED 31.3.2015				
Category	No. of Personnel Evaluated		Total Evaluated	% Evaluated
	Male	Female		
Executives	60	12	72	100%
Staff	335	110	445	100%
Total	395	122	517	100%

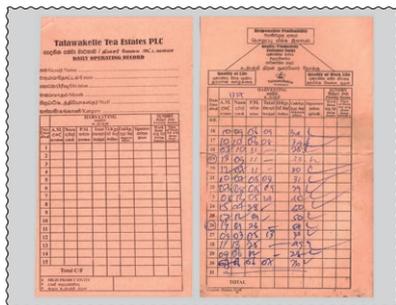
SUPPLIER ASSESSMENT FOR LABOUR PRACTICES G4-LA14 & HR12

Refer: Environment Management, page 160-161.

TTE PLC does not routinely screen suppliers using labour practices criteria. However, all present suppliers of the Company as discussed under environment management enjoy a longstanding relationship with the Company, and no violations of labour practices have been brought to our notice. Besides, most of our key suppliers are certified by the acclaimed ISO and other standards which in turn support best practices in business including environmental and social aspects. There have been no violations of labour practices reported along the supply chain whilst there were dealings with new suppliers.



Rewarding & Recognition of Best Pluckers - Indola Estate



Gold Card System



Appreciation of Best Pluckers - Radella Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

LABOUR PRACTICES GRIEVANCE MECHANISM G4-LA16

Traditionally, the grievance handling procedure available on estates comes under the purview of the estate management and union representatives. Direct discussions between workers and management may be observed regularly in routine day to day matters.

However, standard labour practices along with grievance/disputes procedures are enshrined in the collective agreements.

The Company did not record formal grievances related to labour practices including human rights within the 15 months ended 31.3.2015.

HUMAN RIGHTS

Being a plantation company, The Company's Human Resource and Social Policy clearly sets out our commitment towards upholding human rights. We have also been certified by the Rainforest Alliance-Sustainable Farm Certification Programme and Ethical Tea Partnership Programme as being in conformity with their criteria in respect of human rights - 'Social, Ethical & Environmental Management Practices'.

INVESTMENT G4-HR2

Our commitment to ensure best practices in human rights at all levels of operational activities within fields and outside within the factory premises of estates and at the head office, remained consistent and firm. During the reporting year - for the 15 months ended 31.3.2015, we invested on training our employees on human rights related aspects including respect for diversity amongst the workforce and responsibility in terms of work ties and wellbeing.

We trained a total of 1,827 of all categories of employees for 456 hours on the Company's policies including human rights. This corresponded to 21% percent of the total workforce.

NON-DISCRIMINATION G4-HR3

TTE PLC follows a policy of non-discrimination in recruitment, promotions and remuneration. We have not received any complaints of discriminations or being subject to any legal action for discrimination during the reporting year. Procedures are in place to deal with such incidents if and when they occur.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4

We are fully open and our employees have the right to freedom of association and collective bargaining. Almost the entirety of our workforce is covered by the relevant collective agreements with trade unions. We have also not identified any suppliers that have violated or at significant risk towards the right to exercise freedom of association and collective bargaining.

CHILD LABOUR G4-HR5

TTE PLC does not engage nor complicit in child labour as stipulated in our Human Resource and Social Policy. We do not deploy minors in any activity paid or unpaid within our estates or production facilities. All recruitments are subject to a strict verification process with documentary proof of age of potential employees. We also seek to ensure that our suppliers have taken necessary precautions to arrest any risk on child labour within their business operations.

FORCED OR COMPULSORY LABOUR

G4-HR6

Our workplace does not resort to any form of exploitation of employees across the organisation- at the estate level and at the head office. All employment contracts are freely entered into between the parties and are in conformity with the legislation prevailing in Sri Lanka as well as in conformity with the standards prescribed by the Ethical Tea Partnership, Rainforest Alliance and UTZ certification programmes. Employees are well respected and treated humanely with focused efforts to ensure their well-being. The level of wages is in line with the industry norms whilst other statutory obligations and benefits are met diligently.

With respect to suppliers, TTE PLC has not identified any one of them exposed to risk for incidents of forced or compulsory labour.

SUPPLIER HUMAN RIGHTS ASSESSMENT G4-HR10

Refer: Environment Management, Page 160.

TTE PLC is conscious and selective in investments and procurement to ensure that its business partners follow best practices in their business processes especially on upholding business ethics in terms of child and forced labour and other legal and regulatory requirements. However, the Company does not routinely screen suppliers according to human rights criteria. All present suppliers enjoy a long standing relationship with us and no human rights violations have been brought to our notice in terms of our suppliers, contractors and other business partners for the reporting year,

SOCIETY

Local Communities

A HOME FOR EVERY PLANTATION WORKER G4-S01

A plantation is much more than a simple unit of production; it is a host to vibrant and dynamic communities. Through our Corporate Social Responsibility (CSR) programmes, we are committed to nurture and develop the untapped live forces within the communities in which we operate with trickle-down benefits to the entire society and the estate community in particular.



Distributing Iron Tablets - Mattakelle Estate



Improving New Plucking Baskets for Better Productivity - Somerset Estate

Our Social Development Project, 'A Home for Every Plantation Worker' envisions a difference in the quality of social and cultural lives of our workers and the communities, making them truly empowered stakeholders of their estates. Our ultimate goal is to transform our plantations from being a mere place of residence into a 'Home' in the true spirit, for each and every one of them.

Our resident communities of over 41,700 people in all the regions have benefitted from this project which encompasses improvements to the living environment through infrastructure development of basic amenities, capacity development, health and nutrition programmes and youth empowerment. The comparison with the prior year performance aptly demonstrates our commitment and progress in our efforts to enrich our communities within the scope of this project.



Quality of Life - Mattakelle Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

LIVING ENVIRONMENT

Our initiatives and special projects targeted at improving the living environment of our resident communities are carried out in collaboration with the Plantation Development Project (PDP), Plantation Human Development Trust (PHDT), National Housing Development Authority (NHDA), Ministry of Livestock and Rural Community Development, MJF Foundation, T- Field Child Development Foundation and reputed local and non- government organisations. Our initiatives ranging from infrastructure development of housing, water, sanitation, recreation and learning facilities at an investment cost of Rs. 30.5 Mn during the reporting year is set out below:

**INFRASTRUCTURE
DEVELOPMENT
KEY PERFORMANCE
INDICATORS - 2014/15**

**Rs. 30.5 Mn
Investment Cost**

DEVELOPMENT ACTIVITIES	1992-2013 & FOR 15 MONTHS ENDED 31.03.2015
Water Schemes	76
Re-roofing Houses	4,145
Ramps and Drains	1,423
Sanitation	4,243
Field Rest Rooms	80
Factory Rest Rooms	16
Child Development Centres (CDC) New/Upgrading	59
New Houses Built	1,119
Play Grounds	30
Electrification (Housing units)	30
Community Centers	19
Road Rehabilitation- km	47
Roads (Concreted) - km	55
Upgraded Staff Quarters	167
Upgraded Houses	173



Upgrading Houses - Radella Estate



Road Rehabilitation - Wategodde Estate



Pavilion in the Playground - Dessford Estate



Reroofing - Mattakelle Estate

COMMUNITY CAPACITY BUILDING



Silver Award for 'Excellence in Capacity Building', National Business Excellence Awards 2014, The National Chamber of Commerce of Sri Lanka, Colombo Hilton, 16th December 2014.

COMMUNITY CAPACITY DEVELOPMENT KEY PERFORMANCE INDICATORS - 2014/15

11,280 Beneficiaries

Rs. 4.6 Mn Cost

Community capacity building encompasses the activities of the Estate Worker Housing Co-operative Society (EWHCS) along with our training

initiatives aimed at uplifting the lives of our resident communities. During the reporting period, 11,280 participants benefited from the activities within the scope of EWHCS whilst our awareness training programmes reached out to 8,914 participants. EWHCS through its saving schemes also supported 1,563 beneficiaries with a total capital based of Rs. 19.84 million and issued housing loans for 3,915 beneficiaries for Rs. 11.5 million.

COMMUNITY CAPACITY BUILDING	FOR THE YEAR 2014 & JAN-MAR '15	
	Participants/ Beneficiaries	Cost Rs. (Mn)
EWHCS Initiatives	2,366	4.20
Awareness Programmes - EWHCS	8,914	0.41
Total	11,280	4.61



Happy Family Concept - Kiruwanaganga Estate



Introducing Safe Working Methods - Somerset Estate



Donating Spectacles - Radella Estate



Distributing Flasks - Calsay Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

EWHCS INITIATIVES

- ☞ Providing Roofing Sheets/Gas Cookers & Cylinders
- ☞ Providing Loans
- ☞ Introducing Savings Habits
- ☞ Donations for Spectacles/Surgeries
- ☞ Donations of “School Bags/Accessories”
- ☞ Donations of “Maternity Kits”/“Blankets”/Baby Accessories
- ☞ Distribution of Vegetable Seeds/Plants/Flasks

AWARENESS TRAINING PROGRAMMES-EWHCS

- ☞ Happy Family Concept
- ☞ Household Cash Management
- ☞ Introducing the Importance of Micro Financing
- ☞ Introducing Safe Working Methods
- ☞ Encouraging Leadership

HEALTH AND NUTRITION

HEALTH & NUTRITION KEY PERFORMANCE INDICATORS - 2014/15

198,633 Beneficiaries

Rs. 8.9 Mn Investment Cost

Our initiatives advocating health and nutrition amongst the resident communities seek to cover preventive healthcare through our comprehensive immunisation programme, nutrition, antenatal and postnatal care, early childhood development and auxiliary medical services. During the reporting year, we reached out to 198,633 residents with our structured programmes on health and nutrition.

HEALTH & NUTRITION PROGRAMMES	FOR THE 15 MONTHS ENDED 31ST MAR '15	
	Participants/Beneficiaries	Cost Rs. (Mn)
Preventive Healthcare		
Immunization Coverage	10,885	0
Awareness Programmes - Preventive Healthcare	23,676	0.08
Nutrition		
Feeding Programmes - mothers, infants and children	69,920	3.02
Awareness Programmes - Nutrition for Health	13,435	0.14
Antenatal/Postnatal		
Antenatal Programmes	14,638	1.29
Postnatal Programmes	13,686	0.27
Early Childhood Development	27,353	3.13
Auxiliary Medical Service	25,040	1.00
Total	198,633	8.93



Awareness on Hygiene - Clarendon Estate



Donations of “School Bags/Accessories” - Indola Estate



Introducing Saving Habits - Mattakelle Estate

IMMUNIZATION COVERAGE

- ☞ BCG Vaccine for Tuberculosis
- ☞ Oral Polio Vaccine
- ☞ Penta Vaccine for Diphtheria, Tetanus, Pertussis, Hepatitis B and Influenzae Type B (Hib)
- ☞ DPT/DT/TT Vaccines for Tetanus, Diphtheria & Pertussis (Whooping Cough)
- ☞ MMR/MR/MV for Measles, Mumps and Rubella

FEEDING PROGRAMMES ON NUTRITION

- ☞ Distribution of Milk Powder/Milk
- ☞ Distribution of Flour
- ☞ Distribution of "Thriposha"
- ☞ Distribution of Nutrients and Vitamins
- ☞ "Kolakanda" Programme



"Kolakanda" Programme - Moragalla Estate

AWARENESS ON PREVENTIVE HEALTH

- ☞ Awareness on HIV/AIDS
- ☞ Health Education Programmes
- ☞ Awareness on Personal Hygiene
- ☞ Importance of Drinking Boiled Water
- ☞ Awareness on Nutritious Food

AWARENESS ON NUTRITION

- ☞ Awareness of Prevention of Anemia
- ☞ Awareness on Home Garden
- ☞ Awareness on "Balance Diate"
- ☞ How to Prepare a Nutrition Meal
- ☞ Awareness on Underweight Children



Distribution of Vitamins - Clarendon Estate



Vaccination - Handford Estate



Awareness on Nutritious Food - Logie Estate



Awareness of Prevention of Anemia - Mattakelle Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

ANTENATAL CARE

- ☞ Antenatal Clinics
- ☞ Issue of Vitamins and Nutritious Food
- ☞ Free Transport for Clinics/Screening/Hospitalization
- ☞ Health & Nutrient Awareness
- ☞ Educating Family Planning

EARLY CHILDHOOD DEVELOPMENT

- ☞ Free Mid-Day Meal
- ☞ Dental/Eye Care Clinics
- ☞ Daycare Extended to Children
- ☞ Sports Activities
- ☞ Distribution of Milk/Thripasha
- ☞ Special CDC Activities



*Free Mid-Day Meal -
Palmerston Estate*

POSTNATAL CARE

- ☞ Postnatal Clinics
- ☞ Well Women & Baby Clinics
- ☞ Providing Vitamins
- ☞ Free Transport for Clinics
- ☞ Weight Gain Programmes
- ☞ Introducing Nutritious Food

AUXILIARY MEDICAL SERVICE

- ☞ Medical Camps/Screening - Workers
- ☞ Eye Clinics and Cataract Detection Programmes
- ☞ Providing First Aid Boxes
- ☞ Dog Vaccination Programmes
- ☞ Introducing Personal Protective Equipment
- ☞ Providing Worm Tablets
- ☞ Oral Cancer Programmes
- ☞ Analysis of Injuries/Accidents



*Dental Clinics -
Somerset Estate*



*Weight Gain Programme -
Palmerston Estate*



*Eye Clinics -
Mattakelle Estate*



*Educating Family Planning -
Palmerston Estate*

EMPOWERMENT OF YOUTH



We are well aware of the role played by youth not only in the plantation sector but also to take the nation forward in its development drive. We give precedence to youth programmes, enabling them with vocational training as well as creating awareness on significant and current socio-economic issues. During the reporting period, we extended vocational training including scholarships for tertiary education for 3,007 young people within our communities based purely on merit and talent. Our awareness training programmes reached out to 6,843 youth.

EMPOWERMENT OF YOUTH	FOR THE YEAR 2014 & JAN-MAR '15	
	Participants/ Beneficiaries	Cost Rs. (Mn)
Vocational Training	3,007	1.29
Awareness Programmes	6,843	0.64
Total	9,850	1.93

VOCATIONAL TRAINING

- ☕ English/Sinhala/Tamil Classes
- ☕ Computer/Music/Dancing Classes
- ☕ Sewing/Dressmaking Classes
- ☕ Beauty-Culture Classes
- ☕ Scholarships for A/L & University Students
- ☕ Drama/Quiz/Art Competitions
- ☕ Classes for Slow learners
- ☕ Non-Formal Education
- ☕ Re-schooling Programmes

AWARENESS TRAINING

- ☕ Teenage Programmes
- ☕ HIV/AIDs Programmes
- ☕ Dengue Awareness Programmes
- ☕ Awareness on Personal Hygiene & First Aid
- ☕ Communication & Leadership Skills
- ☕ Improving Learning Abilities to Slow Learners
- ☕ Awareness on Nutrition
- ☕ Awareness on Health & Safety



Improving Learning Abilities to Slow Learners - Holyrood Estate



Scholarships for AL & University Students - Kiruwanaganga Estate



Tamil Classes - Bearwell Estate

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

OTHER LOCAL COMMUNITY INITIATIVES

Apart from our dedicated programme for resident communities, 'A Home for Every Plantation Worker', our estates along with the Head Office support resident and local communities in the neighbouring areas with other social responsibility initiatives. Estates extend support to organise community based religious ceremonies and festivals, sports activities, medical camps, village trips and 'shramadana' to keep the environs clean and beautiful.

Key corporate social responsibility activities carried out within the 15 months ended 31.3.2015 are set out below:

Water Tanks in North Central Province:

Distributed 3 water tanks to the drought-hit families in the province with the participation of 8 planting executives from estates.

Eye Care Services:

In collaboration with Helpage Sri Lanka, a medical camp for eye care for senior citizens living within the Talawakelle Tea

Estates was organised at Radella, Club in June 2014. The camp treated 124 senior citizens with the participation of two doctors, optometrist and pharmacists. Estate medical and welfare officers also participated at the camp. Amongst the senior citizens, 80 were donated with spectacles whilst 50 were referred for cataract surgeries at the Nawalapitya Base Hospital with cost borne by the Company. Free medicine was also given to needy participants.



Distribution of Water Tanks in North Central Province



"Pirith" Ceremony - Indola Estate



Eye Care Services - Radella Club



"Aurudu" Celebrations - Deniyaya Estate



Kovil Puja - Kiruwanaganga Estate



"Shramadana" - Clarendon Estate

'Puritas Sath Diyawara':

Collaborating with the Hayleys Group, the Company supported this dedicated Group project carried out in chronic kidney disease (CKD) affected villages in the North Central province. The total cost of the project is estimated at Rs. 21 million covering a total of six villages in the financial year 2014/2015. TTE's contribution was Rs. 1.75 Mn.

PURITAS SATH DIYAWARA



Puritas (Pvt) Ltd commissioned its first Reverse Osmosis (RO) plant in D10 Maithreepura, Padaviya under their CSR project, 'Puritas Sath Diyawara' was assigned on the 15th of August 2014 and later commissioned the opening of three more plants on the 10th of March 2015.

This will directly contribute to the efforts to mitigate the spread of Chronic Kidney Disease (CKD) in the area and uplift the socio-economic conditions of the people of that region.

This project will also reach out to the people of the North Central Province, via livelihood development activities, health camps, knowledge dissemination activities and education.

SELECTED VILLAGES - PROFILE

Village/s	DS Division	CKD Patients	Population	Patients %	Company
Sinhala Ataweerawea & Kiriketuwewa	Kebithigollewa	68	2,400	2.83%	Hayleys Plantations

PUBLIC POLICY G4-SO6

As a foremost regional plantation company, our organisation is proactive in its policy advocacy role within the industry. As an active member of the Planters' Association which represents the plantation industry, TTE PLC plays its part in guiding and directing the industry in its present and future course. Our Managing Director is Chairman of the Planters' Association of Ceylon, Director of Tea Small Holdings Development Authority and a member of the Sri Lanka Tea Board, Rubber Research Board & Tea Council of Sri Lanka whilst our Director/ Deputy CEO is a Board Member of PHDT. Also some of our Senior Managers are the members of the NIPM & TRI. TTE PLC is a member of the Employers' Federation of Ceylon and some of our Senior Managers are in the sub-committees.

Apart from the broad policy-level standpoint, our organisation has not extended support for political causes and did not record any monetary and non-monetary political contributions for the 15-months in year under review.

COMPLIANCE G4-SO8

No monetary fines significant or insignificant or any other non-monetary sanctions have been imposed on TTE PLC for non-compliance with laws and regulations.



Opening Ceremony of "Sathdiyawara"

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

PRODUCT RESPONSIBILITY

Materiality Aspects	GRI- G4 Indicator	Description	Quality of Report Coverage
Management Approach			
Customer Health & Safety	G4-PR1	Percentage of significant products and services for which health and safety impacts are assessed for improvement	Comprehensive
	G4-PR2	Number of incidents on non-compliance with regulations and voluntary codes concerning health and safety impacts	Comprehensive
Product & Service Labelling	G4-PR3	Type of information required for product and service information & labelling and product categories subject to such requirements	Moderate
	G4-PR4	Incidents of non-compliance with regulations and voluntary codes concerning products and service information and labelling	Sets out the Company's compliance status
Compliance	G4-PR9	Monetary value of fines for non-compliance with laws and regulations concerning provision and use of products and services	Sets out the Company's compliance status

OVERVIEW

Refer: Operational Performance, page 78.

Superior product quality is our forte, underpinning TTE PLC positioning at the helm of the tea industry in the country, amongst the Regional Plantation Companies. In keeping with the brand 'Ceylon' teas, quality has been a tradition for TTE PLC estates over the years and we have earned the respect of our buyers, brokers and customers for upholding best standards in our final product. Given the quality of our teas, we fetch some of most remunerative prices at the Colombo Auctions and our estate marks are amongst the top-runners in their respective elevations as elaborated under the 'Operational Performance' section of this Annual Report.

MANAGEMENT APPROACH

Refer: Economic Value Creation

QUALITY AND FOOD SAFETY POLICY

- ☞ We are committed to total assurance of **quality and food safety** of the tea we produce. Our goal is to become the **market leader** in the production of **finest quality teas**.
- ☞ To this end, we will ensure that **Good Agricultural and Manufacturing Practices** are adhered to on all our plantations.
- ☞ Building on these foundations, we strive to upgrade our production facilities and improve manufacturing processes continually at every stage, to conform to the stringent global food safety standards.
- ☞ We believe that the overall **quality** of our product and the satisfaction of **our customers** is greatly dependent on the **quality of life** of our employees and the satisfaction they obtain from working with us. Therefore we will endeavor to assure that our employee's **quality of life** and their skills are continuously improved.
- ☞ **Our responsibility to the society and valued customers** will always be the focal point of our operations and we are committed to consistently improve **communication** at all levels for an effective Food Safety Management system and to comply with relevant **statutory and regulatory requirements**.

Product responsibility is a strategic imperative rightly identified under our integrated strategy which is discussed in detail under 'Economic Value Creation' section of this Annual Report.

Our approach to product responsibility is to ensure highest standards of food safety and quality from the point of growing through harvesting and the processing of our teas. Our 'Quality and Food Safety Policy' clearly sets out our commitment in this regard and guides us to adopt and implement good agricultural and manufacturing practices in our operations.

We have in place a quality management system to ensure that we maintain best practices in operations. We are consistent in our monitoring process through internal audits as well external audits carried out through independent certification bodies covering the entire value chain; identifying on time and taking due precautionary and corrective action on any operational deficiencies and risks of malpractices that would stand against our responsibility to extend the highest quality product for our buyers/brokers and customers.

CUSTOMER HEALTH AND SAFETY

G4-PR1 & PR2

When manufacturing our teas, the highest standards are ensured in all our factories. We maintain the requisite conditions in conformity with HACCP/ISO 22000 food safety criteria - harvesting and transporting of green leaf through to its manufacture, packaging and sale. Tea samples are tested for maximum residue levels, heavy

metals, micro biological and physical parameters. Samples of each batch of tea manufactured are tasted by the managers and the head office tasters; every invoice of tea submitted for sale at the Colombo Tea Auctions by the Company, is tested by the Sri Lanka Tea Board for conformity to ISO 3720 standard.

Further, in keeping with our philosophy of making our workers and service providers feel truly part of the process of producing superior quality teas, their roles have been valorised according to the guiding principles of ISO 22000 FSMS, Rainforest Alliance, Ethical Tea Partnership and UTZ - sustainable certification programmes.

For the 15 months ended March 2015, 4 audits per factory in all factories were carried out with respect to manufacturing systems and practices to ensure quality and standards of our teas. The audit findings have been taken on board by the respective estate management and continuous improvements are achieved where necessary.

In the reporting year, our operations across 17 estates did not report on any incident on non-compliance with our 'Quality and Food Safety Policy', laws, regulations and principles, standards and practices upheld by our certification bodies concerning quality and standard of our teas.

PRODUCT AND SERVICE LABELING

G4-PR3 & PR4

PACKAGING INFORMATION

- ☞ Estate Name
- ☞ Selling Mark
- ☞ Grade
- ☞ Invoice
- ☞ Manufacturing Number
- ☞ Number of Packages
- ☞ Net Weight
- ☞ Gross Weight

As specified by the Tea Board and the Ceylon Tea Traders Association, we adhere to the labelling requirements and our packaging carries basic product information necessary to ascertain the quality and standards of our teas.

Incidents of non-compliance with regulations concerning product labelling have not been reported during the year under review. A comprehensive process is in place within accepted norms of the industry to ensure customer satisfaction and to deal with complaints and concerns, if any.

MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

“We take every opportunity to educate our buyers, brokers and customers on the best practices we have in place to ensure quality and standards in our teas”

We also extend invitations, sponsorships and facilitate visits by buyers, brokers and customers to our tea plantations and factories to showcase our tea production process. We educate them on the best and current practices in place and measures we have adopted to produce our teas to meet the highest standards. Such visits also encourage strong ties with them, building relationships through common understanding and shared experiences.

COMPLIANCE G4-PR9

For the 15 months ended March 2015, the Company did not record any monetary fines for non-compliance with laws and regulations concerning products and services.

EXPERIENTIAL FACTORY VISITS - SHOWCASING OUR PRODUCTS TO FOREIGN BUYERS



PLANTATION TOURS - LOCAL & FOREIGN BUYERS



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*



*Great Western
Tea Knot*



*Radella
Hand made
Green Tea Elephant*



*Radella
Tea Flower*



Golden Tips



*Radella
Twistea*



MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

G4-4





MANAGEMENT DISCUSSION & ANALYSIS *CONTD.*

CERTIFICATION AND ACCREDITATION	ESTATES CERTIFIED	
	<p>Rainforest Alliance-Sustainable Farm Certification</p>	<p>Mattakelle, Bearwell, Holyrood, Great Western, Wattedgodde, Palmerston, Dessford, Somerset, Clarendon, Calsay, Logie, Radella, Kiruwanaganga Estates, Wangioya Factory</p>
	<p>Ethical Tea Partnership (ETP)</p>	<p>Calsay, Clarendon, Dessford, Somerset, Great Western, Mattakelle, Palmerston, Radella, Bearwell, Holyrood, Logie, Wattedgodde, Kiruwanaganga Estates</p>
	<p>UTZ Sustainable Tea Certification</p>	<p>Radella Estate</p>
	<p>ISO 22000 Food Safety Management Systems Certification</p>	<p>Somerset, Wattedgodde, Radella, Dessford, Great Western, Holyrood, Mattakelle, Bearwell, Wangioya & Kiruwanaganga</p>
	<p>ISO 22000 Food Safety Management Systems Certification</p>	<p>Deniyaya, Handford & Moragalla</p>

FUTURE OUTLOOK

Economic policy and structural constraints mixed with geopolitical complexities still underlie the prospects of the global economy. The recovery of the advanced nations is much anticipated, although the emerging and the developing world is expected moderate in their growth momentum. Our tea exporter markets, Russia is expected to contract further with economic growth going into negative territory and the Western sanctions are expected to continue throughout the ensuing year; the outlook for Middle East is shrouded with persisting civil strife

and discontent along with the economic uncertainties with deeper impacts from the oil crisis.

In the domestic settings, Sri Lanka in the near term is expected to moderate in its economic performance. The political uncertainties along with the imminent dissolution of parliament and parliamentary polls will not set the best platform for the economy to reach its potential. However, the medium term outlook is set for firmer macroeconomic policies, paving the way for growth and development prospects.

Tea industry in the near to medium term will be challenged on many counts - inter alia, climate change directly impacting the crop and quality of the teas produced; imbalances in labour productivity and compensation extended; rising cost of production; and economic constraints within the export markets.

In this backdrop, the Company as a front-runner RPC in the industry intends to pursue on its strategic priorities and the goals therein; with concerted team effort, performance driven culture and effective management practices.

STRATEGIC DRIVERS & KEY TARGETS - 2015/2016		
	Strategic Drivers	Key Targets
Economic	<ul style="list-style-type: none"> ☞ Produce Quality teas ☞ Enhance worker and land productivity ☞ Cost management ☞ Mechanisation of field operations ☞ Maintain positive cash flow ☞ Increase VP cover of tea fields. ☞ Revenue diversification & value addition ☞ Pursue the 'out-grower' model ☞ Consolidate sustainable agriculture policies, practices and programmes 	<ul style="list-style-type: none"> ☞ Rank number one in prices amongst RPCs in both low and high grown elevations ☞ High grown yields > 1700 kg/ha ☞ Low grown > 1500 Kg/ha ☞ Production 7.7 million Kgs ☞ Worker productivity 2.75 Kgs/worker ☞ Reduce manufacturing and overhead cost by 7% ☞ Automate five estates- field weighing of green leaf. ☞ Operating cash flow to be > 100% of Net Profit Before Tax ☞ Increase the extent under shear harvesting by men workers to 75% ☞ Re plant 36 hectares of tea ☞ Product and crop diversification in to cinnamon/10/hec ☞ Add value by promoting tea exports via Mabroc Exports ☞ Maintain certification on quality & sustainable practices
Environment	<ul style="list-style-type: none"> ☞ Reduce dependency on non-renewable resources ☞ Reduce green-house gas emissions ☞ Further improve the solid waste management programme 	<ul style="list-style-type: none"> ☞ Reduce greenhouse gas emissions to .65 tceco .per ton of tea ☞ Increase made tea output to 1.3/kgs per per unit of electricity ☞ Plant 45,000apprx trees for biodiversity value ☞ Plant 150,000 fuel wood plants
Social	<ul style="list-style-type: none"> ☞ Employee development through focused training on technical and soft skills ☞ Strengthen performance management system ☞ Clean, tidy and safe work places ☞ Consolidate on the initiatives under the 'Home for Every Plantation Worker' 	<ul style="list-style-type: none"> ☞ Number of employees trained: 7000 ☞ Training hours: 30000 ☞ Training investments: Rs. 1.5Mn ☞ Expenditure on social development: Rs. 8.5.Mn

RISK MANAGEMENT

TTE PLC HAS A STRUCTURED RISK MANAGEMENT PROCESS, AS IT PLACES RELIANCE ON SOUND AND PROACTIVE RISK MANAGEMENT TO MEET CORPORATE OBJECTIVES. RISK MANAGEMENT IS INTEGRATED TO THE OPERATIONAL AND STRATEGIC MANAGEMENT DECISION MAKING PROCESS; ENABLING THE COMPANY TO MITIGATE THE DOWNSIDE OF THE INHERENT RISK THAT WE CONFRONT WHILST AVAILING THE OPPORTUNITIES THEREIN.

RISK

"The combination of the probability of an event and its consequence. Consequences can range from positive to negative." All organisations have objectives at strategic, tactical and operational levels - anything that makes achieving these objectives uncertain is a risk. As our world becomes increasingly volatile and unpredictable, we must cope with greater uncertainty".

Institute of Risk Management- London

OVERVIEW

The constantly changing economic / business landscape and environmental challenges present the company with risk and opportunities. These risks have the potential to impact the tangible and non -tangible capital and value creation activities. Thus, a need arises to identify and manage risks that may affect the value creation process in the short, medium and long term. The systematic approach required for risk management calls for measures to ensure that risks are identified on time, evaluated in terms of risk appetite of the Company and that effective management and monitoring mechanisms are in place.

RISK MANAGEMENT PROCESS

The Board is primarily responsible for ensuring that risks are identified and appropriately managed across the Company through the value

creation process and embedded in to the management system. Strategic risk is managed by the Board; focus is on prudence and discipline. The audit committee has been delegated the responsibility for reviewing the effectiveness of the risk management process with regard to risk and error arising from weak internal control and accounting systems. The internal audit function also plays a key role in risk management.

The Managing Director with the Management Committee (MC) takes the lead at the implementation level in identifying risks. The MC examines processes and events, uncertainties and changes in the environment that exposes the Company to situations that could seriously impact earnings, impair its liquidity position or create legal, regulatory or reputational risks. The MC also evaluates options available to mitigate risks and to identify risks that do not match the risk appetite of the Company. Monitoring of risk management measures is a responsibility that rests with the MC.

Heads of business units at the estate level provide useful information and feed back to the MC for risk management with the assistance of their respective operational teams.

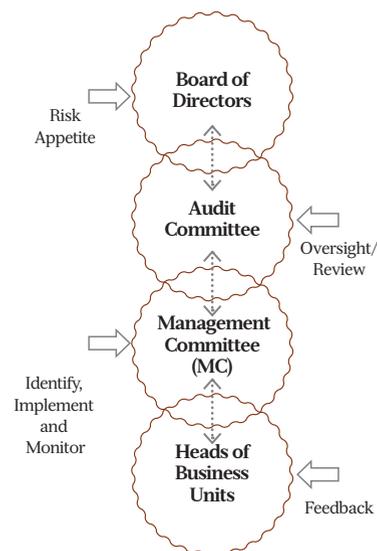
RISK MANAGEMENT GOVERNANCE STRUCTURE

The primary aim of the Risk Management Governance Structure and systems of

internal control is to manage business and operational risks, to enhance value of shareholder investments and safe guard assets.

The governance structure has put in place a number of key policies and processors and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of internal control and risk management. The governance structure depicted below highlights the responsibilities and functions at each level of governance.

RISK MANAGEMENT GOVERNANCE STRUCTURE



Our approach to risk management is to have an informed understanding of relevant risks and assess their relative significance in a professional and structured manner to maximise chances of achieving objectives and ensuring sustainability.

RISK EVALUATION

A risk factor is evaluated on the basis of its likelihood of an event and its potential impact on the business. Impacts are quantified or assessed in terms of potential loss or damage. Risks are assessed both as gross risk and net risk. The assessment of gross risk involves the potential harm it can cause without mitigatory actions, whereas net risk assessment considers potential harm or loss with mitigatory action. Risks and their corresponding mitigatory action plans are reviewed by the Managing Director and the MC.

RISK MAPPING

Risk mapping is carried out in order to assess the likelihood of occurrence and consequences of an event /set of events,

1. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. As per the probability of occurrence, a ranking of High, Moderate and Low is assigned for each risk.
2. The impact of the event is measured by determining the loss or damage it would cause and the extent of the impact. Considering these two factors, the impact then categorised as to Low, Moderate and High.
3. Upon assessment of the likelihood of occurrence and the extent of the impact of each risk, it is subject to the following matrix in order to determine the nature and intensity of action required.

4. All identified risks are assessed based on the likelihood and the potential impact on the business as per the guidelines set out in the Risk Matrix. The risk management process of the Company has a framework to accept and manage unavoidable risks and minimise uncertainties. The framework also gives a firm basis for effective resource allocation in the decision making process.

PRINCIPLE RISKS



IMPACT	High	Caution	6 Monitor/ Manage	1,2 Monitor/ Manage
	Moderate	7,10,14,19 Accept/ Monitoring	3,5,8,11,13 16,17,18,19 Caution	Considerable management effort
	Low	9,12 Accept	4,15,21,22 Accept/ Monitor	Monitor/ Manage
		Low	Moderate	High
		LIKELIHOOD		

5. **Risk management actions:**
The table given below sets out an assessment of the risks that the value creation activities and tangible / non tangible capitals were subject to during the year and risk mitigation actions that were /are in place.

RISK MANAGEMENT *CONTD.*

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES																											
<p>1. Socio-Economic & Political Risk</p> <ul style="list-style-type: none"> ☞ Fluctuations in global market conditions ☞ Political and economic changes in key markets 	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								
<p>Risk Assessment</p> <p>Since revenue generated from manufacturing of Black Tea is exceeding 95 percent of the total revenue, changes in macroeconomic, political and global market conditions impacted to erode profit margins of the Company.</p> <p>Revenue & GSA (Rs. Mn)</p> <table border="1"> <caption>Revenue & GSA (Rs. Mn)</caption> <thead> <tr> <th>Quarter</th> <th>Revenue (Rs. Mn)</th> <th>GSA Rs. (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>2014-Q1</td> <td>1000</td> <td>510</td> </tr> <tr> <td>2014-Q2</td> <td>820</td> <td>480</td> </tr> <tr> <td>2014-Q3</td> <td>920</td> <td>490</td> </tr> <tr> <td>2014-Q4</td> <td>920</td> <td>490</td> </tr> <tr> <td>2015-Q1</td> <td>870</td> <td>470</td> </tr> </tbody> </table>	Quarter	Revenue (Rs. Mn)	GSA Rs. (Rs. Mn)	2014-Q1	1000	510	2014-Q2	820	480	2014-Q3	920	490	2014-Q4	920	490	2015-Q1	870	470	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Optimisation of product portfolio from high and low grown to cater specific market segments. ☞ Quality focus production strategy. ☞ Promoting timber and fuel wood cultivation in low yielding tea fields ☞ Develop revenue streams from hydro power, timber, fuel wood and leisure projects ☞ Exploring new markets and increase value addition with the support of marketing arm Mabroc Teas ☞ Work closely with relevant authorities and associations to ensure best interest for the industry 								
Quarter	Revenue (Rs. Mn)	GSA Rs. (Rs. Mn)																									
2014-Q1	1000	510																									
2014-Q2	820	480																									
2014-Q3	920	490																									
2014-Q4	920	490																									
2015-Q1	870	470																									
<p>2. Wage Structure</p> <ul style="list-style-type: none"> ☞ Strong Trade Unions play an active role in determining wages ☞ Wage structure not aligned to worker productivity and market conditions 	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High	<table border="1"> <tr> <td>Year</td> <td>2014/15</td> <td>2013</td> <td>2012</td> </tr> <tr> <td>Risk Rating</td> <td>High</td> <td>High</td> <td>High</td> </tr> </table>	Year	2014/15	2013	2012	Risk Rating	High	High	High
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								
Year	2014/15	2013	2012																								
Risk Rating	High	High	High																								

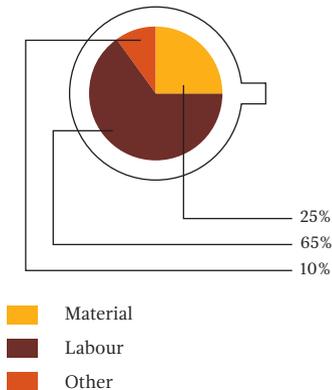
STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment

The higher rate of increase in wage related expenses have major impact, on profitability and competitiveness of the Company.

- ☞ Collective Agreement is revised every two years and wage increments are not based on the market condition
- ☞ Industry is highly labour intensive and labour cost accounts for 65 percent of the total cost
- ☞ Inadequate labour supply for the plantations gives more bargaining power to union and political bodies

Cost Structure



Risk Management Strategies

- ☞ Forecasting manpower trends in the tea industry
- ☞ Increase land and worker productivity through coaching, monitoring, motivation and mechanisation
- ☞ Optimise deployment of labour to maximise productivity
- ☞ Introduction of technological advancements to fulfill labour deficiencies
- ☞ Outsourcing or suspending of non-value adding activities
- ☞ Negotiating with trade unions and stakeholders for a wage structure that is in line with productivity
- ☞ Introduce an 'Out Grower' model on estates
- ☞ Wage negotiations are done collectively with the Employers' Federation of Ceylon and the Planters Association

3. Market & Market Prices

- ☞ Changes in customer's buying preferences

Year	2014/15	2013	2012
Risk Rating	Moderate	Moderate	Moderate

Risk Assessment

- ☞ Changes in consumer perspectives and requirements
- ☞ Coalitions of suppliers to change market equilibrium increase the demand for substitute products
- ☞ Competition from global suppliers.

Risk Management Strategies

- ☞ Focus on producing a 'Quality Tea'
- ☞ Change grade mix to cater customer requirements
- ☞ Expand product range from black tea to other varieties of tea
- ☞ Monitor market trends and design strategies to meet future trends
- ☞ Be an ethical organisation with a commitment for global sustainability, hence, obtain international certifications such as Rainforest Alliance – Sustainable Farm, ISO 22000 Food Safety Management, Ethical Tea Partnership

RISK MANAGEMENT *CONTD.*

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES				
4. Competition <ul style="list-style-type: none"> ☞ Higher volume of global supply ☞ Threat of substitutes 	Year	2014/15	2013	2012
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment Tea industry in Sri Lanka faces intense rivalry in global markets due to higher cost of production and substitute beverages. <ul style="list-style-type: none"> ☞ Eroding profit margins and those who fail to compete with attractive prices will lose the market share 	Risk Management Strategies <ul style="list-style-type: none"> ☞ Strengthen the Company's brand image ☞ Increase quality and productivity ☞ Broaden and add value to the product range ☞ Market promotions with Mabroc Teas (Pvt) Ltd ☞ Carry out extensive training programs to increase quality of teas ☞ Strengthen relationships with brokers and buyers 			
5. Business Risk <ul style="list-style-type: none"> ☞ Failure to implement strategic plans, revenue enhancing and cost saving measures and initiatives on profitable investments. 	Year	2014/15	2013	2012
	Risk Rating	Moderate	Moderate	Moderate
Risk Assessment <ul style="list-style-type: none"> ☞ Stifle future growth ☞ Reduce revenue, cash flow and profitability ☞ Drop of market share and dilution of corporate image 	Risk Management Strategies <ul style="list-style-type: none"> ☞ An annual corporate plan with strategic and operational objectives and related actions submitted to the Board of Directors for review ☞ The Board of Directors and the Management Committee holds regular meetings to formalise strategies and plans for the future ☞ Operations are monitored and controlled by the management information and budgetary control system and remedial action is taken including sector comparisons and monitoring performances of competitors ☞ Review meetings are held regularly to monitor strategic implementation 			
6. Risks from Natural or Man-made Disasters <ul style="list-style-type: none"> ☞ Damages from fire, landslides and floods ☞ Accidents and other disturbances ☞ Corruptions and malpractices 	Year	2014/15	2013	2012
	Risk Rating	Moderate	Low	Low
Risk Assessment <ul style="list-style-type: none"> ☞ Risks related to natural disasters, accidents, human error, dishonest activity may cause financial losses and disruption to operations 	Risk Management Strategies <ul style="list-style-type: none"> ☞ Transferring risks to third party through insurance ☞ Set up a Crisis Management Programme for each and every estate ☞ Regularly review and update the adequacy of insurance covers ☞ Review internal controls and conduct compliance audits ☞ Conducting awareness programmes to estate staff to reduce impact of crises ☞ Employ suitable and qualified personnel 			

OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS														
<p>7. Product Quality</p> <ul style="list-style-type: none"> ☞ Fluctuations in quality of products 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Low</td> <td>Low</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Low	Low	Moderate					
Year	2014/15	2013	2012											
Risk Rating	Low	Low	Moderate											
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Buying volume reduces when quality issues exists ☞ Drop in market price and eroding market share ☞ Widening working capital deficiencies 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Adherence to a 'Quality Policy' ☞ Adopt and implement quality assurance measures such as food hygiene standards and certification of factories under HACCP and ISO ☞ Perform buyer feedback programs and implement correction strategies 													
<p>8. Human Resource</p> <ul style="list-style-type: none"> ☞ Failure to recruit and retain appropriately skilled employees ☞ Immobility of labour within/between estates ☞ Failure to maintain appropriate working environment ☞ Reduction in resident manpower ☞ Migration of workforce to other sectors 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate					
Year	2014/15	2013	2012											
Risk Rating	Moderate	Moderate	Moderate											
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Human resource management has a major impact on productivity ☞ Mishandling human resource can lead to labour unrest and damage to business properties <table border="1" data-bbox="181 1186 736 1367"> <thead> <tr> <th>Employee Type</th> <th>Cadre 31st March 2015</th> </tr> </thead> <tbody> <tr> <td>Manual</td> <td>8,251</td> </tr> <tr> <td>Staff</td> <td>434</td> </tr> <tr> <td>Executives</td> <td>72</td> </tr> <tr> <td>Total</td> <td>8,757</td> </tr> </tbody> </table>	Employee Type	Cadre 31st March 2015	Manual	8,251	Staff	434	Executives	72	Total	8,757	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Ensure industrial peace through Collective Agreements entered into with the Trade Unions in the Company's capacity as a member of the Employers Federation ☞ Maintain a close relationship with employees ☞ Training and development programmes to improve performance ☞ Maintain healthy working environment through effective two way communication system ☞ Determine remunerations in line with the industry and not on an ad-hoc basis ☞ Direct collective agreements towards the market 			
Employee Type	Cadre 31st March 2015													
Manual	8,251													
Staff	434													
Executives	72													
Total	8,757													
<p>9. Reputation</p> <ul style="list-style-type: none"> ☞ Failing to comply with statutory requirements ☞ Engaging in unacceptable business practices 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Low</td> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Low	Low	Low					
Year	2014/15	2013	2012											
Risk Rating	Low	Low	Low											

RISK MANAGEMENT *CONTD.*

OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS												
<p>Risk Assessment Business reputation is the most valued asset of a company and which can be damaged due to unethical business practices in relation to legal and statutory compliances.</p> <ul style="list-style-type: none"> Dilution of market reputation and brand image 	<p>Risk Management Strategies The following measures are taken to ensure the highest standards of business conduct:</p> <ul style="list-style-type: none"> Strict application of Code of Best Practice on Corporate Governance at all levels of management Seek expert legal advice to incorporate risk mitigatory clauses in drafting legal contracts and agreements especially those of new ventures and investments Strengthening internal control systems and procedures to avoid fraud and malpractices Introduce health and safety, sustainable environmental practices and industrial best practices Close communication with the Golden Shareholder Sustainability framework of the group addresses the economic, social and environmental impact of the company's operations 											
<p>10. Investments Investments made without proper feasibility study and technical know-how.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									
<p>Risk Assessment Project failures May impact future profitability and sustainability Deficiencies in long term Replanting Program</p>	<p>Risk Management Strategies Investment plans are reviewed annually together with the corporate plan Carry out comprehensive feasibility studies with the support of external expertise Obtain Board approval and discuss at the Group Management Committee prior to embarking on proposed investments Closely monitor the progress to ensure project deliverables are achieved within given budgets and timelines</p>											
<p>11. Information & Information Systems Inability to generate accurate and timely information to management.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Low	Low			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Low	Low									

OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS

<p>Risk Assessment Malfunctions in the information system may lead to a communication of incorrect information to management and most importantly loss of important information.</p> <ul style="list-style-type: none"> ☞ Loss of business opportunities ☞ Breach of system security 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Proper usage of acceptable IT use policy of Hayleys PLC ☞ Disaster recovery plans and sound back-up system to gear for system failure ☞ A systems failure analysis is performed to identify non-conformance root causes and to recommend appropriate corrective actions. Enter into maintenance contracts for hardware and software with a well -established information technology company ☞ Use of licensed softwares and registered security arrangements 								
<p>12. Fraud Risk</p> <ul style="list-style-type: none"> ☞ Fraud is any intentional act or omission designed to deceive others, resulting misappropriation of company assets or miscommunicate stakeholders. 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Low</td> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Low	Low	Low
Year	2014/15	2013	2012						
Risk Rating	Low	Low	Low						
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Frauds may lead to the down fall of an entire organisation, massive investment losses, significant legal costs, incarceration of key individuals, erosion of confidence in capital markets ☞ Operational and financial loss and dilution of corporate image ☞ Fraudulent financial reporting 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Stringent HR recruitment and performance monitoring systems and policies. ☞ Carry out internal audits regularly to monitor internal control system ☞ Continuous monitoring of fraud preventive controls ☞ Fraud detection techniques should be established to uncover fraud events when preventive measures fail or unmitigated risks are realised. A reporting process in place to solicit input on potential fraud 								

FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOWS TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION.

<p>13. Liquidity</p> <ul style="list-style-type: none"> ☞ Risk of not being able to meet financial commitments as an when they fall due. 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate
Year	2014/15	2013	2012						
Risk Rating	Moderate	Moderate	Moderate						
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Availability of sufficient funds is crucial as the industry is cyclical with long gestation periods for returns ☞ Reputational damage in risk of default ☞ Risk of widening working capital gap ☞ Potential financial losses will hinder the prospects of future business expansion and development plans 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Structure borrowings appropriately to ensure maturity profile is not beyond the Company's ability to repay or re-finance ☞ Monitoring borrowing limits and gearing levels constantly ☞ Close monitoring of cash flow in every month and identify ways and means of managing funds. ☞ Maintain cash flow and budgetary controls systems for effective monitoring 								

RISK MANAGEMENT *CONTD.*

FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOWS TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION.												
14. Interest rate risk <ul style="list-style-type: none"> Risk from adverse interest rate fluctuations 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Low</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Low	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Low	Moderate	Moderate									
Risk Assessment <ul style="list-style-type: none"> Increases the cost of borrowing Demotivating business expansions Cash deficits Reduce cash flow and profitability 	Risk Management Strategies <ul style="list-style-type: none"> Negotiate with financial institutions for fixed debt servicing arrangements Monitor debt levels constantly and maintain a balance between debt and equity Short term assets to be financed with the short term finance arrangements and long term assets to be financed with the long term arrangements. 											
15. Risk from high financial gearing <ul style="list-style-type: none"> Significantly reduced cash flow and profitability 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>High</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	High			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	High									
Risk Assessment <ul style="list-style-type: none"> Financial capacity and flexibility reduces. Obligations to satisfy certain loan covenants may prevents the Company from undertaking new investments. Violation of a covenant may result in imposing penalties and damage reputation. Ordinary shareholders will be impacted under declining market conditions. 	Risk Management Strategies <ul style="list-style-type: none"> Increase operational cash flow and control capital expenditure Cash flow management - close monitoring of borrowings. Source market for cheaper debt/equity. Re-negotiate loan covenants, and terms with financial institutions for favorable terms Capital Restructuring to reduce debt burden 											
16. Financial Reporting Framework <ul style="list-style-type: none"> A proper financial reporting framework provides credible information about the organisation to its stakeholders 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									
Risk Assessment <ul style="list-style-type: none"> Misrepresentation and fraudulent financial reporting will reduce the credibility of the reporting system Legal and financial implications 	Risk Management Strategies <ul style="list-style-type: none"> Availability of good governance structure such as internal and external audits, Audit Committee Compliance with regulatory requirements and Sri Lanka Financial Reporting Standards (SLFRS/LKAS) Existence, review and monitoring of internal control system 											

ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF ADVERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION'S ACTIVITIES.												
<p>17. Climate Change</p> <ul style="list-style-type: none"> ☞ Extreme weather conditions ☞ Changes in rainfall pattern and ambient temperature 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Landslides and land degradation ☞ Adverse impact on yields and quality of tea ☞ Difficulty in forecasting crop and quality of tea ☞ Drop in crop in-takes and profitability ☞ Reduced employment opportunities ☞ Adverse impacts on biodiversity 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Planting tea, green manure/shade, native and fruit plant species to increase tree canopy cover ☞ Rainwater harvesting in reservoirs and ponds to sustain the ground water table and regulate ambient temperatures ☞ Implementing sustainable agriculture practices ☞ Planting drought resistant cultivars 											
<p>18. Water</p> <ul style="list-style-type: none"> ☞ Water scarcity due to climate change and high consumption by the expanding estate community 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Estate community may experience hardships due to water scarcity ☞ Crop in-takes and profitability may be adversely affected due to declining water table ☞ Adverse impacts on biodiversity 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Protection of all water sources ☞ Rainwater harvesting in reservoirs and ponds to sustain the ground water table ☞ Implementing water conservation measures ☞ Training and educating operational teams and the estate community 											
<p>19. Soil Fertility</p> <ul style="list-style-type: none"> ☞ Depletion of soil organic matter and nutrients 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Extreme rainy weather may cause loss of topsoil, soil fertility and soil nutrients ☞ Steep terrain in the tea fields may accelerate the soil erosion intensity 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Planting green manure/shade trees ☞ Composting and burying prunings and weeds ☞ Recutting contour and leader drains ☞ Establishing stone and live terraces ☞ Establishing ground cover crops ☞ Soil testing and rational application of Dolomite and chemical fertiliser 											
<p>20. Water Pollution</p> <ul style="list-style-type: none"> ☞ Contamination of water sources due to operational and human activities and wild animals 	<table border="1"> <thead> <tr> <th>Year</th> <th>2014/15</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Risk Rating</td> <td>Moderate</td> <td>Moderate</td> <td>Moderate</td> </tr> </tbody> </table>	Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate			
Year	2014/15	2013	2012									
Risk Rating	Moderate	Moderate	Moderate									

RISK MANAGEMENT *CONTD.*

ENVIRONMENTAL RISK: ACTUAL OR POTENTIAL THREAT OF ADVERSE EFFECTS ON LIVING ORGANISMS AND ENVIRONMENT ARISING OUT OF AN ORGANIZATION'S ACTIVITIES.											
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Agrochemicals and chemical fertiliser used in operational activities and by the resident vegetable cultivators could adversely impact the quality of water ☞ Wild animals particularly mammals may adversely impact the water quality 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Protection of water sources ☞ Establishment of chemical free buffer zones along all water sources ☞ Measuring, monitoring and reducing agrochemical usage through integrated weed management and integrated pest management practices ☞ Periodical testing of both drinking water quality for required parameters ☞ Training and educating operational teams and the estate community 										
<p>21. Green House Gas (GHG) Emissions</p> <ul style="list-style-type: none"> ☞ GHG emissions from operational activities and domestic consumption 	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #d9ead3;">Year</th> <th style="background-color: #e67e22; color: white;">2014/15</th> <th style="background-color: #d9ead3;">2013</th> <th style="background-color: #d9ead3;">2012</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9ead3;">Risk Rating</td> <td style="background-color: #e67e22; color: white;">Moderate</td> <td style="background-color: #d9ead3;">Moderate</td> <td style="background-color: #d9ead3;">Moderate</td> </tr> </tbody> </table>			Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate
Year	2014/15	2013	2012								
Risk Rating	Moderate	Moderate	Moderate								
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ GHG emissions from fuel used in transport and supervisory vehicles ☞ GHG emissions from electricity usage in factories, staff quarters, offices and other buildings 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Measuring and monitoring GHG emissions at each operational site ☞ Measuring and monitoring electricity and fuel consumption at each operational site ☞ Installation of energy saving machinery and lighting and implementation of other energy conservation measures ☞ Implementation of cleaner production technologies ☞ Planting trees and increasing tree canopy cover for increased carbon sequestration ☞ Training and educating operational teams and estate community 										
<p>22. Solid Waste</p> <ul style="list-style-type: none"> ☞ Solid waste generated from operational activities and domestic consumption 	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #d9ead3;">Year</th> <th style="background-color: #e67e22; color: white;">2014/15</th> <th style="background-color: #d9ead3;">2013</th> <th style="background-color: #d9ead3;">2012</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9ead3;">Risk Rating</td> <td style="background-color: #e67e22; color: white;">Moderate</td> <td style="background-color: #d9ead3;">Moderate</td> <td style="background-color: #d9ead3;">Moderate</td> </tr> </tbody> </table>			Year	2014/15	2013	2012	Risk Rating	Moderate	Moderate	Moderate
Year	2014/15	2013	2012								
Risk Rating	Moderate	Moderate	Moderate								
<p>Risk Assessment</p> <ul style="list-style-type: none"> ☞ Solid waste generated may cause land and water pollution ☞ Solid waste generated may cause spread of diseases ☞ Solid waste generated may adversely impact ecosystems and biodiversity 	<p>Risk Management Strategies</p> <ul style="list-style-type: none"> ☞ Implementing an integrated solid waste management program promoting '3-R' concept ☞ Measuring and monitoring the quantity of difference types of solid waste recycled ☞ Producing compost from biodegradable waste ☞ Training and educating operational teams and estate community including school children 										

CORPORATE GOVERNANCE

“TTE PLC believes that advocating good governance contributes to the long-term success and sustainability of a company and should be pursued uncompromisingly”

Chairman’s Statement on Corporate Governance

Dear Stakeholder,

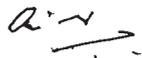
I present to you on behalf of my Board this year’s Corporate Governance Report outlining our commitment and actions to ethical governance practices which form an integral part of our value creation process.

We at TTE PLC believe that advocating good governance contributes to the long-term success and sustainability of a company and should be pursued uncompromisingly. Our corporate governance framework ensures transparency and accountability to the regulators, as well as to all our stakeholders including the public. The Board of Directors strongly embraces the Company’s governance culture and sets standards in professionalism and corporate values that cascade down through the senior management to employees, ensuring adherence at all levels.

Our corporate governance framework comprises strong business ethics, sound policies and procedures, effective and efficient monitoring systems together with audit functions. Our ‘Code of Conduct and Business Governance’ elaborates the corporate ethos, statutory obligations and guidelines to best practices in governance and conduct. It is documented and communicated to the Board of Directors and all employees across the Company.

This section of the Annual Report demonstrates the governance framework in place at TTE PLC and how it ensures compliance with the mandatory requirements of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and Chartered Accountants of Sri Lanka and the Rules set out in Section 7.10 of the Colombo Stock Exchange’s Listing Rules on Corporate Governance.

I and the Board are of the opinion that TTE PLC has and continues to comply with the relevant regulatory and governance framework. The Board also affirms that there have not been any material violations during the year under review in the aforementioned ‘Code of Corporate Conduct and Business Governance.’



Chairman
Talawakelle Tea Estates PLC
18th May 2015

OVERVIEW

Corporate governance is a fundamental mechanism that ensures best interests of all stakeholders; synchronising such interests in its corporate journey on achieving long-term sustainable growth. Adopting best practices in corporate governance focuses on strengthening the roles and responsibilities of the Board of Directors, improving the control environment, promoting disclosure and transparency whilst protecting stakeholder rights.

Our approach to governance remains unchanged from the previous year and is based on the current codes of best practices on corporate governance. We acknowledge that our corporate governance system is not a set of rules, but, a framework that supports and nurtures our corporate values and conduct.

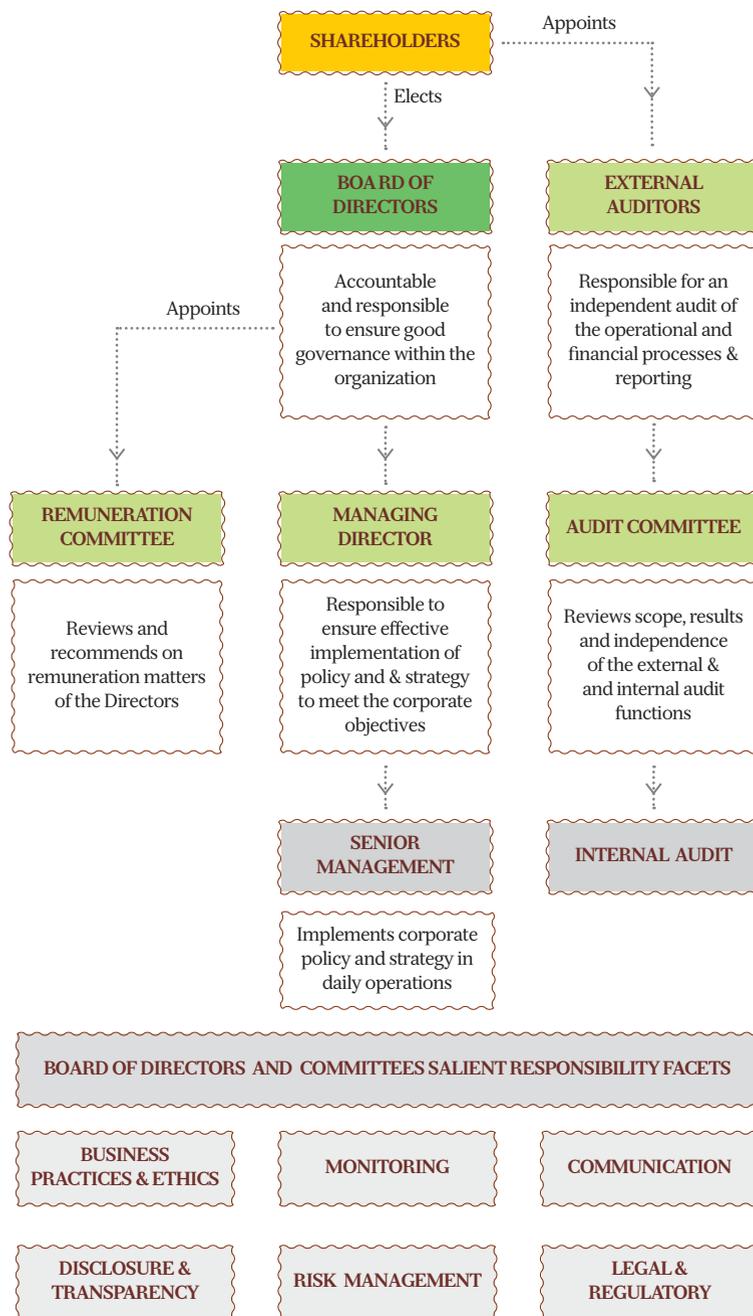
As a member organisation of the Hayleys Group, we conform with the best governance practices advocated within the group. The Board of our parent, Hayleys PLC has adopted core values and group standards, guiding and directing staff conduct in their dealings with stakeholders, thus ensuring work place management, market responsibility, environmental stewardship, community engagement and sustained financial performance. Our Code of Conduct and Business Governance further affirms this, setting out clear guidelines for all employees across the organisation to be ethical in discharging their duties upholding integrity and professionalism in their corporate conduct.

CORPORATE GOVERNANCE *CONTD.*

The principles of governance are applied effectively by the Board. Our internal governance structure extends beyond the Board of Directors. The sub committees of the Board and the Management Committee of Hayleys Group act as integral parts of the internal governance structure. The external governance structure is covered by relevant laws, regulations and best practices.

TTE PLC is fully compliant with the Code of Best Practices issued jointly by The Chartered Accountants of Sri Lanka (CASL) and Securities and Exchange Commission (SEC) of Sri Lanka, updated in 2013, as well as with the Rules on Corporate Governance published by the Colombo Stock Exchange (CSE).

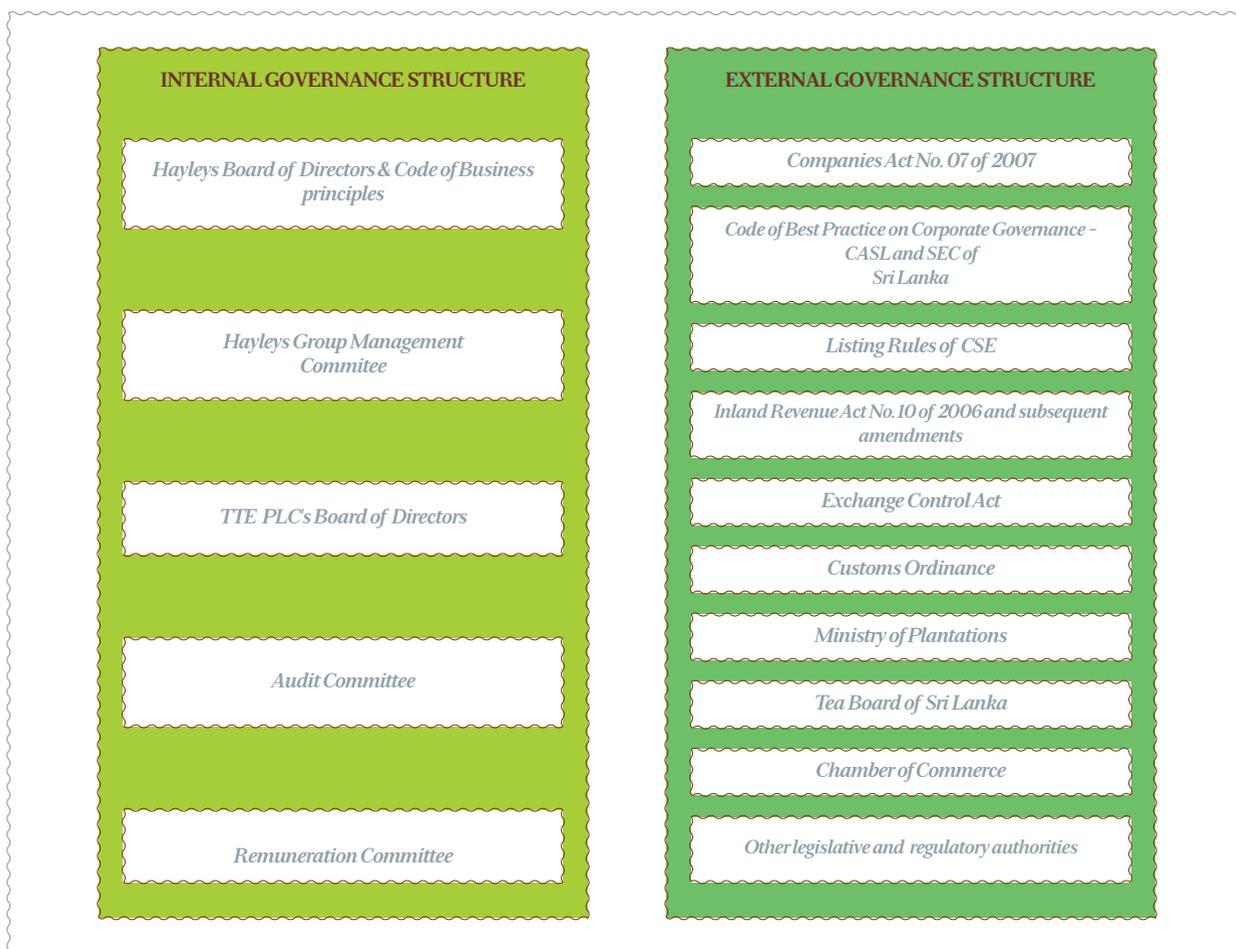
This section of the report details our governance structure and the policies, practices and guidelines we have adopted in ensuring that our operations are within the parameters of best practices.



ORGANISATION G4-34

TTE PLC has in place an organisational structure with formally defined lines of responsibility, reporting and appropriate limits of authority. There are established procedures for planning and investment, risk management, dissemination of information and reporting systems to monitor the Company's operations.

TTE PLC follows a two-tier governance structure as depicted in the diagram given below:



CORPORATE GOVERNANCE *CONTD.*

BOARD OF DIRECTORS

Refer: Directors' profiles, pages 30-31.
Board Meetings, page 217.

Board Disclosures, pages 34.

Board & Sub Committee Meetings

TTE PLC Board held 05 meeting for the 15 months of 2014/15 whilst the Sub Committees held 05 meetings:

Key Deliberations

- ☞ Industry issues
- ☞ Strategy, corporate plans & budget
- ☞ Performance and progress review
- ☞ Review internal and external audit reports for effectiveness of Internal/operational control systems
- ☞ Review Key Performance Indicator's
- ☞ Approval of financial statements
- ☞ Risk Appetite and policy

As the apex body, the Board is responsible to guide and give leadership to the Company in its path to sustainability.

As at the period-ended 31st March 2015, the Board led by the Chairman consisted of 12 Directors, including 03 Executive Directors and 09 Non-Executive Directors, out of whom 04 were independent in conformity with the listing rules of the Colombo Stock Exchange. Chairman and the Managing Director come under the executive category. However, the roles and the responsibilities of the Chairman and the Managing Director are well segregated, ensuring balance of power and authority.

The Board is responsible to guide the organisation in keeping with the Company's vision, mission and the corporate ethos. The Board is well

engaged in strategy development and takes responsibility on the year's planning and budgeting process, along with close monitoring of the progress of such plans and their outcomes. Necessary guidance is extended to the corporate management to keep pace with targets and corporate goals. The Sub Committees - Board Audit Committee, Board Remuneration Committee and Board Nomination Committee play a pivotal role in this regard.

In the year under review, with their multi-disciplinary backgrounds and vast experience in their respective fields, the Board of Directors positively contributed to the monthly Board proceedings and guided the decision making process of the Company. The Board of Directors in the year maintained their integrity and propriety in discharging their duties. Necessary disclosures were extended and submitted as at the year-end March 2015 in line with the CSE's Continuous Listing Rules and other the relevant statutes and regulations.

CORPORATE MANAGEMENT TEAM

The corporate management team consists of the Managing Director, Deputy Chief Executive Officer, Director -Plantations and the Senior Management of the Company.

The corporate management team formulates corporate strategies, seeks Board approval and implements it within the policy framework established by the Board. The team is also responsible for the annual budgeting process which aligns with the Group's key performance indicators (KPIs). The Managing Director reviews the annual corporate plan and

budgets prior to submission to the Board for approval. Achievement of operational targets through implementation of strategies formulated, current performance and short term targets are reviewed at monthly meetings headed by the Managing Director, prior to the discussions at management meetings at the group level.

The corporate management submits capital expenditure proposals to the Managing Director prior to seeking approval from the Board. All matters requiring approval of the Board are tabled and deliberated at the quarterly meetings of the Board.

The Board has delegated the primary authority to the Managing Director for formulating and implementing of policy in line with the strategic objectives of the Company. The Managing Director is also entrusted to optimise resource utilisation within the framework of the corporate and financial strategies, the annual corporate plan and the budget. The Managing Director exercises this authority within the policy and ethical framework established by the Board and the business processes inherent to the Company, which demands best practices are followed in dealing with employees, customers, suppliers and the community at large.

The Audit Committee of the Company assesses internal control systems designed to safeguard the Company's assets, safety and ethical standards, management of risks and supports the Board in its decision making and governance.

The Company employs a continuous process of planning and monitoring with the active involvement of all executives. A system of regular review of operations is in place to ensure close monitoring of performance and prompt corrective action.

GROUP MANAGEMENT COMMITTEE

A monthly meeting chaired by Chairman of Hayleys brings together all GMC members from different sectors within the Hayleys Group. This provides a platform for the group to review sector performance, formulate policy, communicate sector relevant matters, areas of special interests and concerns and share best practices.

The Chief Financial Officer (CFO) Forum held quarterly enables relevant matters to be discussed amongst the Group CFOs. At this meeting, the CFO of the Company reports to the Group CFO on any significant risks or concerns impacting the business activities of their sector and the financials therein. This reporting maybe more frequent, if warranted.

INTERNAL AUDIT & CONTROL

The Board is responsible for the company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls including financial, operational, compliance and risk management. It is important to state that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected

within a reasonable time. The Company employs the service of independent and professional accounting firms and the Hayleys Group's Management Audit & System Review department in assessing the effectiveness and successful implementation of existing controls, strengthening these and establishing new controls, if and where necessary. The audit reports are made available to the Chairman, Managing Director and the Chairman of the Audit Committee.

CODE OF CONDUCT & BUSINESS GOVERNANCE G4-56

CODE OF CONDUCT & BUSINESS GOVERNANCE - OUTLINE

The 'Group Code of Business Principles' provides the framework for our corporate conduct. Commitment to doing business with integrity and professionalism in the 'Hayleys Way' is an ethical road-map that exists to guide the expectations of integrity of every employee of the Hayleys Group.

Principles & Scope

- ☞ Hayley's Group is committed to conduct its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders,
- ☞ Hayley's Group and its employees are required to comply with the laws and regulations of the countries in which it operates,
- ☞ Every employee is responsible for implementation of and compliance with the Code in his/her environment.

Good governance is not merely confined to reporting initiatives and to compliance. It is embedded in the Company's corporate ethos and is spread across the organisation reflecting on business operations. The Company's

values upholding the highest standards of integrity, transparency, accountability and professionalism are imbued in the 'Code of Conduct and Business Governance'. This sets a blueprint for the Board of Directors, senior management, estate management and all employees across the organisation with internal guidelines on ethical corporate dealings and conduct. The Code is well internalised through regular staff briefings, internal training programmes and through corporate circulars.

WHISTLE BLOWER POLICY

WHISTLE BLOWER POLICY - OUTLINE

- ☞ Incorrect Financial Reporting
- ☞ Financial Fraud
- ☞ Unlawful or Improper Conduct
- ☞ Breach of the Code of Business Conduct, Values and other Policies of the Group
- ☞ Any other improper activity that may have a negative impact upon the ability of the Group to achieve its corporate objectives and which may cause damage to its image and reputation

TTE PLC is committed to the highest standards of ethical, moral and legal conduct in operating its businesses. In line with this commitment, the Company's 'Whistle Blower Policy' provides a formal mechanism for employees to raise concerns and disclose on unethical activities, practices and conduct, that may compromise the organisation's ethos underscored within the 'Code of Conduct and Business Governance'. The Policy clearly sets out the protection measures in place to safeguard employees raising such concerns from reprisals and victimisation. This Policy applies to individuals working at all levels within the Company.

CORPORATE GOVERNANCE *CONTD.*

INFORMATION TECHNOLOGY (IT) GOVERNANCE

IT Governance plays a vital role in the management and control of IT related services. It enables to establish high standards and assurances on business processes and mitigation of the associated risks. The Company utilises IT Systems provided by Hayleys Group and of its own. IT systems provided by Hayleys includes an Enterprise Resource Planning (ERP) System, internet, data communication systems and other collaborative services.

We follow the guidelines set by the IT governance framework of the Hayleys Group where controls are exercised on multiple fronts and in line with best practices and standards. Our IT governance supports goals of the business and people who manage those activities and IT decision making process and policies.

Deployment of technology at the estate level in terms of the accounting function as well as in reporting and monitoring of information for decision making are covered by the IT Governance policy to ensure smooth management of estate IT administration. Competent and dedicated staff is employed by the Company and by Hayleys PLC to support IT systems and processes.

Reviewing of Policies and procedures at regular intervals ensure that the company is aligned with the ever changing needs of technology and challenges. Group's preferred supplier programme through central procurement enables the company to obtain price advantages.

INFORMATION TECHNOLOGY - VALUE AND ALIGNMENT

Investments on IT are made after careful consideration of their suitability, cost savings, client satisfaction and provision of timely information. Further aspects such as balance between cost of investment and the scale of operations are also taken into account in decision making.

INFORMATION TECHNOLOGY - RISK MANAGEMENT

Management of IT related risks and Information Security Management Systems (ISMS) are assessed as part of the Enterprise Risk Management process.

TTE PLC complies with the Hayleys Group's IT Usage Policy, covering IT discipline, use of licensed software,

closer monitoring the usage of the internet, email and mail server and the use of antivirus and firewall servers and software.

Business critical information and systems are backed-up or replicated at regular intervals and kept in secured off-site locations to meet statutory and other relevant compliances and as a cover for catastrophic failure.

CORPORATE GOVERNANCE

The Corporate Governance practices adopted by TTE PLC and the extent of compliance to the Code of Best Practice on Corporate Governance issued jointly in by the CASL and the SEC of Sri Lanka and the Rules set out in Section 7.10 of the CSE's Listing Rules are covered under Sections 1 and 2 as set out below.



SECTION 1: LEVEL OF COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2013, ISSUED JOINTLY BY CASL AND SEC OF SRI LANKA

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
1: THE COMPANY			
A. Directors			
A.1. The Board			
TTE PLC is headed by an effective Board of Directors with professionals and business leaders drawn from diverse fields; their profiles are given on pages 30 to 34 of this Report. As at 31.03.2015, the Board comprised 12 directors including the Chairman, Managing Director and 04 Non-Executive Independent Directors. The Board with their multidisciplinary acumen and leadership directs the Company in achieving goals within a budgetary framework and a responsible governance structure.			
Board Meetings	A.1.1	Compliant	<p>The Board discharges its responsibilities through quarterly scheduled meetings to make strategic decisions and to review the performance of the Company. Special meetings are also held as necessary. These meetings enhance shareholder value and all stakeholder interests are considered in corporate decisions.</p> <p>Details of meetings of the Board and attendance of the members are set out on page 238 of this Report.</p>
Responsibilities of the Board	A.1.2	Compliant	<p>The Board of Directors:</p> <ul style="list-style-type: none"> ☞ formulates, implements, monitors and communicates business policy and strategy; ☞ ensures that the Managing Director and the management team possess the requisite skills, experience and knowledge to implement the strategy effectively; ☞ ensures that the adoption of an effective Managing Director and key management personnel succession strategy is in place; ☞ ensures effective systems to secure integrity of information, internal controls, business continuity and risk management, compliance with laws and regulations and ethical standards; ☞ ensures all stakeholder interests are considered in corporate decisions; ☞ ensures recognising sustainable business development in corporate strategy, decisions and activities; ☞ ensures that the Company's values and standards are set with emphasis on adoption appropriate accounting policies and fostering compliance with financial regulations; and ☞ ensures fulfilment of other Board functions as are vital, given the scale, nature and complexity of the business concerned.

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Compliance with laws and access to independent professional advice	A.1.3	Compliant	The Board collectively and Directors individually, act in accordance with the laws and regulations of Sri Lanka as applicable to the Group. The Directors are permitted to obtain independent professional advice if and when required at the expense of the Company.
Company Secretary	A.1.4	Compliant	All Directors have access to advice and services of the Company Secretary who is responsible to the Board in ensuring that proper Board procedures are followed, complying with the applicable rules and regulations. The removal of the Company Secretary is a collective Board decision.
Independent judgment of Directors	A.1.5	Compliant	All Directors bring independent judgment on issues of strategy, performance, resources including key appointments and standards of business conduct.
Dedication of adequate time and effort by the Directors	A.1.6	Compliant	The Chairman and Directors dedicate adequate time and effort to address matters of the Board and the Company and ensure that their duties and responsibilities are satisfactorily discharged. Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification and follow-up on issues consequent to the meeting. Individual Directors also devote time to serve as members of various sub committees of the Board for familiarisation with business changes, operations, risks and controls.
Training for new and existing Directors	A.1.7	Compliant	Every Director is given appropriate training when first appointed to the Board and subsequently, as and when necessary. The training curricular encompasses both general aspects of directorship and matters specific to the industry. The Board recognises the importance of continuous training and expansion of the knowledge and skills to effectively perform their duties as Directors. The Board regularly reviews and agrees on their training and development needs.
<p>A.2. Chairman and Chief Executive Officer</p> <p>The Code requires a clear division of responsibilities between conducting of the business of the Board and facilitating executive responsibility for management of the business to ensure balance of power and authority, such that no one individual has unfettered powers of decision. The Chairman is responsible for leading and providing strategic direction and guidance to the Board. The Chief Executive Officer's (Managing Director in terms of the Company) role is primarily to conduct the business operations with the guidance of the Board of Directors and the support of the corporate management team. Hence, the roles of the Chairman and Managing Director are clearly distinct from one another. The Chairman is also the ultimate point of contact for shareholders, particularly on matters related to Corporate Governance.</p>			

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Separation of the roles of Chairman and Chief Executive Officer	A.2.1	Compliant	The functions of the Chairman and of the Managing Director are clearly defined and are separated. This ensures balance of power and authority within the Company.
A.3. Chairman's Role The Chairman is responsible for preserving good Corporate Governance and responsible for running the Board, preserve order and facilitate effective discharge of Board's functions.			
Role of the Chairman	A.3.1	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that: <ul style="list-style-type: none"> ☞ effective participation of both Executive and Non-Executive Directors is secured; ☞ all Directors are encouraged to make an effective contribution within their respective capabilities for the benefit of the Company; ☞ balance of power between Executive and Non-Executive Directors is maintained; ☞ ascertain the views of Directors on issues under consideration. The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.
A.4. Financial Acumen The Code requires that the Board comprise members with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Availability of sufficient financial acumen	A.4.1	Compliant	Three Directors of the Board are Fellow Members of the CASL and one serves as the Chairman of the Audit Committee. These Directors possess the necessary knowledge, competence and skills to guide the Board on matters of finance and investment.

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
A.5. Board Balance			
The Code requires the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.			
Presence of Non-Executive Directors	A.5.1	Compliant	<p>Nine out of twelve Directors are Non-Executive Directors which is well-above the minimum prescribed by the Code i.e. two or such number equivalent to one third of the total number of Directors whichever is higher. This ensures that the views of Non-Executive Directors carry a significant weight in the Board's decisions.</p> <p>The total number of Directors is based on the number as at the conclusion of 2013 Annual General Meeting which is as per the requirement of the Code.</p> <p>Throughout the year, the balance has been maintained between Executive and Non-Executive Directors of the Board.</p>
Independent Non-Executive Directors	A.5.2	Compliant	Four out of nine Non- Executive Directors are independent which meets the minimum prescribed by the Code i.e., two or one-third of the Non-Executive Directors appointed to the Board whichever is higher.
Independence of Non-Executive Directors	A.5.3	Compliant	All Independent Non- Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
Annual Declaration of Non-Executive Directors	A.5.4	Compliant	Each Non -Executive Director submits signed and dated declaration annually of his/ her independence or non-independence against the specified criteria set out in the prescribed format of Schedule H of this Code. This information is made available to the Board.

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Determination of independence of the Directors	A.5.5	Compliant	The Board determines annually: ☞ independence of each Non-Executive Director based on the declaration made of decided criteria and other information available to the Board. ☞ independence of the Director in character and judgment and whether there are relationships or circumstances which are likely to affect or could appear to affect the Director's judgment Independent Non-Executive Directors are: Prof. U Liyanage Dr. S S S B D G Jayawardena Mr. L N De S Wijeyeratne Mr. N T Bogahalande
Alternate Director	A.5.6	Compliant	Alternate Directors appointed by Non- Executive Directors are not Executives of the Company. Alternate Director have been appointed on 13/02/2015 please refer page 238.
Senior Non-Executive Director	A.5.7 & A.5.8	Not Applicable	This does not arise as the roles of the Chairman and the Managing Director are clearly segregated.
Chairman conducting meetings with Non- Executive Directors	A.5.9	Compliant	The Chairman holds meetings with the Non- Executive Directors only, without the presence of the Executive Directors as necessary and at least once a year.
Recording of concerns in the Board Minutes	A.5.10	Compliant	Concerns raised by the Directors which could not be unanimously resolved during the year, if any, were recorded in the Board Minutes.
A.6. Supply of Information			
The Code requires the management to provide the Board with timely information in a form and of quality appropriate to enable the Board to discharge its duties effectively.			
Management's obligation to provide appropriate and timely information to the Board	A.6.1	Compliant	Directors are provided with monthly reports on performance, minutes of review meetings and other relevant reports and documents, as necessary. The Chairman ensures that all Directors are properly briefed on issues arising at the Board meetings.

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Adequate time for effective conduct of the Board meetings	A.6.2	Compliant	The minutes, agenda and papers required for Board meetings are provided to Directors at least seven days before the meeting, to facilitate effective participation and decision making.
A.7. Appointments to the Board			
The Code requires having a formal and transparent procedure for the appointment of new Directors to the Board.			
Nomination Committee	A.7.1	Compliant	The Board collectively decides on all new Board appointments in accordance with the Articles of Association of the Company.
Assessment of Board-composition by the Nomination Committee /Board as a whole	A.7.2	Compliant	Annually, the Board collectively assesses its composition to ascertain whether the combined knowledge and experience of the Directors match the strategic demands facing the Company. The findings of such assessments are taken into account when the new Board appointments are considered and when incumbent Directors come up for re-election.
Disclosure of required details of new Directors to shareholders	A.7.3	Compliant	Upon the appointment of a new director to the Board, the Company discloses the following to the CSE; <ul style="list-style-type: none"> ☞ brief resume of the Director; ☞ the nature of his expertise in relevant functional areas; ☞ the names of companies in which the Director holds directorships or memberships in Board Committees; and ☞ 'independence' of such Director.
A.8 Re-election			
The Code requires that all Directors to submit themselves for re-election at regular intervals at least once in every three years.			
Appointments of Non-Executive Directors and Directors in the Board	A.8.1 & A.8.2	Compliant	<p>Non-Executive Directors are appointed for a specified term subject to re-election and to the provisions in the Companies Act relating to the removal of a Director and their re appointment is not arbitrary.</p> <p>All Directors including the Chairman of the Board are subject to election by the shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years. The Managing Director does not retire by rotation.</p> <p>The names of Directors submitted for election or re-election are accompanied by a resume as set out in A.7.3 above, to enable shareholders to make informed decisions on their election.</p>

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
A.9. Appraisal of Board Performance			
The Code requires that the Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.			
Annual performance evaluation of the Board and its Sub Committees	A.9.1 & A.9.2	Compliant	The Board undertakes an annual self-evaluation of its own performance in terms of the key responsibilities as set out in A.1.2 and that of its Committees.
Disclosure of performance evaluation criteria	A.9.3	Compliant	Performance evaluation criteria are given in the Remuneration Committee Report on page 226 of this section.
A.10. Disclosure of Information in Respect of Directors			
The Code requires that the shareholders to be informed on the relevant details in respect of Directors in the Annual Report.			
Details in respect of Directors	A.10.1	Compliant	Information in relation to Directors is disclosed as given below. <ul style="list-style-type: none"> ☞ Name, qualifications and brief profile - (Refer pages 30 to 34 of this Report) ☞ Nature of expertise (Refer pages 30 to 34 of this Report) ☞ Directors' interest in contracts (Refer page 30-34 of the Annual Report) ☞ Number of meetings of the Board and Committees held and attendance (Refer page 238 of this Report) ☞ Names of Committees in which the Director serves as the Chairman or member (Refer pages 224 and 231 of this Report)
A.11 Appraisal of Chief Executive Officer			
The Code requires the Board to assess the performance of the Chief Executive Officer. The Company does not have a CEO; A Managing Director is appointed.			
Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	A.11.1 & A.11.2	Compliant	At the commencement of every financial year, the Board in consultation with the Managing Director sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company. Performance evaluation of the Managing Director is carried out by the Board quarterly and at the end of each fiscal year to ascertain if the pre-agreed targets have been achieved and if not, the reasons and justification for the failure to meet such targets and the circumstances.

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE									
B. Directors' Remuneration												
B.1. Remuneration Procedure												
The Code requires the Company to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director is involved in deciding his/her remuneration.												
Establishment of the Remuneration Committee	B.1.1	Compliant	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, on the Company's framework of remunerating Executive Directors.									
Composition of the Remuneration Committee	B.1.2	Compliant	The Remuneration Committee consists of two Non-Executive Directors and the Chairman of this Committee is appointed by the Board. Remuneration Committee is chaired by Prof. U Liyanage- an Independent Director.									
Chairman and the members of the Remuneration Committee	B.1.3	Compliant	The Remuneration Committee consists of following two Non-Executive Directors.									
			<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Position</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Prof. U Liyanage</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Mr. L N De S Wijeratne</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table>	Name of Member	Position	Status	Prof. U Liyanage	Chairman	Independent Non-Executive Director	Mr. L N De S Wijeratne	Member	Independent Non-Executive Director
			Name of Member	Position	Status							
Prof. U Liyanage	Chairman	Independent Non-Executive Director										
Mr. L N De S Wijeratne	Member	Independent Non-Executive Director										
Determination of remuneration of Non-Executive Directors	B.1.4	Compliant	The Board collectively determines the remuneration of the Non-Executive Directors including the members of the Remuneration Committee, within the limits set in the Articles of Association.									
Consultation of the Chairman and access to professional advice	B.1.5	Compliant	Remuneration Committee consults the Chairman about its proposals relating to the remuneration of other Executive Directors and has access to professional advice from within and outside the Company in discharging their responsibilities.									
B.2 Level and Make up of Remuneration												
The Code requires the levels of remuneration of both Executive and Non-Executive Directors to be sufficient to attract and retain the Directors needed to run the business successfully. The proportion of remuneration of Executive Directors should be structured to link rewards to corporate and individual performance.												
Executive Director's remuneration package	B.2.1	Compliant	The Remuneration Committee structures the packages needed to attract, retain and motivate Executive Directors of the required calibre within reasonable limits.									

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Comparison of remuneration with other companies	B.2.2	Compliant	The Remuneration Committee ensures correct positioning of remuneration levels of the Company in relation to other companies and is aware of what comparable companies are paying and takes account of relative performance.
Comparison of remuneration with other companies in the Group	B.2.3	Compliant	The Remuneration Committee is sensitive to remuneration and employment conditions of other companies within the Hayleys Group.
Performance related elements of remuneration of Executive Directors	B.2.4	Compliant	Performance-based elements of remuneration of executives have been designed and tailored to align their interest with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.
Executive share options	B.2.5	Not Applicable	The Company does not have executive share option schemes.
Executive Directors' remuneration	B.2.6	Compliant	The Remuneration Committee follows the provisions set out in Schedule E of the Code as required.
Early termination of Executive Directors	B.2.7 & B.2.8	Not Applicable	Special early termination clauses are not included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.
Levels of remuneration for Non-Executive Directors	B.2.9	Compliant	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.
B.3 Disclosure of Remuneration			
The Code requires that the Company's Annual Report contains a statement of remuneration policy and details of remuneration of the Board as a whole.			
Disclosure of Remuneration	B.3.1	Compliant	Refer Section B.1.3 of this table for the names of Directors in the Remuneration Committee and page 226 of this report for the aggregate remuneration paid to Executive and Non- Executives. Refer below for the Remuneration Committee Report for the remuneration policy, scope of the policy independence of committee and composition of the committee.

CORPORATE GOVERNANCE *CONTD.*

REMUNERATION COMMITTEE REPORT

Composition of the Committee

The Remuneration Committee consists of two Independent Non-Executive Directors including the Chairman of the committee. The Managing Director assists the Committee by providing all relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

Name of Member	Position	Status
Prof. U Liyanage	Chairman	Independent Non-Executive Director
Mr. L N De S Wijeyeratne	Member	Independent Non-Executive Director

Independence of the Committee

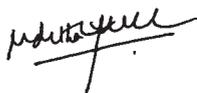
The committee is independent of the management and is totally free from any businesses, personal or other relationships that may interfere with making independent judgments.

The Scope of the Committee

The Committee is responsible for determining the compensation package of the Directors. In addition, they lay down guidelines and parameters for the compensation structure of the management staff of TTE PLC, taking in to consideration industry norms.

The Remuneration Policy

The primary objective of the remuneration packages is to attract and retain the best professionals and an experienced workforce, and motivate, encourage and reward high levels of performance. The company's structured performance evaluation methodology ensures provision of compensation appropriate for the company and commensurate with each employee's level of expertise and contribution, bearing in mind the performance of the business and shareholder returns.



Prof. U Liyanage
Chairman
Remuneration Committee

18th May 2015

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
C. Relations with Shareholders			
C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings			
The Code requires the Board to use the AGM as a platform to communicate with shareholders and encourage their participation.			
Use of proxy votes	C.1.1	Compliant	The Company has in place an effective mechanism to count all proxy votes and indicate proxies lodged on each resolution and the balance for and against the resolution and withheld, is conveyed to the Chairman.
Separate resolution for all separate issues at the Annual General Meeting	C.1.2	Compliant	The Company proposes a separate resolution at the AGM on each substantially separate issue and adoption of the Annual Report of the Board of Directors on the Affairs of the Company, Statement of Compliance and the Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
Availability of Chairman of the Board and Sub-Committees to respond to queries at the AGM	C.1.3	Compliant	The Chairman ensures that the Chairman of the Audit and Remuneration Committees are available to answer questions at the AGM, if so required. The active participation of shareholders at the AGM is encouraged. The Board makes use of the opportunity presented by the AGM to have an effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year.
Notice of the Annual General Meeting and General Meetings	C.1.4	Compliant	Annual Report containing the Notice of the AGM, the Agenda, instructions for voting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM, as required by the statute.
Procedures of voting at the Annual General Meeting	C.1.5	Compliant	A summary of the procedures governing voting at the General Meetings is circulated to shareholders with every Notice of the General Meeting.
C.2. Communication with Shareholders			
The Code requires the Board to implement effective communication with shareholders.			
Communication Channels	C.2.1	Compliant	The Company reaches its shareholders through its website and the CSE in order to disseminate timely information.

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Disclosure of policy	C.2.2	Compliant	Any information that the Board considered as price sensitive is disseminated to the shareholders as necessary.
Implementation of policy	C.2.3	Compliant	Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders and are published through the CSE.
Disclose the contact person for shareholder communications	C.2.4	Compliant	Shareholders may bring up their concerns on communication with the Company Secretary.
Directors awareness on major issues of shareholders	C.2.5	Compliant	The Chairman ensures that all Directors are aware of major issues and concerns of shareholders.
Contact person in relation to shareholders' matters	C.2.6	Compliant	Shareholders may bring up their concerns either with the Company Secretary or the Chairman as appropriate.
Response to shareholders	C.2.7	Compliant	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. The Company Secretary maintains a dialogue with the shareholders to answer and to attend to all the correspondences.
<p>C.3 Major and Material Transactions</p> <p>The Code requires the Directors to disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's or Group's net asset base.</p>			

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Disclosure on 'major and material transactions'	C.3.1	Compliant	During the year, there were no transactions which fall within the definition of 'major and material' as set out in the Companies Act No. 07 of 2007, SEC Law and CSE regulations which materially affect the net asset base of TTE PLC or consolidated Group net asset base. Transactions, if any, which materially affect the net asset base of TTE PLC are disclosed in the Quarterly/Annual Financial Statements.
D. Accountability and Audit			
D. 1. Financial Reporting			
The Code requires the Board to present a balanced and understandable assessment of Companies financial position, performance and prospects.			
Balanced and understandable information	D.1.1	Compliant	<p>The Board places great emphasis on presenting regulatory and statutory reporting in a balanced and understandable manner. The Company has strictly complied with the requirements of the Companies Act No.07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards prescribed by the CASL.</p> <p>The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them to make more informed decisions. Due care is exercised with respect to share price sensitive information.</p>
Directors' Report in the Annual Report	D.1.2	Compliant	<p>The Annual Report of the Board of Directors on the affairs of the Company is given on pages 254 to 258 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> ☞ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (Refer page 254); ☞ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested (Refer page 255). ☞ Equitable treatment to shareholders (Refer page 257) ☞ Going concern of the business (Refer page 258); and ☞ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence (Refer page 257).

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	Compliant	The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 259 of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on page 261 of the Annual Report. Statement on internal controls is given on page 257 of the Annual Report.
Management Discussion and Analysis	D.1.4	Compliant	Refer 'Management Discussion and Analysis' on pages 40 to 199 of this Report.
Declaration by the Board on the going concern of the business	D.1.5	Compliant	Refer 'Annual Report of the Board of Directors' and the 'Statement of Directors' Responsibility' on page 254, 259 of this Report for the required declarations.
Summon an Extraordinary General Meeting to notify serious loss of capital	D.1.6	Not Applicable	Reason for such an Extraordinary General Meeting has not arisen as yet but would be complied with if such situation arises.
Disclosure of Related Party transactions	D.1.7	Compliant	The Annual Report contains disclosures on the following with respect to the Board; ☞ Each related party has submitted signed and dated declarations annually (Refer page 255). ☞ The Company Secretary is responsible to keep record on related party transactions and make necessary disclosures. ☞ A process is in place and is operational to capture related parties and related party transactions and is properly documented. Further a report is presented by the Audit Committee to the Board on identified related parties and their transactions on regular basis. ☞ The Company maintains records on related parties and related party transactions. The information captured complies with the respective related party disclosure of SEC/Accounting Standards, Auditing Standards and related regulations.
D.2. Internal Control			
The Code requires the Board to have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and the Company's assets.			
Directors to review internal controls	D.2.1	Compliant	The Board together with the Audit Committee is responsible and reviews the risks faced by the Company and the effectiveness of the system of internal controls quarterly.

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Internal audit function	D.2.2	Compliant	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them.
Review of effectiveness of the risk management and internal audit function	D.2.3	Compliant	The Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.
Responsibility of Directors	D.2.4	Compliant	Directors take responsibility in maintaining a sound system of internal controls and the Internal Control Statement as described in Schedule K is given on page 259 of this Report.
D.3. Audit Committee			
The Code requires the Board to establish formal and transparent arrangements to select and apply accounting policies, financial reporting, and internal control principles and maintain an appropriate relationship with the external auditors.			
Composition of the Audit Committee	D.3.1	Compliant	Audit Committee consists of two Independent Non-Executive Directors including the Chairman and a Non-Executive Director who are appointed by the Board. The Company Secretaries Hayleys Group Services (Pvt) Ltd serves as its Secretary. The Director /Managing Director and the CFO attend meetings. The Chairman and other Executive Directors are invited to attend meetings. The input of the Statutory Auditors is obtained, where necessary. The Audit Committee supports the Group to achieve a balance between conformance and performance.
Audit Committee: Chairman: Mr. L N De S Wijeyeratn - <i>Independent Non - Executive Director</i> Members: Dr. S S S B D G Jayewardene - <i>Independent Non - Executive Director</i> Ms. M D A Perera - <i>Non - Executive Director</i>			
Duties of the Audit Committee	D.3.2	Compliant	The Audit Committee is responsible for reviewing the scope and results of the Audit and effectiveness and the independence and the objectivity of the Auditors.
Terms of Reference of the Audit Committee	D.3.3	Compliant	The Terms of Reference (Refer page 232) of the Audit Committee has been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.

CORPORATE GOVERNANCE *CONTD.*

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The role of the Committee, which has Specific terms of reference, is described in the Corporate Governance Report on page 231 (D.3).

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Directors two of whom are Independent. The Company Secretary acts as the Secretary to the Audit Committee. The Managing Director, and Chief Financial Officer (CFO) attend the meetings. The Chairman, Head of Management Audits and Systems Review Department, and Director Plantations attend meetings by invitation.

The Chairman of the Audit Committee is a Senior Qualified Accountant.

The names of the members of the committee are given below and their brief profiles are given on pages 30 to 34 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgment on matters that come within the Committee's purview.

MEETINGS OF THE AUDIT COMMITTEE

The Committee met 5 times during the year. The attendance of the members at these meetings is as follows:

Mr. L N De S Wijeyeratne 5/5
Dr. S S S B D G Jayawardena 4/5
Ms. M D A Perera 5/5

Relevant members from the Senior Management Team, representative from Hayleys Management Audit & Systems Review Department (MA & SRD), Internal Auditors as well as the External Auditors were present at these meetings as appropriate. The proceedings of the Audit

Committee are regularly reported to the Board of Directors.

TASKS OF THE AUDIT COMMITTEE

Financial Reporting System The Committee reviewed the financial reporting system adopted by the Company in the preparation of its Quarterly and Annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).

The committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. Hayleys Group Management Audit & Systems Review Department reports on key control element and procedures that are selected according an annual plan were reviewed.

Internal Audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ensure that audit recommendations are being acted upon. The Committee obtained and reviewed statements from the management of the company identifying major business risks, mitigatory action taken or contemplated for the management of these risks.

The Committee obtained representations from the Company on the adequacy of provisions made for possible liabilities

and reviewed reports tabled, certifying their compliance with relevant statutory requirements.

EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach and scope of Audit and Audit Management Letters of the Company. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the company. Remedial action was recommended where ever necessary.

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

APPOINTMENT OF EXTERNAL AUDITORS

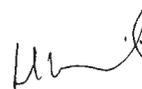
The committee has recommended to the Board of Directors that Messrs Ernst & Young continue as Auditors for the year ending 31st March 2016.

SUPPORT TO THE COMMITTEE

The Committee received information and support from management during the year to enable it to carry out the duties and responsibilities effectively.

CONCLUSION

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the Company policies and that Company assets are properly accounted for and adequately safeguarded.



L N De S Wijeratne
Chairman - Audit Committee

18th May 2015

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Disclosures of the Audit Committee	D.3.4	Compliant	Names of the Directors of the Audit Committee are given in this table under reference D.3.1. The independence of the Auditors is disclosed on page 232 of this Report under the Section on the 'External Audits' in the 'Audit Committee Report'.
D.4 Code of Business Conduct & Ethics The Code requires the Company to adopt a Code of Business Conduct & Ethics for Directors, and members of senior management team and to promptly disclose any waivers or material violations of the Code.			
Disclosure of Code of Business Conduct and Ethics	D.4.1	Compliant	A comprehensive Corporate Governance and Code of Conduct and Business Governance have been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
Affirmation Statement by Chairman	D.4.2	Compliant	Refer the 'Chairman's Statement on Corporate Governance' on page 211 of the Annual Report.
D.5 Corporate Governance Disclosures The Code requires the Directors to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.			
Disclosure of Corporate Governance	D.5.1	Compliant	This Report from pages 211 to 238 sets out the manner and extent to which TTE PLC has complied with the principles and provisions of relevant Codes.
02: Shareholder E. Institutional Investors			
E.1 Shareholder Voting The Code requires institutional shareholders to make use of their votes and encourages them to ensure their voting intentions are translated to practice.			

CORPORATE GOVERNANCE *CONTD.*

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
Communication with shareholders	E.1.1	Compliant	There are regular discussions with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM. The Chairman ensures the views of the shareholders are communicated to the Board. Shareholders are provided with Quarterly Financial Statements and the Annual Report which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Company's official website and are provided to the CSE. Any information that the Board considers as price sensitive is disseminated to the shareholders, with due diligence. Shareholders may bring up concerns they have, either with the Chairman or the Managing Director or the Company Secretary as appropriate.
E.2 Evaluation of Governance Disclosures			
The Code requires the institutional investors to give due weight to all relevant factors drawn to their attention.			
Due weight by institutional investors	E.2.1	Compliant	The institutional investors are encouraged to give due consideration to all relevant matters relating to the Board structure and composition.
F. Other Investors			
F.1 Investing and Divesting Decision			
Individual shareholders	F.1.1	Compliant	Individual investors are encouraged to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
F.2 Shareholder Voting			
Individual shareholders voting	F.2.1	Compliant	Individual shareholders are encouraged to actively participate in the AGM of the Company and exercise their voting rights. The AGM gives an ideal platform for all shareholders to meet with the directors and obtain information and clarifications on the performance and the way forward of the Company.
G. Sustainability Reporting			
G.1 Principles of Sustainability Reporting			
The Code requires the Company to maintain policy and procedures to develop a sustainable business environment.			
Economic sustainability	G.1.1	Compliant	The Company takes responsibility for the impact of strategies, decisions and activities on economic performance and integrates corporate citizenship in its daily operations across the organisation.

CORPORATE GOVERNANCE PRINCIPLE	REFERENCE TO CODE	COMPLIANCE STATUS	DETAILS OF COMPLIANCE
The environment	G.1.2	Compliant	The organisation adopts an integrated approach that takes into account the direct and indirect economic, social, health and environmental implications of their decisions and activities including pollution prevention, sustainable resource use, climate change, protection of environment, bio-diversity and restoration of natural resources.
Labour practice	G.1.3	Compliant	The Company encompasses all policies and practices in relation to work performed by employees or on behalf of the company.
Society	G.1.4	Compliant	Company engages in supporting and building relationships with the community and striving for sustainable development. This includes responsible public policy participation, fair competition and responsible community involvement.
Product Responsibility	G.1.5	Compliant	Company manufactures quality tea and distributes them ensuring that the products are safe for the consumers so that they can make an informed choice. Company complies with the international food safety standards: <ul style="list-style-type: none"> ☞ HACCP and ISO 22000 Certification ☞ Rainforest Alliance (RA) Certification.
Stakeholder identification, engagement and effective communication	G.1.6	Compliant	Internal and external stakeholder groups are identified in relation to the Company's sphere of influence, impact and implication. Communication with them is proactive and transparent. Communications with stakeholders include reporting on economic, social and environmental issues which are relevant, material, comparable with past performance and focuses on substance over form.
Sustainable reporting and disclosure	G.1.7	Compliant	Sustainable reporting and disclosure is formalised as part of the Company's reporting process on a regular basis. Company's sustainability reporting is done based on the GRI standards G4 version. This is Board's responsibility which is built on several guidelines.

CORPORATE GOVERNANCE *CONTD.*

SECTION 2: LEVEL OF COMPLIANCE TO THE CONTINUING LISTING REQUIREMENTS -SECTION 7.10 ON CORPORATE GOVERNANCE RULES ISSUED BY THE CSE.

RULE NO.	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
7.10.1(a)	Non-Executive Directors	Compliant	Nine out of twelve Directors were Non-Executive Directors
7.10.2(a)	Independent Directors	Compliant	Four out of nine Non-Executive Directors were independent as at 31st March 2015.
7.10.2(b)	Independent Directors	Compliant	Non-Executive Directors have submitted the declaration in line with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to A.5.5 on page 221 of this Report.
7.10.3(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Messrs Merrill J Fernando, Malik J Fernando, K I M Ranasoma, W D N H Perera and M D A Perera satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	A Brief resume of each Director is given on pages 30 to 34 of this Report.
7.10.3(d)	Disclosure relating to New Directors	Compliant	Brief resumes of new Directors appointed have been provided to the CSE
7.10.5(a)	Composition of Remuneration Committee	Compliant	The Remuneration Committee comprised two Non-Executive Independent Directors at the conclusion of the preceding AGM and as at 31st March 2015.
7.10.5(b)	Functions of the Remuneration Committee	Compliant	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to B.1.1 on page 224 for the details of the functions of the Remuneration Committee
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of the Committee members are given in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL as given under B.1.3 on page 224. Report of the Remuneration Committee is given on page 226 above under the B.3.1 of the code. The remuneration paid to the Directors is given in page 254 of this Report.

RULE NO.	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
7.10.6(a)	Composition of the Audit Committee	Compliant	<p>The Audit Committee comprised three Non-Executive Directors of whom two are Independent as at the conclusion of the immediately preceding AGM and as at 31st March 2015.</p> <p>Chairman of the Audit Committee is an Independent Non-Executive Director and is appointed by the Board.</p> <p>The Managing Director and Chief Financial Officer attend meetings by invitation.</p> <p>Chairman of the Audit Committee is a Fellow Member of the CASL. Please refer page 32 of this Report.</p>
7.10.6(b)	Audit Committee Functions	Compliant	<p>Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to D.3.2 on page 231 for the details of the functions of the Audit Committee.</p> <p>The Terms of Reference of the Audit Committee has been agreed by the Board.</p>
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	<p>Refer above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 231 for the details of the names of members of the Audit Committee</p> <p>The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 231 under section D.3.4 of the Code.</p>

CORPORATE GOVERNANCE *CONTD.*

THE NUMBER OF MEETINGS OF THE BOARD AND THE AUDIT COMMITTEE AND INDIVIDUAL ATTENDANCE BY MEMBERS ARE AS FOLLOWS:

NAME OF DIRECTOR	DIRECTORSHIP STATUS	ATTENDANCE	
		BOARD	AUDIT COMMITTEE
Mr. A M Pandithage (Chairman)	Executive	5/5	-
Mr. R Rajadurai (Managing Director)	Executive	5/5	-
Mr. Merrill J Fernando	Non-Executive	0/5	-
Mr. Malik J Fernando	Non-Executive	2/5	-
Mr. D C Fernando (Alternate to Mr. Malik J Fernando)	Non-Executive	0/5	-
Dr. K I M Ranasoma	Non-Executive	4/5	-
Mr. W D N H Perera	Non-Executive	2/5	-
Mr. J M Kariapperuma (Alternate Mr. W D N H Perera) (Appointed w.e.f. 13/02/2015)	Non-Executive	0/0	-
Ms. M D A Perera	Non-Executive	5/5	5/5
Pro. U Liyanage	Independent Non-Executive	0/5	-
Dr. S S S B D G Jayawardena	Independent Non-Executive	4/5	4/5
Mr. L N De S Wijeyeratne	Independent Non-Executive	4/5	5/5
Mr. N T Bogahalande	Independent Non-Executive	5/5	-
Mr. D S Seneviratne	Executive	5/5	-

OUR ESTATES AND FACTORIES

ESTATES	TOTAL EXTENT		AREA IN TEA		AREA IN RUBBER		OTHERS		TOTAL CULTIVATED	BUILDING/ BUNGALOW GARDENS/ ROADS ETC.	NAME OF MANAGER	NO OF WORKERS	CROP WITH/L	YIELD	FACTORY ELEVATION	TYPE OF FACTORY	FACTORY CAPACITY
	Ha	Ha	IMMATURE	MATURE	IMMATURE	MATURE	Ha	Ha									
Talle/Nanu Oya																	
Bearwell	423.41	24.76	313.97	-	-	-	34.61	373.34	50.07	SB Alawatagama	553	674,622	2,149	1,280	Ortho/RV	720	
Calsay	282.25	21.95	190.55	-	-	-	30.05	242.55	39.70	SGN Nalin Kumara	330	286,759	1,505	1,463	Ortho	430	
Clarendon	191.42	11.81	152.04	-	-	-	6.10	169.95	21.47	YD Kumarasiri	261	238,644	1,570	1,555	Ortho/RV	600	
Dessford	431.99	29.16	295.63	-	-	-	25.42	350.21	81.78	NP Abeysinghe	723	560,467	1,896	1,382	Ortho/RV	720	
Great Western	628.48	21.98	397.85	-	-	-	66.97	486.80	141.68	GK Wijesekera	809	714,630	1,796	1,448	Ortho/RV	720	
Holyrood	465.96	21.00	322.70	-	-	-	68.15	411.85	54.11	DMGB Dassanayake	630	553,601	1,716	1,341	Ortho/RV	720	
Logte	329.88	17.63	210.59	-	-	-	31.01	259.23	70.65	A GRMS Ranaweera	370	401,534	1,907	1,220	Ortho/RV	500	
Mattakelle	361.96	17.58	259.58	-	-	-	44.34	301.50	60.46	PGG Jayathilake	750	620,782	2,591	1,372	Ortho/RV	720	
Palmerston	203.11	10.25	148.36	-	-	-	21.00	179.61	23.50	UB Udawatte	313	298,083	2,009	-	-	-	
Radella	458.76	28.14	242.44	-	-	-	100.14	370.72	88.04	ESBA Egodawela	664	520,724	2,067	1,402	Ortho/ GR.T	720	
Somerset	455.64	34.86	305.20	-	-	-	34.81	374.87	80.77	ACM Bandaranayake	752	682,886	2,238	1,102	Ortho/RV	720	
Wattegoda	529.89	22.75	295.00	-	-	-	99.90	417.65	112.24	DMAS Dissanayake	655	552,347	1,872	1,219	Ortho/RV	720	
Sub Total	4,762.75	261.87	3,113.91	-	-	-	562.50	3,838.28	824.47		6,811	6,105,079	1,961			7,290	
Galle																	
Moragalla	384.78	16.48	80.31	50.67	111.39	44.61	303.46	81.32	HPW Vithanage	296	533,193	2,247	38	Ortho	600		
Pitiyagoda	-	-	-	-	-	-	-	-	-	HPW Vithanage	14	-	-	Ortho	400		
Sub Total	384.78	16.48	80.31	50.67	111.39	44.61	303.46	81.32		310	533,193	2,247			1,000		
Deniyaya, Urubokka																	
Deniyaya	578.15	22.20	209.06	13.35	-	57.40	302.01	276.14	KGMN Gamage	385	681,718	1,431	310	Ortho	600		
Handford	-	-	-	-	-	-	-	-	-	KGMN Gamage	45	372,043	-	400	Ortho	600	
Indola	282.16	7.66	79.46	0.50	68.62	69.95	226.19	55.97	WD Jayasinghe	195	116,009	1,460	-	-	-		
Kirwanaganga	482.71	21.46	347.86	-	-	19.08	388.40	94.31	DMHU Mahadivulwewa	565	1,024,425	1,569	310	Ortho	1050		
Sub Total	1,343.02	51.32	636.38	13.85	68.62	146.43	916.60	426.42		1,190	2,194,195	1,593				2,250	
Grand Total	6,490.55	329.67	3,830.60	64.52	180.01	753.54	5,158.34	1,332.21		8,310	8,832,467	1,887				10,540	

GRI-G4 CONTENT INDEX

GRI-G4 CONTENT INDEX -"IN ACCORDANCE" - CORE

External Assurance has not been obtained for standard and specific disclosures

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker	Chairman's Statement & Managing Director's Review	13, 17
ORGANIZATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Information	Inner Back Cover
G4-4	Primary brands, products, and services	Management Discussion & Analysis - Product Responsibility	196
G4-5	Location of the organization's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organization operates	Corporate Information	Inner Back Cover
G4-7	Nature of ownership and legal form.	Corporate Information	Inner Back Cover
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Management Discussion & Analysis - Operation Review	-
G4-9	Scale of the organization - employees, operations, net sales, capitalization, products	Management Discussion & Analysis - Operation Review & Financial Review	100
G4-10	Total number of employees by contract and gender, permanent employees, supervised workers, region	Management Discussion & Analysis - People & Social Development	169
G4-11	Percentage of total employees covered by collective bargaining agreements	Management Discussion & Analysis - People & Social Development	174
G4-12	Describe the organization's supply chain	Management Discussion & Analysis - Economic Value Creation	76
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Management Discussion & Analysis - Financial Review	8, 100
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Management Discussion & Analysis - Environment Management & Risk Management	200

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Management Discussion & Analysis - Environment Management	121
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Management Discussion & Analysis - Stakeholder Engagement	42
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	Management Discussion & Analysis - Report Outline, Materiality Analysis & Financial Review	44
G4-18	Process for defining the report content and the aspect boundaries, reporting Principles for defining report content	Management Discussion & Analysis - Materiality Analysis	44
G4-19	List all the material aspects identified in the process for defining report content		46
G4-20	For each material aspect, report the aspect boundary within the organization		52
G4-21	For each material aspect, report the aspect boundary outside the organization, as follows:		52
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Management Discussion & Analysis - Financial Review	08
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	Management Discussion & Analysis - Report Outline	08

GRI-G4 CONTENT INDEX *CONTD.*

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	Management Discussion & Analysis - Stakeholder Engagement	42, 43
G4-25	The basis for identification and selection of stakeholders with whom to engage		42, 43
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement and an indication if the engagement was specifically a part of the report preparation process		42, 43
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.		42, 43
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Management Discussion & Analysis - Report Outline	08
G4-29	Date of most recent previous report		08
G4-30	Reporting cycle (such as annual, biennial)		08
G4-31	Provide the contact point for questions regarding the report or its contents		08
G4-32	Report the 'in accordance' option the organization has chosen.		08
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.		08
GOVERNANCE			
G4-34	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance	213
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	215

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Economic Value Creation	
G4-EC1	Direct economic value generated and distributed		71
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		77
G4-EC3	Coverage of the organization's defined benefit plan obligations		74
ASPECT: MARKET PRESENCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Economic Value Creation	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		74
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation		74
ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Economic Value Creation	
G4-EC7	Development and impact of infrastructure investments and services supported		75
G4-EC8	Significant indirect economic impacts, including the extent of impacts		75
ASPECT: PROCUREMENT PRACTICES			
G4-DMA	Generic Disclosures on Management Approach		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation		76

GRI-G4 CONTENT INDEX *CONTD.*

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
CATEGORY: ENVIRONMENTAL			
ASPECT: MATERIALS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN1	Materials used by weight or volume		129
ASPECT: ENERGY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	130
G4-EN3	Energy consumption within the organization		130
G4-EN4	Energy consumption outside of the organization		130
G4-EN5	Energy intensity		131
G4-EN6	Reduction of energy consumption		133
G4-EN7	Reductions in energy requirements of products and services		133
ASPECT: WATER			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN8	Total water withdrawal by source		139
G4-EN9	Water sources significantly affected by withdrawal of water		137
G4-EN10	Percentage and total volume of water recycled and reused		-
ASPECT: BIODIVERSITY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		139
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		139
G4-EN13	Habitats protected or restored		139
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		145

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: EMISSIONS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		151
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		151
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)		151
G4-EN18	Greenhouse gas (GHG) emissions intensity		154
G4-EN19	Reduction of greenhouse gas (GHG) emissions		154
G4-EN20	Emissions of ozone-depleting substances (ODS)		154
G4-EN21	NOX, SOX, and other significant air emissions		154
ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN22	Total water discharge by quality and destination		155
G4-EN23	Total weight of waste by type and disposal method		156
G4-EN24	Total number and volume of significant spills		156
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		156
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff		156
ASPECT: PRODUCTS AND SERVICES			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services		158
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category		158

GRI-G4 CONTENT INDEX *CONTD.*

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		158
ASPECT: TRANSPORT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce		158
ASPECT: OVERALL			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN31	Total environmental protection expenditures and investments by type		128
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria		160
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken		160
ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Environment Management	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms		160

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region		172
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		173
G4-LA3	Return to work and retention rates after parental leave, by gender		172
ASPECT: LABOR/MANAGEMENT RELATIONS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		174
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees		174
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		174
ASPECT: TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA9	Average hours of training per year per employee by gender, and by employee category		176
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		176
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		179

GRI-G4 CONTENT INDEX *CONTD.*

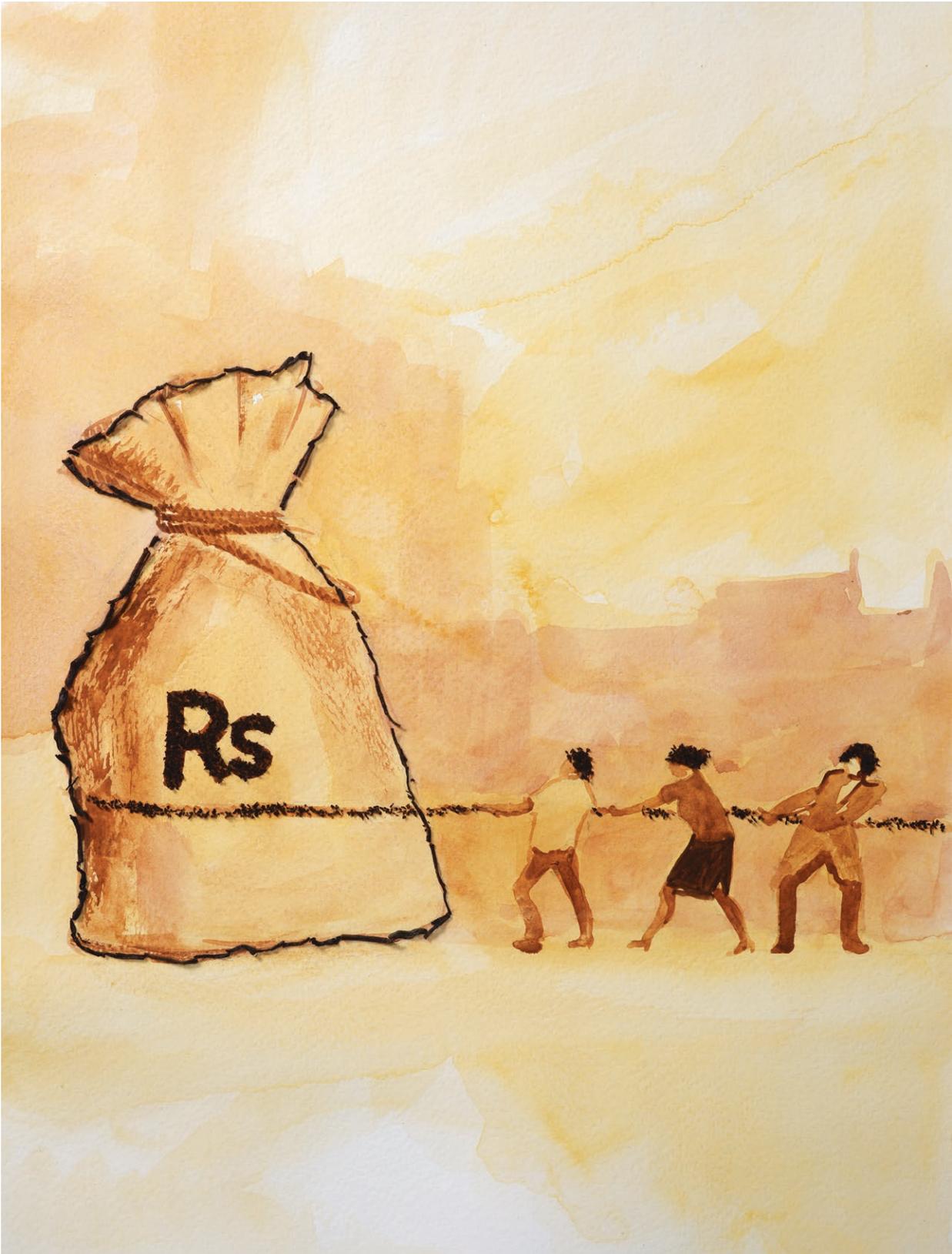
STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		170
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		173
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria		179
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach		
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms		180
SUB-CATEGORY: HUMAN RIGHTS			
ASPECT: INVESTMENT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		180
ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR3	Total number of incidents of discrimination and corrective actions taken		180

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights		180
ASPECT: CHILD LABOR			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour		180
ASPECT: FORCED OR COMPULSORY LABOR			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour		180
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria		180
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		179
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs		181-189

GRI-G4 CONTENT INDEX *CONTD.*

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: PUBLIC POLICY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-SO6	Total value of political contributions by country and recipient/beneficiary		189
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		189
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - People & Social Development	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society		-
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Product Responsibility	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		191
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		191

STANDARD DISCLOSURE	DESCRIPTION	REPORT SECTION	PAGE
ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Product Responsibility	
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements		191
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		191
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion & Analysis - Product Responsibility	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		192



The value that we add to our resources is what makes us stronger. From our plantations and solid infrastructure, to our state of the art factories, we draw on a great reserve and maximize our assets in order to be at our peak.

Financial Reports

Annual Report of the Board of Directors on the Affairs of the Company	254
Statement of Directors' Responsibility	259
Managing Director's & Chief Financial Officer's Responsibility Statement	260
Independent Auditors' Report	261
Statement of Profit or Loss	262
Statement of Comprehensive Income	263
Statement of Financial Position	264
Statement of Changes In Equity	266
Statement of Cash Flow	267
Notes to the Financial Statement	269

Financial Calendar

Q1 Report	-	06 May 2014
Q2 Report	-	05 August 2014
Q3 Report	-	13 October 2014
Q4 Report	-	13 February 2015
Q5 Report	-	18 May 2015
23rd Annual General Meeting	-	29 June 2015
First and Final Dividend Proposed	-	29 June 2015
First and Final Dividend Payable	-	09 July 2015

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

The Directors of Talawakelle Tea Estates PLC (TTE PLC) has pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and audited Consolidated Financial Statements of the Group for the period ended 31st March 2015.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices. The Financial Statements were reviewed and approved by the Board of Directors on 18th May 2015.

PRINCIPAL ACTIVITIES

Talawakelle Tea Estates PLC is the holding Company of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Limited.

The principal activity of Talawakelle Tea Estates PLC is cultivation and manufacture of black tea and the subsidiaries are engaged in generation of hydro power.

There were no significant changes in the nature of the principal activities of the Company or its subsidiaries during the year under review.

GROUP STRUCTURE

The Group Structure is given on page 37

BUSINESS REVIEW/FUTURE DEVELOPMENT

With the prior approval of the Registrar of Companies the Company's financial year was changed from 31st December to 31st March. Hence the current year reporting period comprises a period of fifteen months from 1st January 2014 to 31st March 2015.

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Statement (Pages 12 to 15) Managing Director's Review (Pages 16 to 19) and Management Discussion and Analysis (Pages 40 to 199) of the Annual Report. These reports, together with the audited financial statements reflect the state of affairs of the Company and the Group.

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements of the Company and the Group for the period ended 31st March 2015, have been duly signed by the Chief Financial Officer and two Directors of the Board are given on pages 264 & 265.

AUDITOR'S REPORT

The Company's Auditors Messrs. Ernst & Young, Chartered Accountants carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2015, and their Report is given on page 261.

Accounting Policies

The significant Accounting Policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 269 & 286.

There were no material changes in the Accounting Policies adopted with those of the last year.

GROUP REVENUE

The revenue of the Group during the period was Rs. 4,761.1 Mn (2013- Rs. 3,646.8 Mn). An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 6 to the Financial Statements.

The contribution to revenue from tea increased by Rs. 1,111.7 Mn (2013-increased by Rs. 269.3 Mn), where as revenue from rubber decreased by Rs. 14.5 Mn (2013-decreased by Rs. 1.0 Mn). Revenue contribution from hydro power decreased by Rs. 0.98 Mn (2013-increased by 59.5 Mn) during the period ended.

Trade between Group Companies is conducted at fair market prices.

OPERATIONAL RESULTS AND DIVIDENDS OF THE GROUP

FOR THE PERIOD ENDED Rs. Mn	31/03/2015 (15 MONTHS)	31/12/2013 (12 MONTHS)
Turnover	4,761.1	3,646.8
Profit before Tax	286.3	236.7
Income Tax Expense	(18.9)	(37.2)
Profit after Taxation	267.4	199.5
Other Comprehensive Income net tax	15.4	28.8
Total Comprehensive income	282.9	228.3
Transferred :		
to Timber Reserve	(6.8)	(13.1)
to Non Controlling	(28.1)	(26.0)
Profit for the year	247.9	189.2
Retained earnings brought forward	995.4	865.6
Appropriations -		
Dividend paid	(71.2)	(59.3)
Profit Carried forward	1,172.1	995.4

The Group profit before taxation, amounted to Rs. 286.3 Mn (2013- Rs. 236.7 Mn) during the period under review. After charging Rs. 18.9 Mn (2013 - Rs. 37.2 Mn) for taxation and a consolidation profit of Rs. 28.1 Mn (2013-Rs. 26.0 Mn) for non-controlling interests, the Group profit attributable to equity holders of the Company from operating activities for the period was Rs. 239.2 Mn (2013- Rs. 173.5 Mn). A first and final dividend of Rs. 3.00 per share for the financial year ended 31st December 2013 was paid on 9th April 2014.

A sum of Rs. 71.25 Mn (2013-Rs. 71.25 Mn) has been set aside for the proposed dividend. As required by Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company would satisfy the solvency test requirement under section 57 of the Companies Act No. 07 of 2007 for the first and final dividend proposed. A solvency certificate has been sought in respect of the first and final dividend of Rs. 3.00 per share (2013-Rs. 3.00) proposed to be paid on 9th July 2015 to the holders of issued ordinary shares of the Company as at the close of business on 29th June 2015.

The proposed First and Final dividend is subject to the approval of the shareholders at the AGM.

GROUP INVESTMENT

Total capital expenditure of the Group including investments in field development during the period amounted to Rs. 263.3 Mn (2013-Rs. 126.9 Mn)

PROPERTY, PLANT & EQUIPMENT

Group investment on property, plant & equipment and capital work in progress during the period amounted to Rs. 120.9 Mn (2013-Rs. 47.7 Mn) whilst that of the Company was Rs. 120.9 Mn (2013-Rs. 47.7 Mn). The Company's investment on replanting of tea, rubber and timber during the period amounted to Rs. 117.1 Mn (2013-Rs. 55.4 Mn), Rs. 12.6 Mn (2013- Rs. 19.5 Mn) and Rs. 12.5 Mn (2013- Rs. 4.3 Mn) respectively.

Information relating to movement in property, plant & equipment and replanting is given in Notes 13, 14A, B & C to the Financial Statements.

MARKET VALUE OF PROPERTIES

The Group does not possess any freehold land.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31st March 2015 consists of 23,750,000 Ordinary Shares and one Golden Share amounting to Rs. 350,000,010. There was no change in the stated capital during the period ended.

Total Group reserves as at 31st March, 2015 amounts to Rs. 1,331.8 Mn (2013-Rs. 1,148.3 Mn) comprising retained earnings of Rs. 1,172.1 Mn (2013- Rs. 995.4 Mn) and timber reserves of Rs. 159.6 Mn (2013- Rs. 152.8 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit earned on agriculture and manufacturing of tea is liable at 10% and 28% respectively.

TTEL Hydro Power Company Pvt Ltd.

☞ Radella Project is liable at 10%. Palmerston project tax holiday period expires on 16th October 2015 and

☞ TTEL Somerset Hydro Power (Pvt) Ltd tax holiday period expires on 22nd September 2015.

The Group has also provided deferred tax on all known temporary differences under the liability method.

Information on the income tax and deferred tax of the Company and the Group is given in Note 10 to the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY *CONTD.*

PREFERENCE SHARES

As at 31st March 2015, the Company holds 14% Redeemable Cumulative Preference Shares of TTEL Hydro Power Company (Pvt) Limited and of TTEL Somerset Hydro Power (Pvt) Limited amounting to Rs. 53.1 Mn (2013 – Rs. 53.1 Mn) and Rs. 16.0 Mn (2013 – Rs. 16.0 Mn) respectively. Information relating to the preference shares is given in Note 15 to the Financial Statements.

INTERESTS REGISTER

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register. Shareholders of subsidiary companies have unanimously agreed to dispense with the requirement to maintain an Interests Register. Particulars of entries in the Interests Register maintained by the Company are detailed below.

Directors' Interests in Transactions:

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007, Note 34 to the Financial Statements dealing with related party disclosures include details of their interests in transactions.

Directors' Interests in Shares:

Directors of the Company who have shares in the Company have disclosed their shareholdings and any acquisitions/disposals to the Board, in compliance with Section 200 of the Companies Act.

Details of Directors shareholdings in the Company are given later in this report.

Insurance & Indemnity

Directors and Officers (D&O) of the Company and its subsidiaries have been covered by the Corporate Guard Insurance Policy obtained by the Hayleys Group from AIG Insurance Ltd. The

policy is extended worldwide with a total cover of US\$ 5.0 Mn.

Payment of Remuneration to Directors:

Executive Directors' remuneration is determined within an established framework by the Board's Remuneration Committee to whom this task is entrusted.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration for Executive Directors for the fifteen months ended 31.03.2015 is Rs. 6.5 Mn (2013-Rs. 5.1 Mn), which includes the value of perquisites granted as part of terms of service and is formally approved. The total remuneration of Non-Executive Directors for the fifteen months ended 31.03.2015 is Rs. 4.0 Mn (2013-Rs. 2.4 Mn) determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

CORPORATE DONATIONS

No donations were made during the period (2013- Nil) by the Company and its Subsidiaries.

DIRECTORATE

The names of the Directors of the Company who held office at the end of the financial period are given below and their brief profiles appear on pages 30 to 33.

Executive Directors

Mr A M Pandithage (Chairman)
Mr W G R Rajadurai (Managing Director)
Mr D S Seneviratne

Non- Executive Directors

Mr Merrill J Fernando
Mr Malik J Fernando
(Alternate Mr D C Fernando)
Dr K I M Ranasoma
Mr W D N H Perera
(Alternate Mr J M Kariapperuma –
Appointed w.e.f 13/02/2015)
Ms M D A Perera

Independent Non-Executive Directors

Prof U Liyanage
Dr S S S B D G Jayawardena
Mr L N De S Wijeyeratne
Mr N T Bogahalande

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Statement.

RESIGNATIONS, NEW APPOINTMENTS AND RE-ELECTIONS TO THE BOARD

Mr J M Kariapperuma (Alternate to Mr W D N H Perera) was appointed to the Board with effect from 13th February 2015.

Messrs Malik J Fernando, Prof. Uditha Liyanage and L N de S Wijeyeratne retire by rotation and being eligible, offer themselves for re-election at this AGM.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-election of Mr Merrill J Fernando, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act. Mr Fernando is 85 years old.

BOARD COMMITTEES

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the Company, has appointed an Audit

Committee and a Remuneration Committee with specific terms of reference. The Reports of these Committees are given on pages 232 and 226 of this report.

MANAGEMENT FEES

A management fee has been charged at 5% of EBITDA by Hayleys Plantation Services (Private) Limited for the three months ended 31 March 2014, consequent to a Board decision to waive of management fee hereafter w.e.f. 1 April 2014.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance section on pages 211 to 238 discusses this further.

AUDITORS

Messrs Ernst & Young Chartered Accountants are deemed re-appointed as Auditors of the Company, in accordance with Section 158 of the Companies Act No. 07 of 2007.

A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors Messrs Ernst & Young Chartered Accountants were paid Rs. 3.57 Mn (2013 -Rs. 3.08 Mn) as audit fees and audit related work of the Company and Rs. 0.66 Mn (2013- Rs. 0.16 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Ltd.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship (other than that of an auditor) with, or interests in, the Company or any of its Subsidiaries other than those disclosed above.

SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 320 and 321.

GOLDERN SHAREHOLDER

Rights of the Golden Shareholder as given in the Articles of Association of the Company are as follows;

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles.

Definition of 'Golden shareholder' - The holder of the 'Golden Share'.

- ☞ The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden Shareholder.
- ☞ The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
- ☞ The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in the Articles of Association of the Company.

- ☞ The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three months period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
- ☞ The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns ninety nine (99) per centum or more of the issued share capital.
- ☞ The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- ☞ The Company shall submit to the Golden Shareholder, within sixty (60) days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
- ☞ The Company shall submit to the Golden Shareholder, within ninety (90) days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.
- ☞ Golden Shareholder has power to appoint not more than 03 persons as his proxies to attend on the same occasion at the general meetings.

ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY *CONTD.*

**EVENTS OCCURRING AFTER THE
BALANCE SHEET DATE**

No circumstances have arisen since the Balance Sheet date that would require adjustment or disclosure, other than those disclosed in Note 33 to the Financial Statements on page 312.

HUMAN RESOURCE

The number of persons employed by the Company at period end was 8,757 (31.12.2013 -10,018) of which 8,727 (31.12.2013 - 9,986) are engaged in employment outside the District of Colombo.

SHAREHOLDERS

It is the Group's policy to endeavor to ensure equitable treatment to its share holders.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 259.

ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non renewable resources, as well as its environmental objectives and key initiatives, are described in the Sustainability Report on pages 119 to 199.

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimize any adverse effects its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Company and the Group are given in Note 34 to the Financial Statements.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, going concern basis has been adopted in preparation of the Financial Statements.

DIRECTORS' SHAREHOLDINGS

Directors' holdings of ordinary shares as at 31.03.2015 in the Company are given below.

There had been no share dealings by Directors during the period.

Mr Merrill J Fernando - 1,184,700 (01.01.2014 - 1,184,700). These shares are held through Merrill J Fernando & Sons (Private) Limited.

Dr K I M Ranasoma - 500 (01.01.2014 - 500 shares)

Mr D S Seneviratne - 600 (01.01.2014 - 600 shares)

No shares are held by the Directors in the subsidiaries of the Company.

SHAREHOLDING

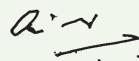
As at 31st March 2015, there were 13,592 (31.12.2013 - 13,662) registered shareholders and the percentage of shares held by the public was 20.27%(31.12.2013 -20.27%) of the issued shares.

The twenty major shareholders as at 31st March, 2015 and the number of shares held and their percentage shareholdings are given on page 321 of this report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri Lanka at 10.00 a.m. on 29th June, 2015. The Notice of the Annual General Meeting appears on page 325.

For and on behalf of the Board



A M Pandithage
Chairman



W G R Rajadurai
Managing Director



Hayleys Group Services (Pvt) Ltd.
Secretaries

18th May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) & 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Income Statements of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of the Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS), Companies Act No. 07 of 2007 and the listing rules of The Colombo Stock Exchange. Further,

the Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Company and the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend paid and now proposed, being satisfied based on information available to it, that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have obtained in respect of dividends paid and sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The External auditors, Messrs Ernst & Young, reappointed at the last Annual General Meeting in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the auditors, shown on page 261 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the end of financial year have been paid or where relevant, provided for.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd.
Secretaries

18th May 2015

MANAGING DIRECTOR'S & CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2015 are prepared and presented in compliance with the requirements of the following:

- ☞ Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- ☞ Companies Act No 07 of 2007;
- ☞ Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- ☞ Listing rules of the Colombo Stock Exchange; and
- ☞ Code of Best Practice on Corporate Governance issued jointly by Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the financial statements. The significant accounting policies estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees. Our internal auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The independent auditors and the internal auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Messrs.' Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is presented on page 261 of this Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that the company and its subsidiaries have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting Plantation business.



W G R Rajadurai
Managing Director



D S Seneviratne
Chief Financial Officer

18th May, 2015



INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

ADBT/CSW/SJJC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TALAWAKELLE TEA ESTATES PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of Talawakelle Tea Estates PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("Group") which comprise the Statement of Financial Position as at March 31, 2015 and the Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of significant Accounting Policies and other explanatory notes.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - ☞ we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - ☞ the financial statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the period then ended in accordance with Sri Lanka Accounting Standards, and
 - ☞ the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

18 May 2015
Colombo

STATEMENT OF PROFIT OR LOSS

Period ended	Notes	Company		Group	
		2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Revenue	6	4,643,581	3,528,338	4,761,100	3,646,838
Cost Of Sales		(4,206,996)	(3,191,077)	(4,257,939)	(3,225,010)
Gross Profit		436,585	337,261	503,161	421,828
Gain/(Loss) On Fair Value Of Biological Assets	14 C	6,830	13,120	6,830	13,120
Other Income And Gains	7	69,507	50,740	53,267	39,274
Administrative Expenses		(157,030)	(101,512)	(168,564)	(109,046)
Management Fee		(6,284)	(26,728)	(6,284)	(26,728)
Results from Operating Activities		349,608	272,881	388,410	338,448
Finance Income	8.1	3,596	2,789	3,477	2,145
Finance Expenses	8.2	(57,148)	(58,684)	(72,909)	(80,566)
Interest Paid to Government on Finance Lease	8.3	(32,599)	(23,241)	(32,599)	(23,241)
Net Finance Expense		(86,151)	(79,136)	(102,031)	(101,662)
Profit/ (Loss) Before Tax	9	263,457	193,745	286,379	236,786
Income Tax Expense	10	(35,160)	(35,312)	(18,918)	(37,215)
Profit/ (Loss) For the Period/Year		228,297	158,433	267,461	199,571
Attributable To:					
Equity holders of the Parent		228,297	158,433	239,296	173,533
Non- Controlling Interest		-	-	28,165	26,038
		228,297	158,433	267,461	199,571
Basic Earnings/ (Loss) Per Share	11	9.61	6.67	10.08	7.31

The current year information comprises a period of fifteen months from 1 January 2014 to 31 March 2015. The comparative amounts comprise as at and for the period of twelve months ended 31 December 2013.

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Period ended	Notes	Company		Group	
		2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Profit/ (Loss) for the period/year		228,297	158,433	267,461	199,571
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain on Defined Benefit Plans	24	18,372	34,188	18,372	34,188
Income Tax Effect	10.2	(2,895)	(5,388)	(2,895)	(5,388)
Other comprehensive income for the period/year, net of tax		15,477	28,800	15,477	28,800
Total comprehensive income for the period/year, net of tax		243,774	187,233	282,938	228,371
Attributable to:					
Equity Holders of the Parent		243,774	187,233	254,773	202,333
Non- Controlling Interest		-	-	28,165	26,038
		243,774	187,233	282,938	228,371

The current year information comprises a period of fifteen months from 1 January 2014 to 31 March 2015. The comparative amounts comprise as at and for the period of twelve months ended 31 December 2013.

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at	Notes	Company		Group	
		31.03.2015 Rs.000'	31.12.2013 Rs.000'	31.03.2015 Rs.000'	31.12.2013 Rs.000'
ASSETS					
Non Current Assets					
Right-to-use of Land	12	178,118	185,294	178,118	185,294
Immovable estate assets on finance lease (other than Right to use of Land)	13	88,205	101,935	88,205	101,935
Tangible assets other than Immature/Mature Plantations	14A	726,340	669,260	1,101,384	1,064,353
Immature/Mature Plantations	14B	1,754,130	1,704,106	1,754,130	1,704,106
Consumable Biological Assets	14C	202,472	183,083	202,472	183,083
Development Cost		-	-	8,160	9,360
Investments in Subsidiaries	15	134,933	134,933	-	-
Deferred Tax Asset	10.2	-	-	14,699	-
		3,084,198	2,978,611	3,347,168	3,248,131
Current Assets					
Inventories	16	430,869	606,288	431,282	606,656
Trade and Other Receivables	17	209,016	112,205	237,443	140,315
Amounts due from Related Companies	18	2,695	132	2,695	-
ACT Recoverable		7,473	7,473	7,473	7,473
Short Term Investments	19	8,860	9,434	13,860	14,434
Cash and Bank Balances		5,358	9,294	20,412	29,784
		664,271	744,826	713,165	798,662
TOTAL ASSETS		3,748,469	3,723,437	4,060,333	4,046,793
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	350,000	350,000	350,000	350,000
Timber Reserves		159,693	152,863	159,693	152,863
Retained Earnings		1,133,734	968,040	1,172,192	995,499
Equity attributable to Equity holders of the parent		1,643,427	1,470,903	1,681,885	1,498,362
Non-Controlling Interests	21	-	-	167,338	152,854
Total Equity		1,643,427	1,470,903	1,849,224	1,651,216
Non Current Liabilities & Deferred Income					
Interest Bearing Loans & Borrowings	22	192,558	341,885	251,680	439,158
Retiring Benefit Obligations	24	921,389	912,752	922,369	912,752
Deferred Tax Liability	10.4	63,144	36,546	63,144	41,869
Deferred Income	25	166,617	190,958	166,617	190,958
Liability to make Lease Payment after one year	26	188,402	189,113	188,402	189,113
		1,532,111	1,671,255	1,592,212	1,773,852

As at	Notes	Company		Group	
		31.03.2015 Rs.000'	31.12.2013 Rs.000'	31.03.2015 Rs.000'	31.12.2013 Rs.000'
Current Liabilities					
Trade and Other Payables	27	346,129	377,081	362,174	379,688
Interest Bearing Loans & Borrowings	22	68,628	84,784	101,719	123,424
Liability to make Lease Payment within one year	26	569	504	569	504
Amounts due to Related Companies	28	9,447	15,793	6,278	14,685
Short Term Borrowings	23	45,000	55,000	45,000	55,000
Bank Overdraft		103,157	48,117	103,157	48,423
		572,931	581,279	618,897	621,724
TOTAL LIABILITIES		2,105,042	2,252,534	2,211,109	2,395,576
TOTAL EQUITY AND LIABILITIES		3,748,469	3,723,437	4,060,333	4,046,793

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

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



D. S. Seneviratne

Chief Finance Officer/Deputy Chief Executive Officer/Director

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

Signed for and on behalf of the Board by



A. M. Pandithage

Chairman/Director



W. G. R. Rajadurai

Managing Director

18 May 2015

Colombo.

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital	Retained Earnings	Timber Reserve	Total Equity
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Balance as at 1 January 2013	350,000	853,304	139,743	1,343,047
Profit/ (Loss) for the year	-	158,433	-	158,433
Other comprehensive income	-	28,800	-	28,800
Transferred to the timber reserve	-	(13,120)	13,120	-
Dividends	-	(59,375)	-	(59,375)
Balance as at 31 December 2013	350,000	968,040	152,863	1,470,903
Profit/ (Loss) for the period	-	228,297	-	228,297
Other comprehensive income	-	15,477	-	15,477
Transferred to the timber reserve	-	(6,830)	6,830	-
Dividends	-	(71,250)	-	(71,250)
Balance as at 31 March 2015	350,000	1,133,734	159,693	1,643,427

Group	Attributable to equity holders of the parent					
	Stated Capital	Retained Earnings	Timber Reserve	Total	Non Controlling Interest	Total Equity
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Balance as at 1 January 2013	350,000	865,662	139,743	1,355,405	136,921	1,492,326
Profit/ (Loss) for the year	-	173,533	-	173,533	26,038	199,571
Other comprehensive income	-	28,800	-	28,800	-	28,800
Transferred to the timber reserve	-	(13,120)	13,120	-	-	-
Dividends	-	(59,375)	-	(59,375)	(10,105)	(69,480)
Balance as at 31 December 2013	350,000	995,499	152,863	1,498,362	152,854	1,651,216
Profit/ (Loss) for the year	-	239,296	-	239,296	28,165	267,461
Other comprehensive income	-	15,477	-	15,477	-	15,477
Transferred to the timber reserve	-	(6,830)	6,830	-	-	-
Dividends	-	(71,250)	-	(71,250)	(13,681)	(84,931)
Balance as at 31 March 2015	350,000	1,172,192	159,693	1,681,885	167,338	1,849,224

The Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Period ended	Notes	Company		Group	
		2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit/ (Loss) before Taxation		263,457	193,745	286,379	236,786
ADJUSTMENTS FOR					
Provision For Defined Benefit Plan Costs	24	148,744	146,594	149,723	146,594
Depreciation/Amortisation	9	163,821	131,167	185,090	148,441
Amortisation of Grants	25	(24,828)	(19,852)	(24,828)	(19,852)
Dividend Income	7	(16,240)	(11,466)	-	-
Finance Costs	8.2	57,148	58,684	72,909	80,565
Government Lease Interest	8.3	32,599	23,241	32,599	23,241
(Profit)/ Loss on disposal of Assets	7	(3,264)	-	(3,264)	-
Loss on Machinery Replacement		763	-	763	
(Gains)/Losses on Fair Value of Biological Assets	14C	(6,830)	(13,120)	(6,830)	(13,120)
Operating Profit before Working Capital Changes		615,370	508,993	692,541	602,655
(Increase)/Decrease in Inventories		175,419	(120,009)	175,374	(120,377)
(Increase)/Decrease in Trade and Other Receivables		(96,812)	(42,805)	(97,128)	(41,218)
Increase/(Decrease) in Trade and Other Payables		(35,454)	35,354	(25,796)	24,565
(Increase)/Decrease in amounts due from Related Companies		(2,562)	2,346	(2,695)	6,048
Increase/(Decrease) in amounts due to Related Companies		(6,346)	3,388	(8,407)	6,628
Cash Generated from Operations		649,615	387,267	733,889	478,301
Finance Costs Paid	8.2	(57,148)	(58,684)	(72,909)	(80,565)
Payment of ESC / Income Tax / SRL		(6,955)	(8,812)	(6,955)	(8,812)
Defined Benefit Plan Costs paid	24	(121,735)	(87,824)	(121,735)	(87,824)
Net Cash from Operating Activities		463,777	231,947	532,290	301,100
CASH FLOWS FROM INVESTING ACTIVITIES					
Grant Received	25	487	518	487	518
Proceeds from Disposal of Property, Plant & Equipment		3,264	-	3,264	-
Field Development Expenditure (Note A)	14B-14C	(142,409)	(79,230)	(142,409)	(79,230)
Purchase of Property, Plant & Equipment (Note B)		(120,932)	(47,748)	(120,953)	(47,748)
Dividend Income Received	7	16,240	11,466	-	-
Net Cash used in Investing Activities		(243,350)	(114,994)	(259,611)	(126,460)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		(71,250)	(59,375)	(84,931)	(69,480)
Payment of Government Lease Rentals		(33,245)	(23,672)	(33,245)	(23,672)
Proceeds from Loans		55,800	33,600	55,800	33,600
Repayment /Transfer of Loans		(221,282)	(78,009)	(264,983)	(109,077)
Net Cash from Financing Activities		(269,977)	(127,456)	(327,359)	(168,629)
Net Increase / (Decrease) in Cash & Cash Equivalents		(49,550)	(10,503)	(54,680)	6,011
C. Cash & Cash Equivalents at the beginning of the year		(84,389)	(73,886)	(59,205)	(65,216)
D. Cash & Cash Equivalents at the end of the period/year		(133,939)	(84,389)	(113,885)	(59,205)

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS *CONTD.*

	Company				Total Rs.000'
	Tea Rs.000'	Rubber Rs.000'	Unallocated Rs.000'	Hydro Rs.000'	

NOTE A: Investment in field development expenditure

Investment in Immature Plantations 2014/15	129,715	12,694	-	-	142,409
Investment in Immature Plantations 2013	62,638	16,592	-	-	79,230

NOTE B: Investment in Property, Plant & Equipment

Investment in Property, Plant & Equipment 2014/15	120,932	-	-	-	120,932
Investment in Property, Plant & Equipment 2013	47,748	-	-	-	47,748

	Group				Total Rs.000'
	Tea Rs.000'	Rubber Rs.000'	Unallocated Rs.000'	Hydro Rs.000'	

NOTE A: Investment in field development expenditure

Investment in Immature Plantations 2014/15	129,715	12,694	-	-	142,409
Investment in Immature Plantations 2013	62,638	16,592	-	-	79,230

NOTE B: Investment in Property, Plant & Equipment

Investment in Property, Plant & Equipment 2014/15	120,932	-	-	20	120,952
Investment in Property, Plant & Equipment 2013	47,748	-	-	-	47,748

As At	Company		Group	
	31.03.2015 Rs.000'	31.12.2013 Rs.000'	31.03.2015 Rs.000'	31.12.2013 Rs.000'

NOTE C

Cash & Cash Equivalents at the beginning of the year

Cash & Bank Balances	9,294	5,797	29,784	9,467
Short term Investments	9,434	6,675	14,434	11,675
Bank Overdrafts	(48,117)	(26,358)	(48,423)	(26,358)
Short term Loans	(55,000)	(60,000)	(55,000)	(60,000)
	(84,389)	(73,886)	(59,205)	(65,216)

NOTE D

Cash & Cash Equivalents at the end of the period/year

Cash & Bank Balances	5,358	9,294	20,412	29,784
Short term Investments	8,860	9,434	13,860	14,434
Bank Overdrafts	(103,157)	(48,117)	(103,157)	(48,423)
Short term Loans	(45,000)	(55,000)	(45,000)	(55,000)
	(133,939)	(84,389)	(113,885)	(59,205)

NOTE

During the Financial period the Company & the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 120,952,509/=.

The Accounting Policies and Notes on pages 269 to 318 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENT

1. REPORTING ENTITY

Talawakelle Tea Estates PLC was incorporated on 22 June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Talawakelle, Nanuoya, Galle and Deniyaya. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

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

The reporting period of Talawakelle Tea Estates PLC, has been changed from 31 December to 31 March in order to align with the parents reporting period. Therefore, the current year information comprises a period of fifteen months from 1 January 2014 to 31 March 2015. The comparative amounts comprise as at and for the period of twelve months ended 31 December 2013. Therefore, amounts presented in the Financial Statements are not entirely comparable. The disclosures pertaining to change of the financial reporting period has been made in accordance to LKAS 1: Presentation of Financial Statements.

The Consolidated Financial Statements of Talawakelle Tea Estates PLC., as at

and for the fifteen months period ended 31 March, 2015 comprise the Company and its Subsidiaries namely TTEL Hydro Power Co (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd (together referred to as the 'Group').

1.1 Principle Activities and Nature of the Operations

During the period, the principal activities of the company were the producing and processing of Tea and Rubber. Principal activities of other companies in the Group are as follows.

COMPANY	NATURE OF THE BUSINESS
TTEL Hydro Power Co (Pvt) Ltd	Generating hydropower
TTEL Somerset Hydro Power (Pvt) Ltd	Generating hydropower

1.2 Holding Company

The Company is a subsidiary of Hayleys Plantation Services (Pvt) Ltd which is a subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for Issue

The Financial Statements of Talawakelle Tea Estates PLC for the period ended 31 March 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 18 May 2015.

1.4 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

- ☞ Right to Use of Land and leased assets of SLSPC have been revalued as described in Note 12 to the Financial Statements
- ☞ Managed consumable biological assets are measured at fair value

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

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

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

**2.3 Functional and Presentation
Currency**

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

2.4 Materiality and Aggregation

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

**3. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1 Comparative Information

The amounts presented in the Financial Statements are not entirely comparable due to changes of the reporting period. Please refer Note 01 for further clarifications.

3.2 Going Concern

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

3.3 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of

the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

3.3.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree.

For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition - related costs are expensed as incurred and included in administrative expenses.

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held,

over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

3.4 Current versus Non-Current Classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

3.5 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

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

- ☞ Managed Consumable Biological assets Note 14.C.

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

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the

Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

3.6 Foreign Currencies

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI

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

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

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

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

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

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

3.8 Property, Plant & Equipment

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

3.8.1 Basis of Recognition

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

3.8.2 Measurement

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

3.8.3 Owned Assets

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

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

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

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

3.8.4 Leased Assets

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

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

Group as a Lessee

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.8.5 Derecognition

An item of Property, Plant & Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised and, gains are not classified as revenue.

3.8.6 Land Development Cost

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

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

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

3.8.7 Biological Assets

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

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

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the

entity and the fair value or cost of the assets can be measured reliably.

3.8.7.1 Bearer Biological Assets

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

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

3.8.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

3.8.7.3 Borrowing Cost

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

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

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

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

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

3.8.7.4 Consumable Biological Assets

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41.

The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking

in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14.C.

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

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

3.8.7.5 Nursery Plants

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

3.8.8 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land

acquired from SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	NO. OF YEARS
Buildings	31 (Over the remaining lease period)
Roads	5
Plant & Machinery	20
Electronic Machinery	13
Hydro Power Plant	30
Motor Vehicles-Utility	10
Motor Vehicles-Supervisory	5
Equipment	4
Furniture & Fittings	10
Computer Accessories	4

MATURE PLANTATIONS (REPLANTING AND NEW PLANTING)

	NO. OF YEARS
Mature Plantations	
Tea	33 1/3
Rubber	20

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

(b) Amortisation

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

	NO. OF YEARS
Right to Use of Land	53
Improvements to Land	30
Mature Plantations (Tea & Rubber)	30
Buildings	25
Machinery	20
Development Cost	15

3.8.9 Intangible Assets

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

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

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for

an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

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

3.8.9.1 Research and Development

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

- ☞ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

- ☞ Its intention to complete and its ability and intention to use or sell the asset
- ☞ How the asset will generate future economic benefits
- ☞ The availability of resources to complete the asset
- ☞ The ability to measure reliably the expenditure during development

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

Development Cost

Useful Lives	Finite
Amortisation Method Used	Amortised straight line over the right to generate hydro power
Period of Amortisation	15 Years
Internally Generated or Acquired	Acquired

3.9 Financial Instruments

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

3.9.1 Financial Assets

3.9.1.1 Initial Recognition & Measurement

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

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

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

3.9.1.2 Subsequent Measurement

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

(a) Financial Assets at Fair Value Through Profit Or Loss

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

value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the Statement of Profit or Loss.

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

(b) Loans and Receivables

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

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

(c) Held-to-Maturity Investments

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

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

(d) Available for Sale Financial Investments

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

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

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

3.9.1.3 *Derecognition*

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

- ☞ The rights to receive cash flows from the asset have expired

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

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

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

3.9.1.4 *Impairment of Financial Assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such

has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

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

3.9.1.4.1 *Financial Assets Carried at Amortised Cost*

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future

expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

3.9.1.4.2 Available for Sale Financial Assets

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged'

against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from Other Comprehensive Income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in Other Comprehensive Income .

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

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

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

occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairments loss is reversed through the Statement of Profit or Loss.

3.9.2 Financial Liabilities

3.9.2.1 Initial Recognition and Measurement

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

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

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

3.9.2.2 Subsequent Measurement

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

(a) Financial Liabilities at Fair Value Through Profit or Loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

(b) Loans and Borrowings

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

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

3.9.2.3 Derecognition

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

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

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 37.

3.10 Inventories

Finished Goods Manufactured from Agricultural Produce of Biological Assets

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

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural Produce Harvested from Biological Assets

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

3.11 Trade and Other Receivables

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

3.12 Cash and Cash Equivalents

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

3.13 Impairment of Non-Financial Assets

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

or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as

appropriate, and when circumstances indicate that the carrying value may be impaired.

3.14 Provisions

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

3.15 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

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

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through Other Comprehensive Income. Past service costs are recognised immediately in Statement of Profit or Loss.

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

The liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 24.

3.16 Trade and Other Payables

Trade and other payables are stated at their costs.

3.17 Capital Commitments and Contingencies

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

3.18 Events Occurring After the Reporting Date

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

3.19 Earnings Per Share

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

3.20 Deferred Income

3.20.1 Grants and Subsidies

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

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows.

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

Buildings	40 years
Roads	5 Years

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

3.21 Statement of Profit or Loss

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

3.21.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue

can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

- a) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.
- b) Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognised within 'other operating income' in the Statement of Profit or Loss.
- c) For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.
- d) Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

- e) Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

3.21.2 Expenses

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

3.21.2.1 Finance Income and Finance Cost

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

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

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

3.21.2.2 Taxes

3.21.2.2.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation

authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

3.21.2.2.2 Deferred Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

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

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

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

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

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

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

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

3.22 Statement of Cash Flow

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

3.23 Segment Reporting

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

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

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

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

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

Segment capital expenditure is the total cost incurred during the period to

acquire segment assets that are expected to be used for more than one accounting period.

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

4 USE OF ESTIMATES AND JUDGMENTS

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

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

4.2 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 24. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

4.3 Fair Valuation of Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 14.C.

4.4 Impairment of Non-Financial Assets.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

☞ **SLFRS 9 -Financial Instruments: Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently.

☞ **SLFRS 14 -Regulatory Deferral Accounts**

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

☞ **SLFRS 15 -Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

☞ **Amendment to LKAS 41; Agriculture & LKAS 16; Property, Plant & Equipment**

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as property, plant and equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual periods beginning on or after 01 January 2016. However, this amendment has no impact on group's current accounting treatment on recognition and measurement, which is based on CASL ruling issued on 02 March 2012.

None of these new standards and interpretations are expected to have an effect on the Consolidated Financial Statements of the Group, except for SLFRS 9 and 15. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

6. REVENUE

6.1 Summary

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Sale of Goods				
Tea	4,581,599	3,469,886	4,581,599	3,469,886
Rubber	24,603	39,147	24,603	39,147
Mini Hydro Power	-	-	117,519	118,500
Others	37,379	19,305	37,379	19,305
	4,643,581	3,528,338	4,761,100	3,646,838

6.2 Segment Information

a) Segment Revenue

Tea				
Revenue	4,581,599	3,469,886	4,581,599	3,469,886
Revenue Expenditure	(3,853,997)	(2,873,435)	(3,853,997)	(2,873,435)
Depreciation	(160,020)	(128,571)	(160,020)	(128,571)
Other Non Cash Expenditure	(148,744)	(146,594)	(148,744)	(146,594)
Segment Results	418,838	321,286	418,838	321,286
Rubber				
Revenue	24,603	39,147	24,603	39,147
Revenue Expenditure	(40,434)	(39,881)	(40,434)	(39,881)
Depreciation	(3,801)	(2,595)	(3,801)	(2,595)
Other Non Cash Expenditure	-	-	-	-
Segment Results	(19,632)	(3,329)	(19,632)	(3,329)
Mini Hydro Power				
Revenue	-	-	117,519	118,500
Revenue Expenditure	-	-	(28,694)	(16,659)
Depreciation	-	-	(21,268)	(17,274)
Other Non Cash Expenditure	-	-	(980)	-
Segment Results	-	-	66,577	84,567
Unallocated				
Revenue	37,379	19,305	37,379	19,305
Revenue Expenditure	-	-	-	-
Depreciation	-	-	-	-
Other Non Cash Expenditure	-	-	-	-
Segment Results	37,379	19,305	37,379	19,305

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

6.2 Segment Information (Contd.)

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Total				
Revenue	4,643,581	3,528,338	4,761,100	3,646,838
Revenue Expenditure	(3,894,431)	(2,913,316)	(3,923,126)	(2,929,975)
Depreciation	(163,821)	(131,166)	(185,090)	(148,441)
Other Non Cash Expenditure	(148,744)	(146,594)	(149,723)	(146,594)
Segment Results	436,585	337,262	503,161	421,828
Gains on fair value of biological assets	6,830	13,120	6,830	13,120
Other Income	69,507	50,740	53,267	39,274
Administrative Expenses	(157,030)	(101,512)	(168,564)	(109,046)
Management Fees	(6,284)	(26,728)	(6,284)	(26,728)
Government Lease Interest	(32,599)	(23,241)	(32,599)	(23,241)
Finance Income	3,596	2,789	3,477	2,145
Finance Expense	(57,148)	(58,684)	(72,909)	(80,565)
Operating Profit of the Company	263,457	193,746	286,379	236,787
<i>b) Segment Assets</i>				
Non Current Assets				
Tea	2,648,514	2,569,484	2,648,514	2,569,484
Rubber	98,279	91,112	98,279	91,112
Mini Hydro Power	-	-	397,904	404,452
Investment	134,933	134,933	-	-
Consumable Biological Asset	202,472	183,083	202,472	183,083
	3,084,198	2,978,611	3,347,172	3,248,131
Current Assets				
Tea	662,866	740,150	662,866	740,150
Rubber	1,406	4,677	1,406	4,677
Mini Hydro Power	-	-	48,893	53,836
	664,272	744,827	713,165	798,663
Total Assets	3,748,470	3,723,437	4,060,337	4,046,794

6.2 Segment Information (Contd.)

c) Segment Liabilities

Period ended 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Non Current Liabilities and Deferred Income				
Tea	1,532,111	1,671,255	1,532,111	1,671,255
Rubber	-	-	-	-
Mini Hydro Power	-	-	60,101	102,597
	1,532,111	1,671,255	1,592,212	1,773,852
Current Liabilities				
Tea	572,930	581,279	572,930	581,279
Rubber	-	-	-	-
Mini Hydro Power	-	-	45,967	40,444
	572,930	581,279	618,897	621,723
Total Liabilities	2,105,041	2,252,534	2,211,109	2,395,575
d) Segment Capital Expenditure				
Cost				
Tea	237,817	103,195	237,817	103,195
Rubber	12,964	19,516	12,964	19,516
Consumable Biological Asset	12,559	4,268	12,559	4,268
Mini Hydro Power	-	-	20	-
	263,341	126,979	263,361	126,979

7. OTHER INCOME AND GAINS

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Sale of Trees	23,665	18,723	23,665	18,723
Amortisation of Capital Grants	24,828	19,852	24,828	19,852
Profit on Disposal of Assets	3,264	-	3,264	-
Dividend Income	16,240	11,466	-	-
Lease of land for towers	1,510	699	1,510	699
	69,507	50,740	53,267	39,274

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

8. FINANCE INCOME/ EXPENSE

8.1 Finance Income

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Interest Income	3,596	2,789	3,477	2,145
	3,596	2,789	3,477	2,145
8.2 Finance Expenses				
Guarantee Chargers	-	-	(120)	(175)
Overdraft Interest	(3,625)	(3,416)	(3,625)	(3,416)
Short Term Loan Interest	(5,888)	(4,181)	(5,888)	(4,191)
Term Loan Interest	(47,635)	(51,087)	(63,276)	(72,784)
	(57,148)	(58,684)	(72,909)	(80,566)
8.3 Interest Paid to Government on Finance Lease	(32,599)	(23,241)	(32,599)	(23,241)
Net Finance Expense	(86,151)	(79,136)	(102,031)	(101,662)

9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Directors Emoluments	6,545	5,120	6,545	5,120
Key Management Compensation	10,026	10,553	10,026	10,553
Auditors Fees	2,613	2,419	3,092	2,489
Depreciation/Amortisation	163,821	131,167	185,090	148,441
Defined Benefit Plan Costs	148,744	146,594	149,723	146,594
Defined Contributions Plan Costs - EPF & ETF	226,065	179,735	226,065	179,735
Others - Staff Costs	2,247,798	1,643,892	2,255,808	1,643,892

10. INCOME TAX EXPENSE

The major component of income tax expenses for the period are as follows :

10.1 INCOME STATEMENT

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Current Tax Expenses				
Current Income Tax Charges	11,191	12,231	14,972	13,506
Under Provision in respect to current income tax of previous years	266	-	266	-
	11,457	12,231	15,238	13,506
Deferred Tax Expense				
Deferred Taxation Charge /(Reversal)	23,703	23,081	3,680	23,709
	23,703	23,081	3,680	23,709
Total Tax Expense	35,160	35,312	18,918	37,215
10.2 STATEMENT OF COMPREHENSIVE INCOME				
Deferred tax related to items charged or credited directly to OCI during the period / year				
Net gain/ (loss) on actuarial gains and losses	2,895	5,388	2,895	5,388
Income tax charged directly to other comprehensive income	2,895	5,388	2,895	5,388

10.3 RECONCILIATION BETWEEN TAX EXPENSES AND THE PRODUCT OF ACCOUNTING PROFIT MULTIPLIED BY THE STATUTORY EFFECTIVE TAX RATES ARE AS FOLLOWS:

Period ended	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Profit before Tax	263,457	193,745	286,379	236,786
Effective Rate	10.8%	10%	10.8%	10%
Tax effect on Accounting Profit / (Loss) Before Tax	28,456	19,374	30,926	23,679
Tax effect on Aggregate disallowed items	48,892	31,056	48,892	31,056
Tax effect on Aggregate allowable items	(52,771)	(27,168)	(52,771)	(27,168)
	24,577	23,262	27,047	27,567
Tax effect on Non Tax Receipt	(5,173)	(4,444)	(7,187)	(8,748)
Tax effect on Tax Loss B/F & Utilised	(8,213)	(6,587)	(8,213)	(6,587)
	11,191	12,231	11,647	12,232
Dividend Tax @ 10%	-	-	3,325	1,274
Income Tax Charge/(Reversal)	11,191	12,231	14,972	13,506

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10.4 DEFERRED TAX (ASSETS) AND LIABILITIES

As at 31 March/December,	As at 31.03.2015		As at 31.12.2013	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Company				
As at 1 January	298,807	36,546	112,227	8,077
Amount originating during the period/year	175,857	26,598	186,580	28,469
As at 31 March/December	474,664	63,144	298,807	36,546
Temporary difference of property, plant and equipment	439,387	69,247	418,335	65,930
Temporary difference immature/mature	1,754,130	276,451	1,704,106	268,567
Temporary difference of biological asset	202,472	20,247	183,083	18,308
Temporary difference of retirement benefit obligation	(921,388)	(145,211)	(912,752)	(143,850)
Temporary difference deferred income	(166,617)	(26,259)	(190,958)	(30,095)
Carried forward tax losses	(833,320)	(131,331)	(903,007)	(142,314)
As at 31 March/December	474,664	63,144	298,807	36,546

	As at 31.03.2015		As at 31.12.2013	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Group				
As at 1 January	317,819	41,870	133,418	12,772
Amount originating during the period/year	34,353	6,576	184,401	29,097
As at 31 March/December	352,172	48,446	317,819	41,869
Temporary difference of property, plant and equipment	437,219	68,987	437,347	71,253
Temporary difference Immature/Mature	1,754,130	276,451	1,704,106	268,567
Temporary difference of biological asset	202,472	20,247	183,083	18,308
Temporary difference of retirement benefit obligation	(922,369)	(145,328)	(912,752)	(143,850)
Temporary difference Deferred Income	(166,618)	(26,259)	(190,958)	(30,095)
Carried forward tax losses	(952,662)	(145,652)	(903,007)	(142,314)
As at 31 March/December	352,172	48,446	317,819	41,869

	Company		Group	
	As at 31.03.2015	As at 31.12.2013	As at 31.03.2015	As at 31.12.2013
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Deferred Tax Assets	-	-	(14,699)	-
Deferred Tax Liability	63,144	36,546	63,144	41,869
	63,144	36,546	48,445	41,869

11. EARNINGS PER SHARE

11.1 The calculation of the basic earnings per share is based on after tax profit for the period divided by the weighted average number of ordinary shares outstanding during the period.

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

	Company		Group	
	2014/15 Rs.000'	2013 Rs.000'	2014/15 Rs.000'	2013 Rs.000'
Amounts used as the Numerator:				
Net profit/ (loss) applicable to ordinary shareholders for basic earnings per share	228,297	158,433	239,296	173,533
	228,297	158,433	239,296	173,533
Amounts used as the Denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	23,750	23,750	23,750	23,750
	23,750	23,750	23,750	23,750
Earnings/ (Loss) Per Share (Rs.)	9.61	6.67	10.08	7.31

12. RIGHT-TO-USE OF LAND

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

This right-to-use land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use land does not permit further revaluation of right-to-use land. However an adjustment to the “Right-To-Use of Land” could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the 18 June 1992 Statement of Financial Position Date and amortisation of the right to use land up to 31 March 2015 are as follows.

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Capitalised Value				
As at 1 January	200,927	182,382	200,927	182,382
Increase due to reassessment of liability	-	18,545	-	18,545
As at 31 March/December	200,927	200,927	200,927	200,927
Amortisation				
As at 1 January	15,633	10,422	15,633	10,422
Amortisation charge for the period/year	7,176	5,211	7,176	5,211
As at 31 March/December	22,809	15,633	22,809	15,633
Carrying amount	178,118	185,294	178,118	185,294

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

13. IMMOVABLE ESTATE ASSETS ON FINANCE LEASE (OTHER THAN RIGHT-TO-USE OF LAND)

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statement of Financial Position and the amortisation of immovable estate assets to 31 March 2015 are as follows.

	Improvement to Land Rs.000'	Mature Plantations Rs.000'	Company Buildings Rs.000'	Plant & Machinery Rs.000'	Total Rs.000'	Improvement to Land Rs.000'	Mature Plantations Rs.000'	Group Buildings Rs.000'	Plant & Machinery Rs.000'	Total Rs.000'
Cost/ Revaluation										
*Revaluation as at										
22.06.1992	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
As at 1 January 2014	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
As at 31 March 2015	9,084	243,838	63,826	12,007	328,755	9,084	243,838	63,826	12,007	328,755
Accumulated Amortisation										
As at 1 January 2014	6,357	154,841	53,615	12,007	226,820	6,357	154,841	53,615	12,007	226,820
Amortisation for the period	379	10,160	3,191	-	13,730	379	10,160	3,191	-	13,730
As at 31 March 2015	6,736	165,001	56,806	12,007	240,550	6,736	165,001	56,806	12,007	240,550
Written down value										
As at 31 March 2015	2,348	78,837	7,020	-	88,205	2,348	78,837	7,020	-	88,205
As at 31 December 2013	2,727	88,997	10,211	-	101,935	2,727	88,997	10,211	-	101,935

These assets are being amortised in equal annual amounts over the following periods:

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

*Revaluation amount is arrived at after adjusting for assets handed over to Tea Smallholdings Development Authority.

14 A TANGIBLE ASSETS OTHER THAN IMMATURE/MATURE PLANTATIONS

	Balance as at 1.1.2014 Rs.000'	Additions for the period Rs.000'	Company Disposals during the period Rs.000'	Balance as at 31.03.2015 Rs.000'	Balance as at 1.1.2014 Rs.000'	Group Additions for the period Rs.000'	Disposals during the period Rs.000'	Balance as at 31.03.2015 Rs.000'
Cost								
Buildings	453,403	20,861	(814)	473,450	453,403	20,861	(814)	473,450
Motor Vehicles	147,619	37,296	(270)	184,645	147,619	37,296	(270)	184,645
Plant & Machinery	556,441	46,516	(906)	602,052	1,037,847	46,516	(906)	1,083,457
Furniture & Fittings	9,271	348	-	9,619	9,271	348	-	9,619
Equipment & Tools	70,725	13,136	-	83,861	70,755	13,155	-	83,910
	1,237,459	118,157	(1,990)	1,353,627	1,718,895	118,176	(1,990)	1,835,081
	Balance as at 1.1.2014 Rs.000'	Additions for the period Rs.000'	Accumulated depreciation on disposals Rs.000'	Balance as at 31.03.2015 Rs.000'	Balance as at 1.1.2014 Rs.000'	Additions for the period Rs.000'	Accumulated depreciation on disposals Rs.000'	Balance as at 31.03.2015 Rs.000'
Accumulated Depreciation								
Buildings	87,644	15,378	(286)	102,736	87,644	15,378	(286)	102,736
Motor Vehicles	102,300	17,022	(270)	119,052	102,300	17,022	(270)	119,052
Plant & Machinery	311,480	25,076	(671)	335,885	397,797	45,134	(671)	442,260
Furniture & Fittings	6,409	626	-	7,035	6,409	626	-	7,035
Equipment & Tools	61,232	4,989	-	66,221	61,259	4,997	-	66,256
	569,065	63,091	(1,227)	630,929	655,409	83,157	(1,227)	737,339
Written Down Value	668,394			722,698	1,063,486			1,097,742
	Balance as at 01.01.2014 Rs.000'	Additions for the Period Rs.000'	Capitalised/ Disposed during the Period Rs.000'	Balance as at 31.03.2015 Rs.000'	Balance as at 01.01.2014 Rs.000'	Additions for the Period Rs.000'	Capitalised/ Disposed during the Period Rs.000'	Balance as at 31.03.2015 Rs.000'
Capital Work-in-Progress	866	19,518	(16,742)	3,642	866	19,518	(16,742)	3,642
TOTAL WRITTEN DOWN VALUE	669,260			726,340	1,064,353			1,101,384

Note : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22 June 1992) and all investments in tangibal assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12 and 13.

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

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs. 401.7 Mn (2013- Rs.348.8 Mn).

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

14 B IMMATURE/MATURE PLANTATIONS - (BEARER BIOLOGICAL ASSET)

	Company					Group				
	Permanent Land Development Cost Rs.000'	Roads Rs.000'	Immature Plantations Rs.000'	Mature Plantations Rs.000'	Total Rs.000'	Permanent Land Development Cost Rs.000'	Roads Rs.000'	Immature Plantations Rs.000'	Mature Plantations Rs.000'	Total Rs.000'
Cost										
* As at 1 January 2014	23,172	81,225	195,645	1,846,017	2,146,059	23,172	81,225	195,645	1,846,017	2,146,059
Additions	-	324	129,525	-	129,849	-	324	129,525	-	129,849
Transfers	-	-	(53,012)	53,012	-	-	-	(53,012)	53,012	-
As at 31 March 2015	23,172	81,549	272,158	1,899,029	2,275,908	23,172	81,549	272,158	1,899,029	2,275,908
Accumulated Depreciation										
As at 1 January 2014	8,788	70,959	-	362,205	441,952	8,788	70,959	-	362,205	441,952
Charge for the period	965	7,658	-	71,203	79,826	965	7,658	-	71,203	79,826
As at 31 March 2015	9,753	78,617	-	433,408	521,778	9,753	78,617	-	433,408	521,778
Written Down Value										
As at 31 March 2015	13,419	2,932	272,158	1,465,620	1,754,130	13,419	2,932	272,158	1,465,620	1,754,130
As at 31 December 2013	14,384	10,266	195,645	1,483,811	1,704,106	14,384	10,266	195,645	1,483,811	1,704,106

*The figures above are stated after adjusting for assets handed over to Tea Smallholdings Development Authority.

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12 and 13. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 02 March 2012 by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the period under Immature Plantations (2013- Nil).

14 C CONSUMABLE BIOLOGICAL ASSETS

TIMBER PLANTATIONS - MANAGED TREES

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
As at 1 January	183,083	166,844	183,083	166,844
Increase due to development	12,559	4,268	12,559	4,268
Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change	6,830	13,120	6,830	13,120
Decrease due to harvest	-	(1,149)	-	(1,149)
As at 31 March/December	202,472	183,083	202,472	183,083

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees and harvestable under the forestry harvesting plan was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Sunil Fernando Associates, accredited chartered valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

14.C.1 INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

NON FINANCIAL ASSET	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS (PROBABILITY WEIGHTED AVERAGE.)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Consumable Managed Biological Assets	DCF	Discounting Rate	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.450/- to Rs.1,800/-	The higher the price per cu. ft., the higher the fair value
Other key assumptions used in valuation	<ol style="list-style-type: none"> 1 The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan. 2 The prices adopted are net of expenditure 3 Though the replanting is a condition precedent for harvesting' yet the costs are not taken in to consideration. 			

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 valuations as included in the consolidated accounts against his own assumptions.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil. (2013 - nil).

There are no commitments for the development or acquisition of biological assets.

14.C.2 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs.000'	Rs.000'	Rs.000'
Managed Timber	+10%	0%	-10%
As at 31 March 2015	219,321	202,472	185,622
As at 31 December 2013	198,422	183,083	167,739

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

	Rs.000'	Rs.000'	Rs.000'
	19%	17.50%	16%
As at 31 March 2015	199,688	202,472	205,196
As at 31 December 2013	179,022	183,083	187,890

15. INVESTMENTS IN SUBSIDIARIES

Talawakelle Tea Estates PLC holds 3,519,000 (51%) ordinary shares of TTEL Hydro Power Company (Pvt) Ltd. and 3,060,000 (51%) ordinary shares of TTEL Somerset Hydro Power (Pvt) Ltd., and 14% redeemable cumulative preference shares of Rs.10/- each of TTEL Hydro Power Company (Pvt) Ltd. and TTEL Somerset Hydro Power (Pvt) Ltd. amounting to Rs. 53,108,300/= and Rs. 16,034,400/= respectively redeemable in, December 2015.

Company As at 31 March/December	2015 Rs.000'	2013 Rs.000'
Ordinary Shares		
TTEL Hydro Power Company (Pvt) Ltd	35,190	35,190
TTEL Somerset Hydro Power (Pvt) Ltd	30,600	30,600
	65,790	65,790
Preference Shares		
TTEL Hydro Power Company (Pvt) Ltd	53,108	53,108
TTEL Somerset Hydro Power (Pvt) Ltd	16,035	16,035
	69,143	69,143
Total Investment	134,933	134,933

Subsidiaries	Principle Activity
TTEL Hydro Power Company (Pvt) Ltd	Generates Hydro Power
TTEL Somerset Hydro Power (Pvt) Ltd	Generates Hydro Power

16. INVENTORIES

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Biological Assets - Nurseries	22,316	12,520	22,316	12,520
Biological Assets -Harvested Crop	354,655	563,478	354,655	563,478
Input Stocks, Consumables & spares	53,898	30,290	54,311	30,658
	430,869	606,288	431,282	606,656

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

17. TRADE AND OTHER RECEIVABLES

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Produce Debtors	135,243	36,716	135,243	36,716
Advances & Prepayments	52,868	55,068	54,408	83,916
Other Debtors	20,905	20,421	47,792	19,683
	209,016	112,205	237,443	140,315

18. AMOUNTS DUE FROM RELATED COMPANIES

As at 31 March/December	Relationship	Company		Group	
		2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
TTEL Somerset Hydro Power (Pvt) Ltd	Subsidiary Company	-	132	-	-
Dipped Products PLC	Group Company	1,406	-	1,406	-
Hayleys Global Beverages (Pvt) Ltd	Group Company	1,289	-	1,289	-
		2,695	132	2,695	-

19. SHORT TERM INVESTMENT

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Saving Accounts	8,860	9,434	8,860	9,434
Fixed Deposits	-	-	5,000	5,000
	8,860	9,434	13,860	14,434

20. STATED CAPITAL

As at 31 March/December	Company		Group	
	2015 Number	2013 Number	2015 Number	2013 Number
Issued and Fully Paid Ordinary Shares				
Number of ordinary shares including one golden share held by the Treasury which has special rights	23,750	23,750	23,750	23,750
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Stated Capital including one Golden Share held by the Treasury which has special rights	350,000	350,000	350,000	350,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

21. NON-CONTROLLING INTEREST

As at 31 March/December	2015 Rs.000'	2013 Rs.000'
TTEL Hydro Power Company (Pvt) Ltd	85,315	77,027
TTEL Somerset Hydro Power (Pvt) Ltd	82,023	75,827
	167,338	152,854

22. INTEREST BEARING LOANS AND BORROWINGS

Company	2015					2013				
	Repayable within 1 year Rs.000'	Repayable after one year less than five years Rs.000'	Repayable after five years Rs.000'	Sub Total Rs.000'	Total as at 31.03.2015 Rs.000'	Repayable within 1 year Rs.000'	Repayable after one year less than five years Rs.000'	Repayable after five years Rs.000'	Sub Total Rs.000'	Total as at 31.12.2013 Rs.000'
22.1 National Development Bank PLC	55,584	107,778	-	107,778	163,362	63,446	215,494	-	215,494	278,939
22.2 Sampath Bank PLC	13,044	34,780	-	34,780	47,824	16,194	85,982	11,953	97,935	114,129
22.4 Central Finance Company PLC	-	-	-	-	-	5,144	28,456	-	28,456	33,600
22.5 DFCC Bank PLC	-	40,000	10,000	50,000	50,000	-	-	-	-	-
	68,628	182,558	10,000	192,558	261,186	84,784	329,932	11,953	341,885	426,668

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

22. INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

Group	2015					2013				
	Repayable within 1 year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 31.03.2015	Repayable within 1 year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 31.12.2013
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
22.1 National Development Bank PLC	55,584	107,778	-	107,778	163,362	63,446	215,494	-	215,494	278,939
22.2 Sampath Bank PLC	46,135	93,902	-	93,902	140,037	33,834	165,099	11,953	177,052	210,886
22.3 Hatton National Bank PLC	-	-	-	-	-	21,000	18,156	-	18,156	39,156
22.4 Central Finance Company PLC	-	-	-	-	-	5,144	28,456	-	28,456	33,600
22.5 DFCC Bank PLC	-	40,000	10,000	50,000	50,000	-	-	-	-	-
	101,719	241,680	10,000	251,680	353,399	123,424	427,205	11,953	439,158	562,581

Company	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 31.03.2015	Total as at 31.12.2013	Rate of Interest	Terms of Repayment
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'		
22.1 National Development Bank PLC								
Field Development								
4th Disbursement	11,706	32,160	-	32,160	43,866	58,498	9.42%	96 monthly installments commencing from January 2011.
5th Disbursement	29,432	39,503	-	39,503	68,935	115,272	10.00%	60 monthly installments commencing from December 2012.
Process Development	14,446	36,115	-	36,115	50,561	105,170	10.00%	60 monthly installments commencing from July/October 2013
	55,584	107,778	-	107,778	163,362	278,940		

22. INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

Group	Repayable within one year Rs.000'	Repayable after one year less than five years Rs.000'	Repayable after five years Rs.000'	Sub Total Rs.000'	Total as at 31.03.2015 Rs.000'	Total as at 31.12.2013 Rs.000'	Rate of Interest	Terms of Repayment
22.1 National Development Bank PLC								
Field Development								
4th Disbursement	11,706	32,160	-	32,160	43,866	58,498	9.42%	96 monthly installments commencing from January 2011.
5th Disbursement	29,432	39,503	-	39,503	68,935	115,272	10.00%	60 monthly installments commencing from December 2012.
Process Development	14,446	36,115	-	36,115	50,561	105,170	10.00%	60 monthly installments commencing from July/ October 2013
	55,584	107,778	-	107,778	163,362	278,940		

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

22. INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

22.2 Sampath Bank PLC

	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 31.03.2015	Total as at 31.12.2013	Rate of Interest	Terms of Repayment
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'		
Company								
Replanting Loan	13,044	34,780	-	34,780	47,824	64,129	8.00%	92 monthly instalments commencing from April 2011.
Replanting Loan	-	-	-	-	-	50,000	10.76%	
	13,044	34,780	-	34,780	47,824	114,129		
Group								
Replanting Loan	13,044	34,780	-	34,780	47,824	64,129	8.00%	92 monthly instalments commencing from April 2011.
Replanting Loan	-	-	-	-	-	50,000	10.76%	
Mini Hydro - TTELHydro	33,091	59,122	-	59,122	92,213	96,757	AWDR+5%	96 monthly instalments commencing from January 2010.
	46,135	93,902	-	93,902	140,037	210,886		

**22.3 Hatton National Bank PLC
Group**

	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total	Total as at 31.03.2015	Total as at 31.12.2013	Rate of Interest	Terms of Repayment
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'		
Mini Hydro -TTEL Somerset	-	-	-	-	-	39,156	AWDR+4%	
	-	-	-	-	-	39,156		
22.4 Central Finance Company PLC								
Company								
Factory Loan	-	-	-	-	-	33,600	5year Treasury Bond rate+2%	
	-	-	-	-	-	33,600		
Group								
Factory Loan	-	-	-	-	-	33,600	5year Treasury Bond rate+2%	
	-	-	-	-	-	33,600		
22.5 DFCC Bank PLC								
Company								
Factory Loan	-	40,000	10,000	50,000	50,000	-	8.0%	60 monthly instalments commencing from April 2016.
	-	40,000	10,000	50,000	50,000	-		
Group								
Factory Loan	-	40,000	10,000	50,000	50,000	-	8.0%	60 monthly instalments commencing from April 2016.
	-	40,000	10,000	50,000	50,000	-		

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23. SHORT TERM BORROWINGS

	2015 Rs.000'	2013 Rs.000'	Rate of Interest	Terms of Repayment
Company				
Hatton National Bank PLC	-	37,000	} Prevailing money market rates	
The Hongkong and Shanghai Banking Co.	25,000	18,000		
Seylan Bank PLC	20,000	-		
	45,000	55,000		
Group				
Hatton National Bank PLC	-	37,000	} Prevailing money market rates	
The Hongkong and Shanghai Banking Co.	25,000	18,000		
Seylan Bank PLC	20,000	-		
	45,000	55,000		

24. RETIRING BENEFIT OBLIGATIONS

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Provision for retiring gratuity				
At the beginning of the year	912,752	888,170	912,752	888,170
Interest Cost	85,189	88,817	85,189	88,817
Current Service Cost	63,555	57,777	64,535	57,777
Gratuity Payments for the period/year	(121,735)	(87,824)	(121,735)	(87,824)
Actuarial (Gain) / Loss on experience adjustment	(18,372)	(34,188)	(18,372)	(34,188)
At the end of the period/year	921,389	912,752	922,369	912,752

According to the actuarial valuation report issued by the actuarial valuer As at 31 March 2015, the actuarial present value of promised retirement benefits amounted to Rs. 921,389,263/=. If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs.945,859,277 /=. Hence, there is a contingent liability of Rs. 24,470,014/= , which would crystallise only if the company ceases to be a going concern.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

24 RETIRING BENEFIT OBLIGATIONS (CONTD.)

The key assumptions used by Messers NMG Consulting include the following.

	2015	2013
(i) Rate of Discount	10% (per annum)	10% (per annum)
(ii) Rate of Salary Increase		
Workers	20% (every two years)	20% (every two years)
Staff	10% (per annum)	10% (per annum)
(iii) Retirement Age		
Workers	60 years	60 years
Staff	60 years	55 years
(iv) Daily Wage Rate		
Tea	Rs. 450/-	Rs. 450/-
Rubber	Rs. 450/-	Rs. 450/-

The Present Value of Retirement Benefit Obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

	Defined Benefit Obligation As at 31.03.2015 Rs.000'
Within the next 12 months	25,428
Between 1-5years	101,748
Between 5-10 years	199,776
Beyond 10 years	594,437
Total	921,389

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 9.8 years and 11.7 years for staff and workers respectively.

Sensitivity Analysis - Salary/ Wage Escalation Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and salary has the following effect on the retirement benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

24 RETIRING BENEFIT OBLIGATIONS (CONTD.)

Company	Workers				Staff	
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
As at 31 March 2015						
Rate of wage/salary increment in every two years / per annum	19%	20%	21%	9%	10%	11%
As at 31 March 2015	771,084	812,105	855,831	99,054	109,284	121,025
As at 31 December 2013	783,805	820,665	859,869	87,507	92,087	97,182

Sensitivity Analysis - Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of the discount rate has the following effect on the retirement benefit obligation.

Company	Workers				Staff	
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
As at 31 March 2015						
Rate of discount	9%	10%	11%	9%	10%	11%
As at 31 March 2015	905,045	812,105	732,987	120,681	109,284	99,510
As at 31 December 2013	910,649	820,665	744,077	97,657	92,087	87,168

25. DEFERRED INCOME

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Deferred Grants and Subsidies				
Balance at the beginning of the year	190,958	210,292	190,958	210,292
Add : Grants received / (refunded) during the period/year	487	518	487	518
Less : Amortisation for the period/year	(24,828)	(19,852)	(24,828)	(19,852)
Balance at the end of the period/year	166,617	190,958	166,617	190,958

The Company has received funding from the Tea Board during the period for replanting. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Grants are amortised over the life of the assets for which they are being deployed.

26. LIABILITY TO MAKE LEASE PAYMENT

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Gross Liability				
As at 31st March/December	773,479	804,921	773,479	804,921
Finance cost allocated to future periods	(584,508)	(615,304)	(584,508)	(615,304)
Net Liability	188,971	189,617	188,971	189,617
Payable within one year				
Gross liability	25,154	25,154	25,154	25,154
Finance cost allocated to future periods	(24,585)	(24,650)	(24,585)	(24,650)
Net liability transferred to current liabilities	569	504	569	504
Payable within two to five years				
Gross liability	100,615	100,615	100,615	100,615
Finance cost allocated to future periods	(97,496)	(97,855)	(97,496)	(97,855)
Net liability	3,119	2,760	3,119	2,760
Payable after five years				
Gross liability	647,710	679,152	647,710	679,152
Finance cost allocated to future periods	(462,427)	(492,799)	(462,427)	(492,799)
Net liability	185,283	186,353	185,283	186,353
Net liability payable after one year	188,402	189,113	188,402	189,113

Liability to make Lease Payment as above was previously titled as "Net Liability to lessor". The Change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21 August 2013.

According to the reassessment, the base rental payable per year has increased from Rs. 7,225,074/- to Rs. 25,153,765/-

The Statement of Recommended Practice (SoRP) for Right-to-use Land on Lease was approved by the council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative treatment (SoAT) were approved by the Council on 21st August 2013. The Company has reassessed the liability up to Financial Year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDB Deflator of 4% and discounted at a rate of 13% liability would be as follows.

	Rs.'000
Gross Liability	863,000
Finance Charge	(665,254)
Net Liability	197,746

NOTES TO THE FINANCIAL STATEMENTS CONTD.

27. TRADE AND OTHER PAYABLES

As at 31 March/December	Company		Group	
	2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Trade creditors	51,898	86,940	51,898	87,315
Others	157,616	130,525	157,616	130,525
Accrued expenses	136,615	159,616	152,660	161,848
	346,129	377,081	362,174	379,688

28. AMOUNTS DUE TO RELATED COMPANIES

As at 31 March/December	Relationship	Company		Group	
		2015 Rs.000'	2013 Rs.000'	2015 Rs.000'	2013 Rs.000'
Hayleys PLC.	Ultimate Parent	6,199	5,537	6,199	5,658
Hayleys Industrial Solutions (Pvt) Ltd.	Group Company	-	-	-	2,538
Hayleys Power Limited	Group Company	-	-	-	388
Neluwa Cascade Hydro Power (Pvt) Ltd.	Group Company	-	-	-	10
Hayleys Plantation Services (Pvt) Limited.	Parent Enterprise	-	3,554	-	3,554
TTEL Hydro Power Co. (Pvt) Ltd.	Subsidiary Company	3,169	4,165	-	-
Kelani Valley Plantations PLC	Group Company	-	2,462	-	2,462
Hayleys Business Solutions International (Pvt) Ltd	Group Company	79	75	79	75
		9,447	15,793	6,278	14,685

29. DIVIDENDS PER SHARE

	Company	
	2015 Rs.000'	2013 Rs.000'
First & final proposed dividend Rs. 3.00 per share (2013 - Rs.3.00 per share)	71,250	71,250
Number of ordinary shares	23,750	23,750
Dividend per share (Rs.)	3.00	3.00

The Board of Directors has recommended a first and final dividend of Rs. 3.00 per share amounting to Rs.71,250,003/= for the period ended 31 March 2015 (final dividends for 2013 - Rs. 3.00 per share amounting to Rs.71,250,003/-).

This is to be approved at the Annual General Meeting to be held on 29 June 2015.

30. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

Bank	Nature of Assets	Nature of Liability	Carrying Amount Pledged	
			2015 Rs.000'	2013 Rs.000'
Hatton National Bank PLC	Primary floating mortgage for Rs. 109 Mn over lease hold rights of Radella, Palmerstone and Handford Estates.	Term Loan, Short Term Loan & Over Draft	29,364	31,458
Sampath Bank PLC	Primary mortgage over stock for Rs. 45 Mn & Primary mortgage bond for Rs. 46 Mn over leasehold rights of Deniyaya Estate.	Over Draft	13,709	15,162
	Primary mortgage over lease hold rights to the value of Rs. 30 Mn of Clarendon Estate.	Term Loan	18,299	20,070
	Secondary mortgage over leasehold rights to the value of Rs. 20 Mn of Deniyaya Estate.			
National Development Bank PLC	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood and Dessford Estates.	Term Loan	10,950	11,705
	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood and Dessford Estates.	Term Loan	67,709	72,330
Commercial Bank of Ceylon PLC	Concurrent mortgage over stock in trade and debtors for Rs. 100 Mn & additional mortgage over stocks and debtors for Rs. 50 Mn.	Over Draft & Money Market	430,869	606,288
The Hong Kong & Shanghai Banking Co. Ltd	Concurrent mortgage over stocks and debtors for Rs. 65 Mn.	OD/ Short Term Loan	430,869	606,288
Bank Of Ceylon	Guarantee by HPSL for Rs. 50 Mn.	Over Draft		
DFCC Bank PLC	Primary mortgage over lease hold rights of Logie Estate for Rs. 125 Mn.	Term Loan	11,259	-

31. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date

	Company	
	2015 Rs. (Mn)	2013 Rs. (Mn)
Approved by the Board & Contracted for	-	-
Approved by the Board & not Contracted for	230	120
	230	120

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

32. COMMITMENTS AND CONTINGENCIES

- i) The Minister of Finance announced at the interim budget proposal on 29 January 2015, an additional one off tax (super gain tax) of 25% to be charged on profits of entities earned in excess of Rs.2,000 Mn for the year of assessment 2013/2014. It will also apply to group of companies, where aggregate before income tax profits of the holding company and all subsidiaries exceed Rs 2,000 Mn. Hayleys PLC being the ultimate holding company of Talawakelle Tea Estates PLC made a pre-tax profit exceeding the above threshold for the year of assessment 2013/2014 and accordingly may be liable to pay such additional tax in the future. However, in the absence of clarity on the computation of such taxes as at the date of these financial statements were authorized for issue, the portion applicable to Talawakelle Tea Estates PLC is not determinable .
- ii) Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments amount to approximately Rs. 0.68 Mn (2013- Rs. 1.3Mn).

33. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustments or disclosure in the Financial Statements.

34. RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at arm's length and at market price. Details of Significant Related Party Disclosures are as follows.

34.1 Transactions with the parent and ultimate parent company.

Nature of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.000')	
				2015	2013
Hayleys PLC	Ultimate Parent	Mr. A.M. Pandithage Dr. K.I.M. Ranasoma Mr. W.D.N.H. Perera	Data Processing Services, Secretarial Services, Office Rent & Management Salaries	43,301	32,854
Hayleys Plantation Services (Pvt) Limited	Parent	Mr. A.M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Mr. D.S.Senaviratne Mr. W. G. R. Rajadurai Dr. K.I.M. Ranasoma Mr. N. R. Ranatunga	Managing Agent's Fee (5% from Earnings before Interest, Tax, Depreciation and Amortisation)	6,283	26,728
34.2 Transactions with the subsidiaries					
TTEL Hydro Power Company (Pvt) Limited	Subsidiary	Mr. A.M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Mr. A. R. De Zilva Mr. W. G. R. Rajadurai Dr. K. I. M. Ranasoma Dr. A. Sivagananathan	Preference Share Dividends	6,692	6,692
TTELSomerset Hydro Power (Pvt) Ltd	Subsidiary	Mr.A M Pandithage Mr. Merrill J. Fernando Mr. Malik J. Fernando Mr. A. R. De Zilva Mr. W. G. R. Rajadurai Dr. K. I. M. Ranasoma Dr. A. Sivagananathan	Preference and Ordinary Share Dividends Gurantee Charges	9,549 119	4,774 644

34. RELATED PARTY DISCLOSURES (CONTD.)

34.3 Transactions with other related companies

Nature of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.000')	
				2015	2013
Dipped Products PLC	Intermediary Ultimate Parent	Mr. A.M. Pandithage	Proceed on latex supplies	28,253	20
Hayleys Travels & Tours (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Providing of Air Ticketing Services	351	589
Hayleys Agriculture Holdings Limited.	Common Directors	Mr. A.M. Pandithage	Purchase of Equipments & Chemicals	15,276	8,274
Hayleys Industrial Solutions (Private) Limited.	Common Directors	Mr. A.M. Pandithage	Providing of Maintenance to Generator	668	286
Hayleys Agro Fertilizers (Pvt) Limited.	Common Directors	Mr. A.M. Pandithage	Purchase of Fertilizer	133,783	121,781
Hayleys Agro Products (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Purchase of Chemicals	-	589
Kelani Valley Plantations PLC	Common Directors	Mr. A.M. Pandithage Mr. W. G. R. Rajadurai Dr. K.I.M. Ranasoma	Share of Regional Office and Head office maintenance cost		
			- Payments	10,783	7,277
			- Receipts	794	1,734
			Green Leaf Supplies		
			- Payments	4,728	7,102
- Receipts	-	5,816			
Hayleys Business Solutions International (Pvt) Ltd.	Common Directors	Mr. A.M. Pandithage	Payroll processing cost and use of Hardware	571	597
Hayleys Agro Technica Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Chemicals	3,748	2,138
Logiwiz Ltd	Common Directors	Mr. A.M. Pandithage	Providing of document Storing Service	493	462
Puritas (Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Purchases of Mask	26	538
Hayleys Agro Farms (Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Chemicals	850	-
Hayleys Consumer Products (Pvt) Ltd	Common Directors	Mr. A.M. Pandithage	Purchase of Accessories	22	-

34.4 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 9 & 34.1 to the Financial Statements.

Details of Directors and their spouses share holdings are given in the Annual Report of the Board of Directors of the Affairs of the Company.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

35. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 9, 15, 18, 28 & 34 to the financial statements.

36. ADDITIONAL DISCLOSURES FOR CONSOLIDATING 15 MONTHS OPERATION OF SUBSIDIARIES WITH DIFFERENT ACCOUNTING PERIODS

Summarised income statement for the period:	Company		Consolidated	
	01.01.2014- 31.03.2014	01.04.2014- 31.03.2015	01.01.2014- 31.03.2014	01.04.2014- 31.03.2015
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Revenue	1,000,175	3,643,407	1,005,055	3,756,046
Cost Of Sales	(891,088)	(3,315,908)	(899,736)	(3,358,203)
Gross Profit	109,087	327,499	105,319	397,843
Gain/(Loss) On Fair Value Of Biological Assets	-	6,830	-	6,830
Other Income And Gains	2,020	67,487	-	53,267
Administrative Expenses	(33,011)	(124,019)	(35,650)	(132,914)
Management Fee	(6,304)	21	(6,304)	21
Results from Operating Activities	71,792	277,818	63,365	325,047
Finance Income	385	3,211	385	3,092
Finance Expenses	(5,978)	(51,170)	(5,978)	(66,931)
Interest Paid to Government on Finance Lease	(15,592)	(17,007)	(19,629)	(12,969)
Net Finance Expense	(21,185)	(64,966)	(25,222)	(76,808)
Profit/ (Loss) Before Tax	50,607	212,852	38,143	248,239
Income Tax Expense	(8,597)	(26,563)	(9,167)	(9,752)
Profit/ (Loss) For The Period	42,010	186,289	28,976	238,487
Attributable To:				
Equity holders of the Parent	42,010	186,289	34,217	205,080
Non- Controlling Interest	-	-	(5,242)	33,407
	42,010	186,289	28,975	238,487

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.1 FINANCIAL RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The TTEL Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

37.2 CREDIT RISK

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

37.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 135.2 Mn (2013 – Rs. 36.7 Mn).

TTEL has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

37.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 13.8 Mn as at 31 March 2015 (2013 – Rs. 14.4 Mn) which represents the maximum credit exposure on these assets.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.23 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 20 Mn as at 31 March 2015 (2013 – Rs. 29.7 Mn) which represents its maximum credit exposure on these assets.

- ☞ Sampath Bank PLC – AA-(lka)
- ☞ Hatton National Bank PLC –AA – (lka)
- ☞ Bank of Ceylon – AA+ (lka)
- ☞ The Hong Kong and Shanghai Banking Corporation Ltd – AAA(lka)
- ☞ Union Bank – BB+ (lka)

37.3 LIQUIDITY RISK

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

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the longterm investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 March 2015	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	-	32,147	92,117	259,856	10,000	394,120
Short term Interest bearing borrowings	103,157	45,000	-	-	-	148,157
Trade & other payables	-	313,347	48,827	-	-	362,174
	103,157	390,494	140,944	259,856	10,000	904,451
Company						
Interest bearing loans & borrowing	-	21,899	62,610	193,405	10,000	287,914
Short term Interest bearing borrowings	103,157	45,000	-	-	-	148,157
Trade & other payables	-	297,303	48,827	-	-	346,130
	103,157	364,202	111,437	193,405	10,000	782,201

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

As at 31 December 2013	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	-	45,132	125,806	468,359	12,216	651,513
Short term Interest bearing borrowings	48,423	55,000	-	-	-	103,423
Trade & other payables	-	279,580	100,108	-	-	379,688
	48,423	379,712	225,914	468,359	12,216	1,134,624
Company						
Interest bearing loans & borrowing	-	31,238	87,308	362,947	12,216	493,709
Short term Interest bearing borrowings	48,117	55,000	-	-	-	103,117
Trade & other payables	-	276,973	100,108	-	-	377,081
	48,117	363,211	187,416	362,947	12,216	973,907

37.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits available for sale investment & derivative financial instruments.

37.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's longterm debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group held long term borrowings with floating interest rates of Rs. 50 Mn (2013 - Rs. 169 Mn) which represents its maximum credit exposure on these liabilities.

NOTES TO THE FINANCIAL STATEMENTS *CONTD.*

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2014/15	+1%	(1,693)
	-1%	1,693
Company		
2014/15	+1%	(1,693)
	-1%	1,693

37.4.2 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However company does not hold any quoted shares as at reporting date.

37.4.3 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Consolidated		Company	
	2014/15 Rs.'000	2013 Rs.'000	2014/15 Rs.'000	2013 Rs.'000
Interest bearing borrowing				
Current portion of long term interest bearing borrowings	101,719	123,423	68,628	84,783
Payable After one year	251,680	439,159	192,558	341,885
Short term Interest bearing borrowings	148,157	103,423	148,157	103,117
	501,556	666,005	409,343	529,785
Equity				
Equity & debts	1,849,224	1,651,218	1,643,427	1,470,903
Equity & debts	2,350,780	2,317,223	2,052,770	2,000,688
Gearing ratio	21%	29%	20%	26%

10 YEAR SUMMARY

	*2015 Rs.'000	2013 Rs.'000	2012 Rs.'000	**2011 Rs.'000	***2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000	2005 Rs.'000
Group revenue	4,761,101	3,646,837	3,318,149	2,744,505	3,002,624	2,772,125	2,264,085	1,924,383	1,731,612	1,619,598
Profit before Taxation	286,380	236,786	231,283	(22,198)	169,200	(27,887)	111,958	113,017	100,272	112,289
Taxation	(18,919)	(37,215)	(4,585)	(10,532)	(4,691)	(2,514)	(3,952)	(14,700)	(19,906)	(6,895)
Profit after taxation	267,461	199,571	226,698	(32,730)	164,509	(30,401)	108,006	98,317	80,366	105,394
Minority interest	(28,165)	(26,038)	(10,748)	18,690	(17,071)	(8,118)	(1,273)	(1,288)	7	-
Profit attributable to equity holders	239,296	173,533	215,950	(51,420)	147,438	(22,283)	109,279	99,605	80,359	105,394
Stated capital	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Capital reserve	159,693	152,863	139,743	117,267	100,630	-	-	-	-	-
Revenue reserve	1,172,193	995,500	865,662	664,848	792,279	660,904	712,875	669,094	569,488	560,133
Shareholders' fund	1,681,885	1,498,363	1,355,405	1,132,115	1,242,909	1,010,904	1,062,875	1,019,094	919,488	910,133
Non-Controlling Interest	167,338	152,855	136,921	128,329	122,623	54,376	62,494	63,595	22,254	-
Borrowings (both short and long-term)	690,527	855,623	895,920	1,092,427	936,576	1,257,480	1,160,182	911,210	729,975	626,852
	2,539,750	2,506,841	2,388,246	2,352,871	2,302,108	2,322,760	2,285,551	1,993,899	1,671,717	1,536,985
Non-current assets	3,347,168	3,248,131	3,237,928	3,197,861	3,138,780	2,923,602	2,782,252	2,285,360	2,027,207	1,874,245
Current assets	713,165	798,662	620,040	532,418	482,681	717,923	538,701	550,554	332,646	253,272
Current liabilities net of borrowings	(368,452)	(394,373)	(358,488)	(297,388)	(317,746)	(411,043)	(320,697)	(307,733)	(238,308)	(189,753)
Provisions	(985,514)	(954,621)	(900,942)	(853,488)	(751,133)	(685,786)	(516,788)	(403,161)	(329,804)	(258,881)
Deferred income	(166,617)	(190,958)	(210,292)	(226,532)	(250,474)	(221,936)	(197,917)	(131,121)	(120,024)	(141,898)
Capital employed	2,539,750	2,506,841	2,388,246	2,352,871	2,302,108	2,322,760	2,285,551	1,993,899	1,671,717	1,536,985
Net Cash inflow/(outflow) from operating activities	532,290	301,099	336,133	108,711	321,845	315,964	298,251	190,692	228,839	211,616
Net Cash inflow/(outflow) from investing activities	(259,610)	(126,460)	(131,654)	(165,069)	(170,378)	(231,723)	(530,418)	(334,118)	(223,975)	(118,626)
Net Cash inflow/(outflow) from finance activities	(327,359)	(168,629)	(66,040)	(164,130)	(249,640)	176,655	149,279	198,440	(51,480)	8,377
Increase/(decrease) in cash & cash equivalents	(54,680)	6,010	138,439	(220,488)	(98,173)	260,896	(82,888)	55,014	(46,616)	101,367
Key Indicators										
EPS (basic) (Rs.)	10.08	7.31	9.09	(2.17)	6.21	(0.94)	4.60	4.19	3.38	4.44
Net assets per share (Rs.)	70.82	63.09	57.07	47.67	52.33	42.56	44.75	42.91	38.72	38.32
Market price per share (Rs.)	35.10	24.00	24.00	29.70	46.40	25.25	13.00	35.75	25.25	17.00
Price earning ratio (times)	3.49	3.28	2.64	(13.72)	7.47	(26.86)	2.80	8.50	7.50	3.80
Current ratio (times)	1.16	1.28	1.16	0.88	1.17	1.17	0.90	0.90	0.70	0.70
Return on equity%	15.04	12.16	17.36	(4.33)	13.08	(2.15)	10.50	10.30	8.80	12.00
Debt to equity%	37.30	51.80	60.00	86.70	65.80	124.39	109.20	89.40	79.40	68.90
Dividend per share (Rs.) - Company	3.00	3.00	2.50	-	2.50	-	1.25	-	2.50	1.50
Dividend payout ratio (times) - Company	0.29	0.41	0.27	-	0.40	-	0.27	0.60	0.74	0.34

* 15 months results.

** Restated - Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flow

*** Restated - Statement of Financial Position

INVESTOR INFORMATION

1. STOCK EXCHANGE

Interim Financial Statements for the 15 months ended 31st March 2015, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2015

Number of shareholders as at 31st March 2015 is 13,592 (2013-13,662)

NO. OF SHARES HELD	RESIDENTS			NON RESIDENTS			TOTAL		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1,000	13,379	2,141,301	9.0160	4	1,600	0.0067	13,383	2,142,901	9.0227
1,001-10,000	167	535,709	2.2556	4	18,073	0.0761	171	553,782	2.3317
10,001-100,000	28	753,634	3.1732	3	73,517	0.3095	31	827,151	3.4827
100,001-1,000,000	5	1,291,466	5.4378				5	1,291,466	5.4378
Over 1,000,000	2	18,934,700	79.7251				2	18,934,700	79.7251
	13,581	23,656,810	99.6077	11	93,190	0.3923	13,592	23,750,000	100.0000

CATEGORY

Individuals	13,516	3,598,515	15.1517	10	78,190	0.3291	13,526	3,676,705	15.4809
Institutions	65	20,058,295	84.4560	1	15,000	0.0632	66	20,073,295	84.5191
	13,581	23,656,810	99.6077	11	93,190	0.3923	13,592	23,750,000	100.0000

Of the issued ordinary share capital 99.61% is held by residents of Sri Lanka.

3. PUBLIC HOLDING

Percentage of shares held by the public is 20.27% (2013-20.27%).

Total number of shareholders representing the public holding as at 31st March 2015-13,588 (2013-13,597)

4. MARKET VALUE

The market value of Talawakelle Tea Estates PLC ordinary shares was:

	15 MONTHS ENDED 31.03.2015 Rs.	12 MONTHS ENDED 31.12.2013 Rs.	12 MONTHS ENDED 31.12.2012 Rs.
Highest	38.90 (23rd February 2015)	29.00 (06th February 2013 & 22nd April 2013)	35.00 (18th September 2012)
Lowest	24.00 (04th January 2014)	16.30 (09th February 2013)	12.70 (06th June 2012)
Year end	35.10	24.00	24.00

5. DIVIDEND PAYMENT

First and final dividend of Rs. 3.00 Per share is recommended by the board to be paid on 09/07/2015 (2013 - Rs. 3.00) subject to Shareholders approval at AGM.

6. SHARE TRADING

	15 MONTHS ENDED 2015	12 MONTHS ENDED 2013	12 MONTHS ENDED 2012
No. of transactions	2,849	2,253	1,601
No. of shares traded	2,707,295	1,416,648	803,296
Value of shares traded (Rs.)	86,399,315	34,557,181	21,151,034

7. TWENTY MAJOR SHAREHOLDERS

	NAME OF THE SHAREHOLDER	NO.OF SHARES AS AT 31.03.2015	%	NO.OF SHARES AS AT 31.12.2013	%
1	HAYLEYS PLANTATION SERVICES (PRIVATE) LIMITED	17,750,000	74.74	17,750,000	74.74
2	MERRILL J FERNANDO & SONS (PVT) LIMITED	1,184,700	4.99	1,184,700	4.99
3	ANVERALLY AND SONS (PVT) LTD A/C NO 01	613,200	2.58	613,200	2.58
4	MR. G.M. WEERAKOON	283,259	1.19	13,724	0.06
5	WALDOCK MACKENZIE LTD/CEYLINCO SHRIRAM CAPITAL MANAGEMENT SERVICES CO. (PVT) LTD	181,900	0.77	181,900	0.77
6	MR. N.A. WITHANA	112,100	0.47	1	0.00
7	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	101,007	0.42	101,007	0.42
8	MR. R.V.D. PIYATHILAKE	80,090	0.34	18,805	0.08
9	MRS. U.D.D.N. PERERA	55,253	0.23	-	0.00
10	MR. P.A.D. SAMARASEKERA	53,400	0.22	53,400	0.22
11	MR. K.C. VIGNARAJAH	48,800	0.20	48,800	0.20
12	MR. S. ABISHEK	46,737	0.20	-	0.00
13	MR. RADHAKRISHNAN (DECEASED)	40,000	0.17	40,000	0.17
14	MR. M. DURAISINGAM	39,070	0.16	-	0.00
15	MRS. J.K.P. SINGH	38,517	0.16	38,517	0.16
16	MS. M.J. NIHARA	33,000	0.14	29,000	0.12
17	MR. T. GOVINTHADAS	24,477	0.10	-	0.00
18	MRS. F.H. ZAHEEN	24,000	0.10	24,000	0.10
19	MERCHANT BANK OF SRI LANKA LIMITED A/C NO. 01	22,600	0.10	-	0.00
20	ASHA FINANCIAL SERVICES LIMITED/MR. C.N. PAKIANATHAN	22,521	0.09	-	0.00

GLOSSARY

FINANCIAL TERMS

ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

AGRICULTURAL ACTIVITY

Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

AGRICULTURAL PRODUCE

The harvested product of the entity's biological assets.

HARVEST

Detachment of produce from a biological asset or the cessation of biological assets life processes.

AMORTISATION

The systematic allocation of depreciable amount of an intangible asset over its useful life.

BEARER BIOLOGICAL ASSETS

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

BORROWINGS/DEBT

Bank loans, overdrafts, long term loans, debentures, finance lease obligations and interest bearing liabilities.

CAPITAL EMPLOYED

Shareholder's funds plus non controlling interests and debts.

SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

CASH EQUIVALENTS

High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

CONTINGENT LIABILITY

A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

CURRENT RATIO

Current assets divided by current liabilities.

DEBT/ EQUITY RATIO

Debt as a percentage of shareholders funds and non controlling interests.

DEFERRED TAXATION

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDENDS

Distribution of profits to holders of equity investments.

DIVIDEND PAY OUT

Dividend per share divided by Earnings per share.

EBIT

Earning Before Interest and Tax (includes other operating income).

EBITDA

Abbreviation for earnings before Interest Tax Depreciation & Amortisation.

EARNINGS PER SHARE

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

INTEREST COVER

Consolidated profit before interest and tax over finance expenses.

IFRS

International Financial Reporting Standards.

SLFRS

Sri Lanka Financial Reporting Standards.

SoRP

Statement of Recommended Practices.

MARKET CAPITALISATION

Number of shares in issue at the end of the period multiplied by the market price at the end of period.

NET ASSETS

Total assets less current liabilities less long term liabilities less non - controlling interests.

NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NON CONTROLLING INTEREST

Part of the net results of operations and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

PRICE EARNINGS RATIO

Market price of a share divided by earnings per share.

RELATED PARTIES

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

RETURN ON EQUITY (ROE)

Profits attributable to shareholders as a percentage of average shareholders' funds.

RETIREMENT BENEFITS

Present value of a defined benefit obligation

Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Actuarial gains and losses

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

SLAS

Sri Lanka Accounting Standards.

SEGMENT

Constituent business units grouped in terms of nature and similarity of operations.

WORKING CAPITAL

Capital required to finance the day-to-day operations (current assets minus current liabilities).

UITF

Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka

NON-FINANCIAL TERMS

BIODIVERSITY

The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

CARBON DIOXIDE SEQUESTRATION

The capture of atmospheric carbon dioxide (CO₂) in a solid material such as growing trees, other vegetation and soils or a carbon sink through biological or physical processes, such as photosynthesis.

COP

Cost of Production. This generally refers to the cost of producing a kilo of produce (Tea/Rubber/Coconut).

COS

Cost of Sale. The cost incurred on preparation to salable condition of the good sold.

CROP

The total produce harvested over a given period of time. (Usually during a financial year).

EXTENT IN BEARING

The extent of land from which crop is being harvested. Also see "Mature Plantation".

ETHICAL TEA PARTNERSHIP (ETP)

ETP is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

FIELD

A unit extent of land. Estates are divided into fields in order to facilitate management.

GSA

The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc.

HACCP

Hazard Analysis Critical Control Point System. A scientific system which identifies, evaluates and control hazards which are significant for food safety.

GLOSSARY *CONTD.*

IMMATURE PLANTATION

The extent of plantation that is under development and is not being harvested.

INFILLING

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

ISO

International Organisation for Standardisation. A worldwide federation of national standard bodies.

ISO 22000

International Standard for Food Safety Management Systems (FSMS) released by ISO in September 2005.

MATURE PLANTATION

The extent of plantation from which crop is being harvested. Also see “Extent in Bearing”.

NSA

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees and Cost of Gratis teas. (Also see GSA).

RAINFOREST ALLIANCE (RA)

The Rainforest Alliance functions as the Secretariat of the SAN and administers its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviours.

REPLANTING

A method of field development where an entire unit of land is taken out of “bearing” and developed by way of uprooting the existing tree/bushes and replanting with new trees/bushes.

SEEDLING TEA

Tea grown from a seed. (Also see VP Tea).

SUSTAINABLE AGRICULTURE NETWORK (SAN)

SAN is a coalition of independent non-profit conservation organisations that promote the social and environmental sustainability of agricultural activities by developing standards. SAN promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards.

VP TEA

Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see “Seedling”).

YIELD

The average crop per unit extent of land over a given period of time. (Usually kgs per hectare per year).

UTZ

Means “good” in Mayan language Quiché. UTZ certified is a sustainability program for coffee, cocoa and tea. It trains farmers how to produce sustainably improving their quality of life, environment and products. UTZ certified is working towards making tea sector sustainable.

PHDT

Plantation Human Development Trust.

NIPM

National Institute of Plantation Management.

TRI

Tea Research Institution.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Talawakelle Tea Estates PLC, will be held at No. 400, Deans Road, Colombo 10 Sri Lanka, on 29th June, 2015 at 10.00a.m. and the business to be brought before the meeting will be :

- 1) To consider and adopt the Annual Report of the Board and the Statements of Accounts for the period ended 31st March 2015, with the Report of the Auditors thereon.
- 2) Declare a dividend as recommended by the Directors.
- 3) To re-elect Mr. Malik J. Fernando, who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Prof. Uditha Liyanage, who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-elect Mr. L.N.de S. Wijeyeratne , who retires by rotation at the Annual General Meeting, a Director.
- 6) To re-appoint Mr. Merrill J Fernando, who retires having attained the age of Eighty Five years and the company having received special notice of the undernoted ordinary resolution in compliance with Section 211 of the Companies Act No.07 of 2007 in relation to his re-appointment.

ORDINARY RESOLUTION

That, Merrill Joseph Fernando a retiring Director, who has attained the age of Eighty Five years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in section 210 of the Companies Act No.7 of 2007 shall not apply to the appointment of the said Director.

- 7) To authorise the Directors to determine contributions to charities for the year 2015/16.
- 8) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young , who are deemed to have been reappointed as Auditors for the financial year 2015/16 in terms of Section 158 of the Companies Act no.7 of 2007.
- 9) To consider any other business of which due notice has been given.

Note :

- (1) A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office No. 400, Deans Road, Colombo 10 Sri Lanka by 10.00 a.m. on 27th June 2015.

- (2) It is proposed to post ordinary dividend warrants on 9th July 2015 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 30th June 2015.

By Order of the Board
TALAWAKELLE TEA ESTATES PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
26th May, 2015

FORM OF PROXY

PQ36

I/We* of
.....
being a shareholder/ shareholders* of TALAWAKELLE TEA ESTATES PLC hereby appoint,

1.
of or failing him/them,*
2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Third Annual General Meeting of the Company to be held on Monday, 29th June, 2015 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

	For	Against
1) To consider and adopt the Annual Report of the Board and the Statements of Accounts for the period ended 31 March 2015, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. Malik J. Fernando, who retires by rotation at the Annual General meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Prof. Uditha Liyanage, who retires by rotation at the Annual General meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. L.N.de S. Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-appoint Mr. Merrill J Fernando , who retires having attained the age of Eighty Five years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7) To authorise the Directors to determine contributions to charities, for the year 2015/16.	<input type="checkbox"/>	<input type="checkbox"/>
8) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been re-appointed as Auditors for the financial year 2015/16.	<input type="checkbox"/>	<input type="checkbox"/>

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this day of 2015.

Witnesses:
.....
.....

.....
Signature of Shareholder

NOTE :* Please delete the inappropriate words.

1. A proxy need not be a member of the Company.
2. Instructions as to completion appear on the reverse.

FORM OF PROXY *CONTD.*

Instructions as to Completion

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No.400, Deans Road, Colombo 10 Sri Lanka, by 10.00a.m. on 27th June, 2015.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1 overleaf and initial against this entry.
4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

CORPORATE INFORMATION

NAME OF COMPANY

Talawakelle Tea Estates PLC

LEGAL FORM

A Public Limited Company
Incorporated in Sri Lanka on 22 June
1992

COMPANY NUMBER

PQ 36

ACCOUNTING YEAR END

31st March

PRINCIPAL LINE OF BUSINESS

Cultivation and Manufacture of Black Tea

STOCK EXCHANGE LISTING

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

DIRECTORS

Mr A M Pandithage-*Chairman*
Mr W G R Rajadurai-*Managing Director*
Mr Merrill J Fernando
Mr Malik J Fernando (*Alternate-Mr D C Fernando*)
Prof. U Liyanage
Dr S S S B D G Jayawardena
Mr L N De S Wijeyeratne
Dr K I M Ranasoma
Mr W D N H Perera (*Alternate-Mr J M Kariapperuma-Appointed 13-02-2015*)
Ms M D A Perera
Mr N T Bogahalande
Mr D S Seneviratne

MANAGING AGENT

Hayleys Plantation Services (Private)
Limited, 400, Deans Road,
Colombo 10, Sri Lanka.

REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka

HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka
Telephone : (94-11) - 2627754-5,
2697203

Fax : (94-11) - 2627782, 2674592

E-mail : tpl.tea@ttel.hayleys.com

Website : www.talawakelleteas.com

SECRETARIES

Hayleys Group Services (Private)
Limited, 400, Deans Road,
Colombo 10, Sri Lanka.

BANKERS

Commercial Bank of Ceylon PLC
Sampath Bank PLC
National Development Bank PLC
Hatton National Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking
Corporation Limited
Deutsche Bank AG
Indian Bank
Union Bank of Colombo Ltd
DFCC Bank PLC
Seylan Bank PLC

AUDITORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10,
Sri Lanka.

LEGAL ADVISORS

M/s F J & G de Saram
Attorneys-at-Law
216, De Saram Place, Colombo 10,
Sri Lanka.

TAX ADVISORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10,
Sri Lanka.



*Triumph
amidst trial*

Talawakelle Tea Estates PLC, No. 400, Deans Road, Colombo 10, Sri Lanka.