



Horana Plantations PLC



A Member of CT Holdings PLC

Annual Report 2011/12

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FINANCIAL CALENDAR

	2011/12	2010/11
Interim Financial Statements:		
Three months ended 30th June	10-Aug-11	3-Aug-10
Six months ended 30th September	4-Nov-11	3-Nov-10
Nine months ended 31st December	3-Feb-12	24-Jan-11
Twelve months ended 31st March	27-Apr-12	6-May-11
Annual Report		
	27-Jun-12	30-Jun-11
18th Annual General Meeting		29-Jul-11
19th Annual General Meeting	20-Jul-12	

QUARTERLY RESULTS

	2011/12 Rs'000	2010/11 Rs'000	Change %
Revenue :			
1st Quarter	492,855	436,204	13
2nd Quarter	484,175	461,223	5
3rd Quarter	522,020	560,643	(7)
4th Quarter	525,993	621,650	(15)
Year	2,025,043	2,079,720	(3)
Gross Profit :			
1st Quarter	10,796	9,628	12
2nd Quarter	28,352	84,271	(66)
3rd Quarter	64,507	175,626	(63)
4th Quarter	97,159	195,183	(50)
Year	200,814	464,708	(57)
Net Profit :			
1st Quarter	(13,303)	(13,729)	3
2nd Quarter	(1,009)	49,221	(102)
3rd Quarter	(33,673)	135,307	(125)
4th Quarter	131,916	158,799	(17)
Year	83,931	329,598	(75)



Award for GSA - High Grown Category - 2011 by Forbes & Walker



Certificate of Compliance received at ICASL Annual Report Awards 2011



HACCP/ISO 22000 Certification for Eildon Hall Estate Tea Factory



HACCP/ISO 22000 Certification for Fairlawn Estate Tea Factory

Chairman's Review

It gives me great pleasure to present on behalf of Board of Directors an overview of your company's performance as reflected in the Audited Financial Statements for the year ended 31st March 2012.

The year under review was a very challenging one for the country's tea plantation sector and for your company as well. Based on the published results of all listed Regional Plantation Companies, it is estimated that the tea sectors of these companies collectively made a loss of Rs 2.7 Billion for the period under review. This was largely due to the 27% increase in wages and the resulting gratuity top-up which came into force in April 2011 besides the unfavourable market conditions.

Despite numerous challenges, Horana Plantations PLC (HP-PLC) remained profitable, recording a pre-tax profit of Rs. 84.390 Million, though this was a significant decline from the phenomenal performance of the previous financial year when pre-tax profits surged to Rs. 338.368 Million. The decline in overall profits from the record-breaking 2010-11 year is a clear indication of the unprecedented challenges faced by the country's Tea Sector as a whole. The recorded loss of Rs. 160.825 Million was the highest in the Company's history.

The Rubber Sector continues to perform well, recording a profit of Rs. 267.401 Million. This however is lower than the levels reached in 2010-2011 when this sector achieved a profit of Rs 339.765 Million. The decline was mainly due to the reduction in market prices and increased cost of production due to a wage increase. Despite adverse weather, our yields improved to 802 kgs per hectare from 739 kgs per hectare recorded in the previous year. Increase in productivity is linked to the innovative agricultural practices and stringent management controls carried out by the company. A detailed account of the Company's performance is given in the Managing Director/CEO's Review on pages 2 to 6.

The negative performance of the Tea Sector was due mainly to the unfavourable market conditions that prevailed during the year under review. While there was much hope that the global economic recovery would gain momentum in the 2011-12 period, political turmoil in some of Sri Lanka's main Tea exporting markets dented this optimism. The civil unrest in the Middle East, tensions in the Persian Gulf following the imposition of stringent US economic sanctions on Iran and the burgeoning European debt crisis collectively affected Sri Lanka's Tea exports to some of its vital markets, resulting in the Gross Sale Average declining to dangerously low levels, from Rs. 371.54 per kg in 2010 to Rs 360.68 per kg in 2011.

Rubber prices increased significantly during the first three quarters of the year to the highest ever levels thanks to the increased demand for natural rubber from emerging economies. Rubber prices continued to be favourable in the world market over the past three years during which high petroleum prices resulted in higher synthetic rubber prices. But economic activity in emerging markets such as India and China helped keep demand high in the natural rubber sector. The average prices of all rubber varieties remained high in 2011. The annual average price of RSS 1 increased to Rs. 508.80 per kg, a 26 per cent increase from the previous year's Rs.403.02 per kg. Similarly the price of Crepe Rubber No.1 also increased by 25% to Rs. 566.60 per kg from Rs.452.65 per kg the previous year, However there was a sharp decline in the prices of both Crepe and RSS during the last quarter of 2011. This is reason enough to be cautious in our outlook for the immediate future of the Rubber industry.

The Company has decided to embark on planting of oil palm commencing from year 2013 in order to minimize the adverse effects of our main crops. A nursery has been established for this purpose and we intend planting around 500 hectares during a five year period as part of HP-PLC's diversification programme.

Your Company has always been proactive in taking steps to protect the environment and to fulfil its social responsibility. We remain committed to reduce the company's "carbon footprint" and to ensure that the production happens in an environmentally friendly and sustainable manner. To this end, five of our up-country estates have applied for the Rainforest Alliance Certification which highlights our garden marks as tea grown under environmentally and socially conscious standards.

The Company's commitment toward providing and improving social amenities of our workforce continued during the year 2011-2012. HP-PLC has continued to invest in human resource development and the creation of participatory mechanisms for health and safety, skills training and capacity building within our estate communities.

In my view, it is imperative that the wage structure of the plantation workers should be linked to productivity if the industry is to remain viable. We hope all concerned will realize the threats to the industry that have been posed through these arbitrary wage hikes.

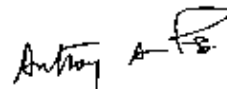
In this context I wish to express caution regarding legislation requiring the replanting of 2 percent of land extent. Replanting has been an integral part of our strategies. However we should be cautious about the mandating, via legislation, the replanting of a specific percentage of the land regardless of other important considerations such as the existence of low-yielding areas, lack of long-term funding and other economic factors. It is important that all stakeholders, including policy-makers, recognize the issues and develop a viable model for replanting as an overwhelming priority for the long-term sustainability of the Industry.

Dividend

I am pleased to announce a first and final dividend of Rs. 1.00 per ordinary share and this will be paid after the approval of the shareholders at the 19th Annual General Meeting.

Acknowledgement

I take this opportunity to place on record my appreciation to the Board of Directors for their guidance and direction , all employees for their loyal and dedicated service and I thank the shareholders for their unwavering support and confidence in the Company.



Anthony A Page
Chairman

31st May 2012

Managing Director / CEO's Review

I am pleased to present a detailed review of operations and the performance of Horana Plantations PLC for the financial year 2011/12. I am happy to report that our Company has remained competitive and profitable in a challenging environment both locally and internationally. On the local front, the cost of production soared mostly due to increase in labour wages while internationally some of Sri Lanka's key export markets, particularly for plantations products, were severely affected due to continued financial crisis in Europe and social and political unrest in the Middle East. Despite these numerous challenges, the Company recorded a profit after tax of Rs. 83.931 Million. Though this was a decrease of Rs. 245.667 Million from the record breaking profit figure of Rs. 329.598 Million achieved in the previous year, the performance was still satisfactory, considering the challenges faced by the Plantation Companies, particularly in the high grown tea sectors.

Tea

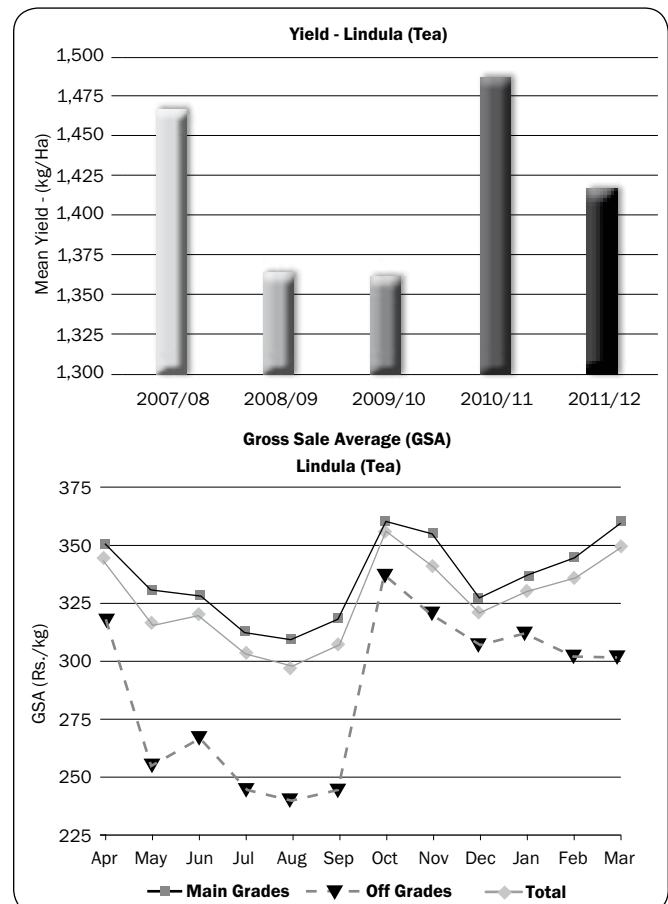
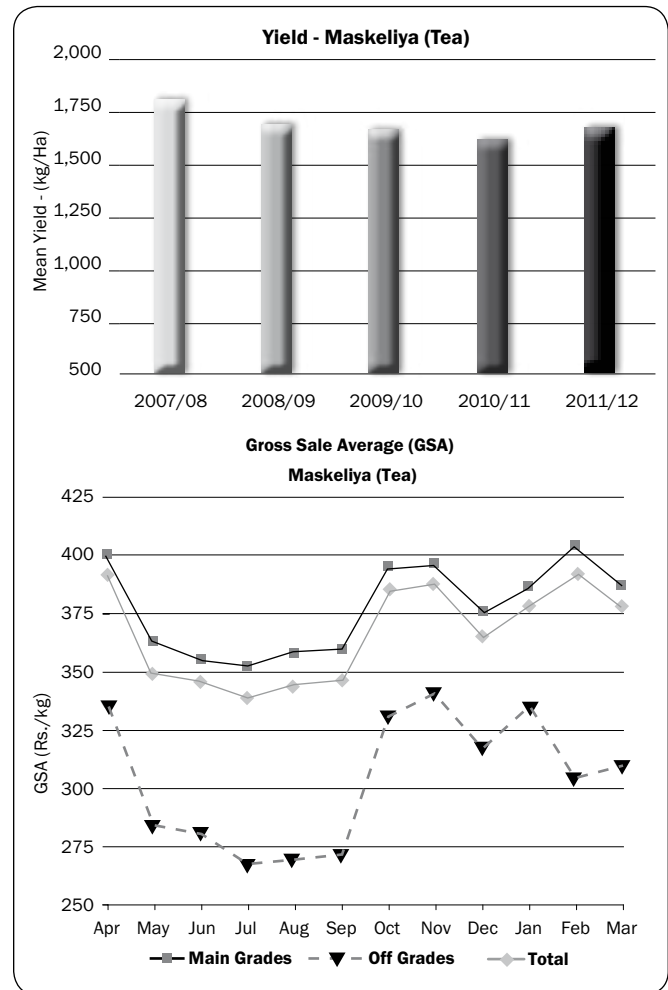
In 2011 the tea sector in Sri Lanka enjoyed a significantly favourable year even though overall production was marginally lower by 3.056 Million kilograms at 328.370 Million kilograms compared to 2010. This was mainly due to adverse weather conditions that affected the Mid Country plantations. It is therefore particularly satisfying to report that while overall tea production in the country declined in the year under review, our Company's Tea crop increased to 3.819 Million kilograms against the previous year's crop of 3.778 Million kilograms. It is further noteworthy that productivity also increased during the period under review. The tea yield in our plantations was 1,554 kgs per hectare up from 1,541 kgs per hectare recorded in the previous year. The innovative field practices adopted with the assistance of the Tea Research Institute of Sri Lanka have greatly contributed to this success. The Company encouraged shear plucking in estates that have less workers to increase productivity. With the introduction of a collapsible plastic plucking basket as against the traditional bamboo plucking basket, productivity improved sharply.



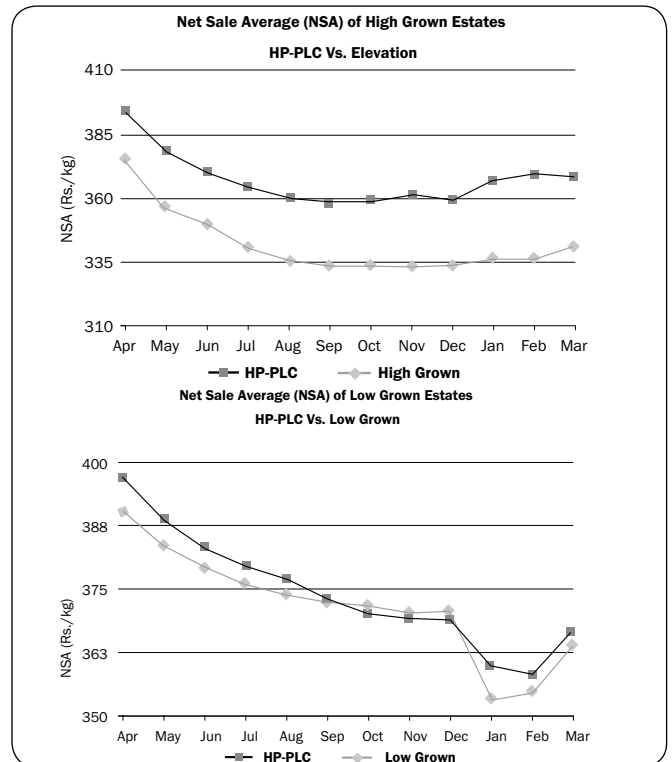
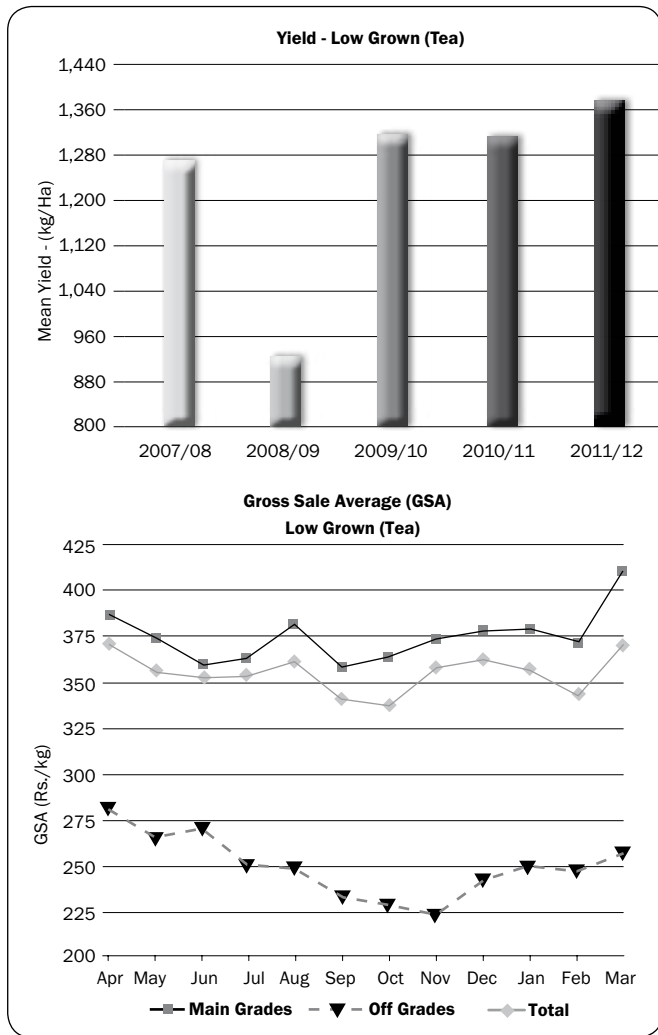
Shear plucking at Alton Estate, Upcot.

Due to severe problems in some of Sri Lanka's main Tea markets, prices were low for all plantations. Particularly the unrest in the Middle East countries uprising and the European debt crisis severely dented demand for Ceylon Tea. As a result a kilogram of tea that was selling as Rs. 355.65 per kg in 2010/11 was reduced to Rs. 336.28 per kg in the year under review.

The phenomenal increase in the cost of production also dealt a double blow to our bottom line in a year that saw demand and costs move unfavourably in opposite directions. The cost of producing one kilogram of Tea, which was Rs. 337.71 per kg in 2010/11, increased to Rs. 378.40 per kg in the year under review. Higher operating costs in 2011/12 impacted the tea sector with the increase in labour wages and resulting gratuity provision contributing to this year's increased cost of production. As a result the Company suffered its worst year in terms of profitability from the tea sector registering a loss of Rs. 160.825 Million.



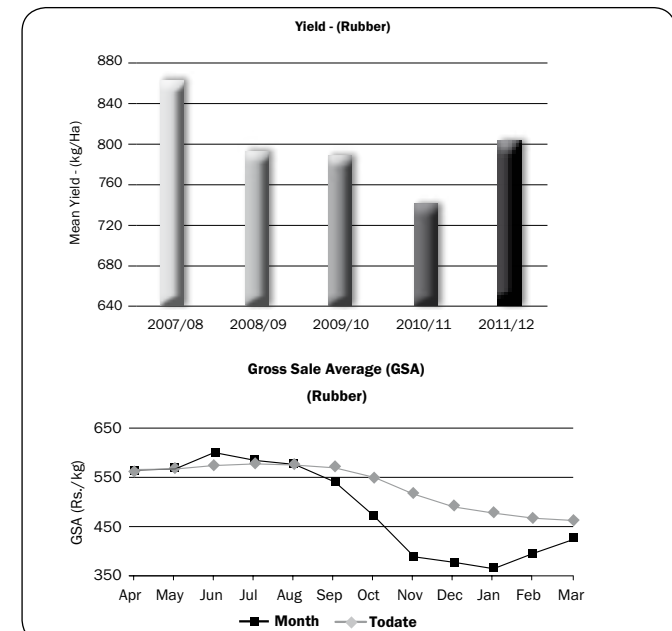
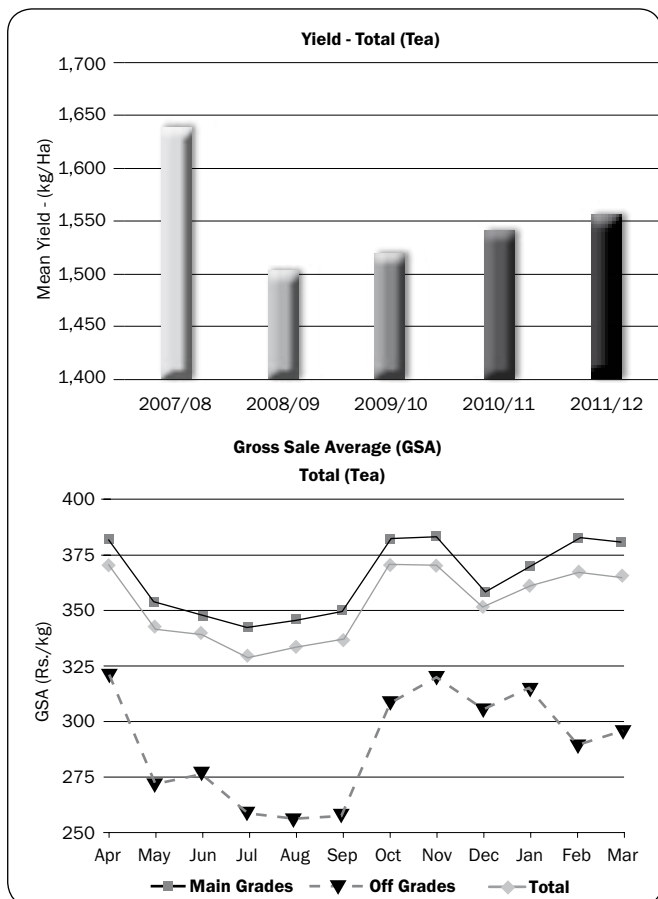
Managing Director / CEO's Review (Contd.)



Rubber

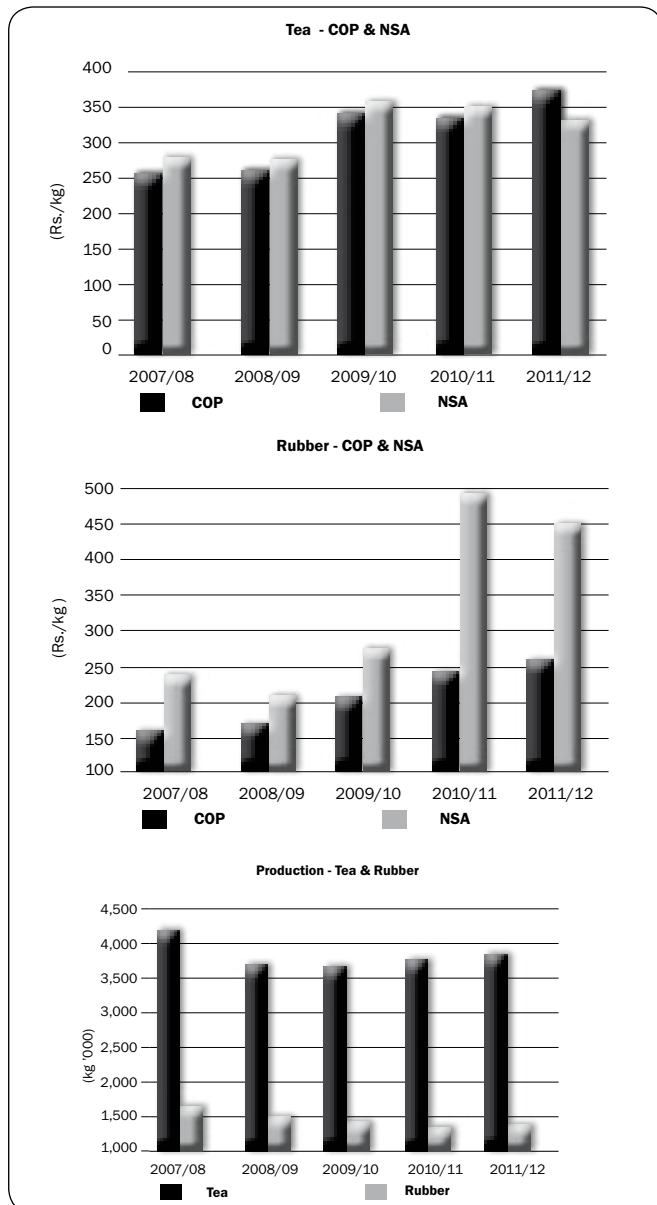
Compared to the Tea sector, the Rubber sector performed well. In fact it is mainly due to the performance of the rubber sector that our Company has managed to remain profitable in 2011/2012. The Rubber crop in our plantations increased marginally to 1.402 Million kilograms from the previous year's level 1.344 Million kilograms. This year under review our Rubber plantations yielded 802 kgs per hectare a significant increase from the previous year's level of 739 kgs per hectare.

Rubber contributed Rs. 267.401 Million to the Company's total profitability, a significant decrease from the record breaking figure of Rs. 339.765 Million the previous year. Even though this is a decrease of Rs. 72.364 Million or 21 % the significant earnings from Rubber allowed the company's fortunes to remain positive. While in the year 2010/11 rubber brought in a phenomenal income of Rs.339.765 Million the previous three years numbers were Rs. 124.539 Million, Rs. 59.608 Million and Rs. 102.296 Million respectively. Therefore this year's number of Rs. 267.401 Million is satisfactory even though it is lower than figure from the record-breaking year of 2010/11.



Managing Director / CEO's Review (Contd.)

The Net Sales Average for rubber decreased to Rs. 453.33 per kg from Rs. 497.67 per kg in 2010/11. However Rubber prices have remained stable in the world market, especially since the cost of production of synthetic rubber has significantly increased due to higher cost of crude oil. Noting that rubber prices never penetrated the Rs. 300 per kg level from 2007 to 2010 it is encouraging to note that demand for Rubber remains high in the global market. The cost of production of a kilo of rubber in our plantations for the year under review was Rs. 262.65 compared with Rs. 244.86 the previous year. This was largely due the increase in labour costs stemming from the wage increase that contributed to the higher cost of production in the year under review.



Field Development & Diversification

The company continued its accelerated Rubber replanting programme in 2011/2012 and planted one hundred and sixteen (116) hectares of Rubber during the course of the year. Twenty five (25) hectares of tea were also planted during the year.

The global demand for natural rubber remains strong and Sri Lanka's supply being moderate in keeping with demand for both export and local consumption, Horana Plantations PLC (HP-PLC) will continue to focus on developing its Rubber sector. The Company has invested Rs. 202.461 Million in respect of field expenditure for both Tea and Rubber.



Rubber nursery at Frocester Estate, Govinna

In order to minimize the adverse effects of our main crops the Company has decided to embark on planting of oil palm commencing from year 2013. A nursery has been established for this purpose and we intend planting around 500 hectares during a five (5) year period. As part of HP-PLC's diversification programme, the company continues to invest in its Cinnamon cultivation project. Sri Lankan Cinnamon continues to be the best in the world and is a highly lucrative crop given the high prices it commands in the world export market. During the year under review 12.2 ha of cinnamon was in production. Coconut has also been one of the Company's focal points with twenty four (24) hectares of coconut in production during the year.



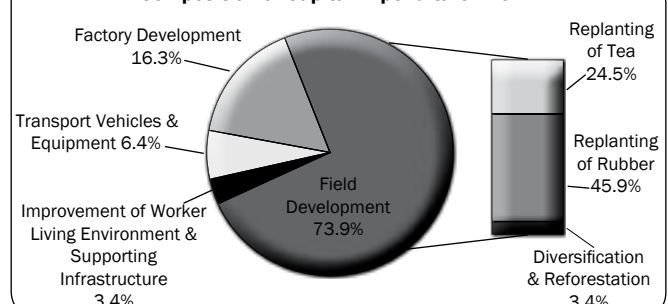
Oil Palm nursery at Neuchatel Estate, Naboda

Capital Expenditure for the year ended

31st March 2012

	Rs'Mn	%
Field Development		
Replanting of Tea	70.451	24.5%
Replanting of Rubber	132.010	45.9%
Diversification (Coconut & Cinnamon)	1.276	0.4%
Reforestation (Fuel-wood, Mahogany & Latex Timber)	8.645	3.0%
Sub-Total	212.381	73.9%
Factory Development	46.812	16.3%
Transport Vehicles & Equipment (Agriculture, Office & Workshop)	18.393	6.4%
Improvement of Worker Living Environment & Supporting Infrastructure	9.782	3.4%
TOTAL	<u>287.368</u>	<u>100.0%</u>

Composition of Capital Expenditure - 2012



Managing Director / CEO's Review (Contd.)

Timber and Fuelwood Planting

The reforestation programme of commercial timber planting in nineteen (19) hectares with Eucalyptus was completed in seven up country estates. In addition to the main species of Eucalyptus grandis a new species Eucalyptus closeiana was introduced on a trial basis in the Mahanilu Estate. The reforestation proposed for low country estates was successfully completed by planting Acacia mangium and Mahogany as enrichment planting in Frocester and Millakanda Estates. The new species Acacia crassicarpa was introduced on a trial basis.



Timber Block at Alton Estate, Upcot.

Factory Development

The upgrade and development of our tea and Rubber factories remained high on the company's list of priorities in the year under review. As testament to our commitment to the highest international standards, the Fairlawn Estate and Eildon Hall Estate were awarded HACCP/ISO 22000 Certification. The Company has invested Rs. 46.812 Million on factory development during the period under review. The Company invested Rs. 17.00 Million on Effluent Treatment plants on Kobowella and Frocester estates and work is in nearing completion.



Effluent Treatment Plant at Kobowella Estate Rubber Factory, Govinna

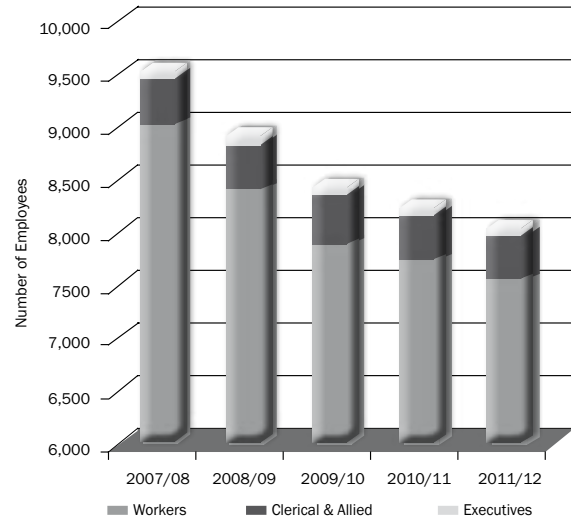
Human Resource Development & Social Welfare

The Company remains committed to improving social amenities and living conditions of our workforce. In the 2011-2012 year also our company undertook several significant welfare projects to ensure the highest possible welfare standards for our workforce. During the year under review HP-PLC has continued to invest in human resource development and the creation of participatory mechanisms for health and safety, skills training and capacity building within our estate communities. Significantly among these welfare projects were several housing projects that have been initiated in the Gouravilla and Mahanilu Estates that envision an upgrade of the existing units of our employees. The company also invested in Occupational Health and Safety (OHS) to ensure that accidents are minimised and safety of our employees assured. The improvement of health conditions has benefited many in the estate community.

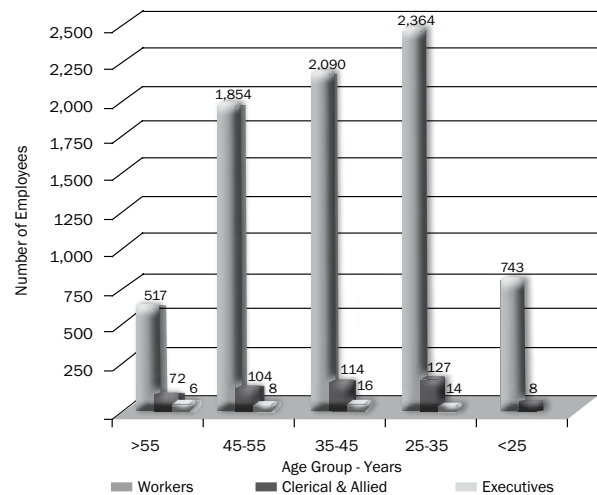


Fire drill conducted at Bambrakelly Estate, Lindula.

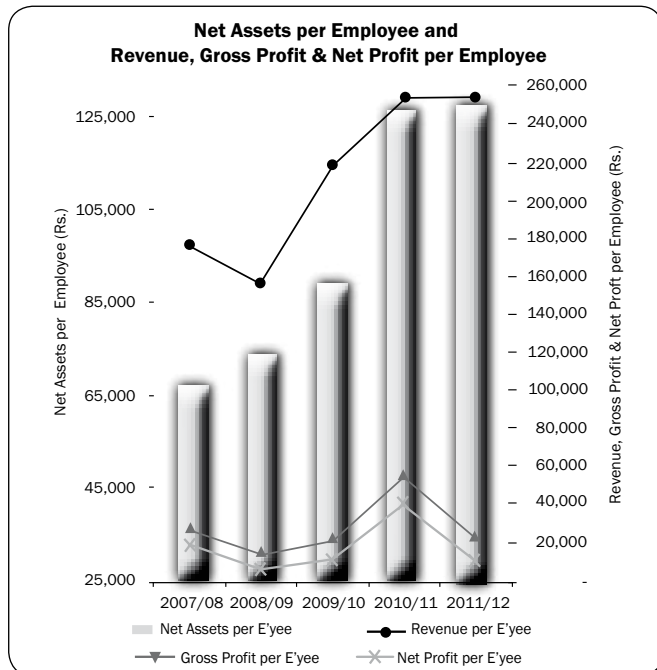
Composition of Employees



Employment Strength - Age Analysis



Managing Director / CEO's Review (Contd.)



Certifications and Awards

The Company is proud to report that Eildon Hall and Fairlawn Estates were accredited with ISO 22000:2005/HACCP Certification in June 2011. Gouravilla, Stockholm, Alton, Dumbara and Millakande Estates were revalidated with ISO 22000:2005/HACCP Certification, for another year.



Eildon Hall Estate Tea Factory receiving ISO 22000:2005/HACCP Certification

The Company is among the few Regional Plantation Companies who have embarked on the Rain Forest Alliance Certification process and has completed necessary work and is awaiting certification.

Development and Establishment of a Q.M.S of 9001:2008 certification on two of our rubber factories namely Neuchatel and Frocester Estates commenced in October 2011 and the certification process will be completed by next year.

Halwatura Estate was recognized as the best Housing Scheme in Galle region and Neuchatel Estate was recognized as the best Health Team in Galle region at the regional competition conducted by Plantation Housing Development Trust.



Halwatura Estate, Ingiriya was recognised as the best Housing Scheme in Galle Region by PHDT'

HP-PLC won the 2nd Runner up award - Overall Regional Plantations Companies for the achievement of Best Gross Sale Average in the High Grown Sector at the Forbes and Walker Tea Broker's Awards Ceremony - 2011 and the Stockholm Estate won the 1st Runner up Award for the achievement of Best Gross Sale Average in the High Grown Sector at the John Keells Tea Broker's Awards Ceremony 2011



The company won the 2nd runner up award for the achievement of best GSA in the High Grown Sector at the F&W Tea Broker's Awards Ceremony

The Company's Annual Report for the year 2010/11 received Certificate of Compliance in the Plantation Category at the Annual Report Awards - 2011 conducted by The Institute of Chartered Accountants of Sri Lanka.

Leisure

In the year under review, the Company also focused on promoting its small leisure sector. The Tempo Bungalow in Neuchatel Estate, Naboda and Tillicoultry Bungalow in Lindula, are fully functional holiday bungalows available to both local and foreign holidaymakers and tourists looking for a unique Sri Lankan Experience.

Acknowledgement

I take this opportunity to thank our bankers, Brokers, Trade Union Officials, Plantation Human Development Trust, Employers Federation of Ceylon, and the Company Lawyers for their support. I also wish to place on record my gratitude to the Chairman, the members of the Board and the members of the management team and all employees for their support throughout the year.

R. Casie Chitty
Managing Director/ Chief Executive Officer

31st May 2012

Sustainability Report

Horana Plantations PLC (HP-PLC) has always taken pride in being a company that is conscious of its responsibilities towards greater society. Our success therefore has not only been shared with shareholders and employees but with a wider segment of the populace. As a result the company has created a business model that benefits all of its stakeholders; our shareholders, employees, customers and the local communities within which we operate.

We have held as a core belief that a happy workforce is a productive one. Therefore the improvement of the quality of life of our plantation community has been a key priority for HP-PLC since our inception. The company has endeavoured to achieve a sustainable business model, which has made a conscious commitment to ensure quality of product and safety of processes that adheres to ethical business practices by protecting the environment and the greater society. Over the years we have invested in material resources, time and capacity to improve the living standards of our workforce. This stands as clear testimony to the sincerity of our intent of our obligations towards the society and the community we serve and work in. In this context HP-PLC has initiated and will continue to champion various measures to ensure our contribution towards all aspects of sustainability in our business practices.

This report reflects the core values of our Company and describes how HP-PLC does business as an employer and a corporate citizen.

Empowerment and participation

Our company has taken constructive measures to improve workplace culture through which a transformation has taken place of attitude and productivity. By empowering our labour we have made each and every one of our employees a stakeholder in the Company's shared success. This has resulted in an increase in productivity and has significantly contributed to the establishment of goodwill between management and the workforce. Towards this end, in the year under review the Company has continued to focus on keeping employees engaged, appreciated and supported by empowering communities in the regions under our purview.



Recognition of Best Pluckers at Stockholm Estate, Upcot

During the year under review our company initiated several social development programmes to improve quality of life for the community, some of these projects were supported by Ministry of Infrastructure Development, Plantation Human Development Trust and National Housing Development Authority and some Non- Governmental Organisations. Significantly among these are several housing projects that have been initiated in the Gouravilla and Mahanilu Estates that envision an upgrade of the existing dwellings. These housing units are being constructed with the participation of the community on a self help basis. It is noteworthy that all our factories, both Tea and Rubber are now equipped with separate rest rooms for male and female workers.

In recognition of the enormous contribution made by the plantation community our Company has actively sought to improve their living conditions. In the year under review the Company constructed Volley Ball courts at Eildon Hall, Alton and Stockholm Estates. These recreational facilities are expected to particularly benefit the youth in the community. In order to build camaraderie and goodwill among the workforce and the greater estate community, an Avurudu (New Year) Festival was celebrated on Frocester Estate which drew in a large and enthusiastic crowd.



New Year Festival celebrations at Frocester Estate, Govinna

It is satisfying to note that the Estate Worker Housing Co-operative Societies of all the estates under our Company are functioning actively. These have provided workers with loans for a variety of purposes ranging from housing construction to distress assistance.

Health is wealth

The health and well-being of our workers is a major priority of our management. It is also our belief that a healthy workforce is a more productive one. Therefore by guaranteeing Occupational Health and Safety (OHS) the Company actively seeks to provide a healthy and safe work environment for our employees and has set in place strategies to minimize accidents and injury. Workers are also provided with health and safety instructions along with Personnel Protective Equipments (PPE). During the year under review the Company conducted series of training sessions in Health and Safety for targeted workers such as chemical sprayers and other factory workers entrusted with potentially risky tasks.



Safe handling of chemicals by workers at Mahanilu Estate, Upcot

The improvement of health conditions has benefited many in the estate community from infant to the retirees. The Company's initiatives in this regard have been widely praised by the community since its reach has extended well beyond our immediate workforce and their families. For example an indigenous medical camp was conducted at Estate Hospital at Halwathura where approximately 650 patients received treatment. The Estate Management took an initiative to distribute spectacles among estate workers and villagers in Halwathura, Miilakande, Kobewella and Dumbara Estates. Plantation workers participated in Dengue, HIV, TB, Cancer and Rabies awareness programmes in our Upcountry estates conducted by the Ministry of Health. The management also gave assistance and active support to the immunization programme for infants and children in all our estates.

Sustainability Report (Contd.)



Indigenous Medical Camp conducted at Estate Hospital, Halwathura



Immunization programme for infants and children at Gouravilla Estate, Upcot

Adding value

The Company believes in continuous training and development of our employees and the value addition to their skills while at the same time improving productivity and efficiency. With this objective several training programmes were conducted during the year under review particularly focusing on knowledge and skill enhancement in areas of General Management, Agricultural Operations, Occupational Health and Safety and Product Certifications.



Training on occupational health and safety conducted at Fairlawn Estate, Upcot

The company provided opportunities for two managers and eight assistant managers to follow training programmes conducted by the National Institute of Plantation Management. These included academic programmes such as BSc in Plantation Management, National Diploma in Plantation Management, Professional Programme in Tea and Rubber Manufacture and Factory Practices. A workshop was conducted at the Tea Research Institute (TRI) where executives of the company's Upcountry estates interacted with several leading scientists and discussed methodologies for improvement of yield and the formulation of site specific fertilizer application in estates. In

addition all factory staff of our Upcountry estates was advised on healthy factory practices by Dr.Ziyad Mohamed, the former Executive Director of T.R.I.

A workshop was conducted for executives on Rubber Agronomy with the participation of several senior scientists from the Rubber Research Institute (RRI). The Company sponsored a study tour of Indian Rubber estates for three managers and an assistant manager. Estate staff and workers at Eildon Hall, Fairlawn, Neuchatel and Frocester Estates were provided with a series of training on Q.M.S.9001:2008 and ISO 9000 product certifications. A senior member of the corporate management team attended the Global Rubber Conference 2011 held in Cambodia in November 2011 while another manager participated in a leadership development programme in Mangalore, India in the same year.

Environment

The Company is acutely aware of our responsibilities towards the environment. As a result the biodiversity and eco-system conservation initiatives have now become an integral part of our operations. Our agricultural practices are carried out by the respective estates strictly conforming to local and international standards and guidelines. A Biodiversity assessment was conducted by two eminent scientists in Upcot region estates. This produced a comprehensive Biodiversity Manual which includes an inventory of flora and fauna within our Upcot plantations. During this assessment, we also have identified several mini forests with high conservation value. Several initiatives have been taken to enrich and protect these valuable forests. The Upcot estates are located in the vicinity of the Peak Wilderness Nature Reserve, a World Heritage Site identified by UNESCO. The Company therefore considers these actions to protect and enrich biodiversity along with the valuable water sheds bordering this nature reserve as a significant national service.



Awareness Campaign on Bio-diversity & Eco-system Conservation under RAC in Upcot Estates

Some other initiatives taken aimed at contributing to environmental conservation include the planting of 7335 indigenous plant species in the Upcot Estates, as a part of our efforts to diversifying flora and to maintain a permanent agro forestry system distributed homogenously throughout our plantations. To reduce the environmental damage caused by manmade waste the installation of bins have been undertaken in Upcot Estates as part of an Integrated Waste Management system that segregates bio degradable and non bio degradable waste.

The Company has also launched an awareness campaign amongst the community on water conservation and waste water management. As part of this effort soakage pits were constructed in worker houses in order to discharge domestic waste water and to avoid pollution of water bodies. The construction of effluent treatment plants at Kobowella and Frocester

Sustainability Report (Contd.)

Factories are in now in the final stage. Also waste/oil and water separation tanks have been installed in all factories in the Upcot Estates, ensuring that any discharge to inland waterways meets the standards stipulated by environmental authorities.



Construction of Effluent Treatment in progress at Frosceter Estate, Govinna

Standards of excellence

HP-PLC continues its focus on improving standards in purity and food safety of our products, by ensuring good agricultural and manufacturing practices whilst striving to be an ethical business partner in the industry. These efforts have won us national and international recognition. Significantly among these accolades was the granting of ISO 22000:2005/HACCP certification to Eildon Hall and Fairlawn Estates in June 2011. Gouravilla, Stockholm, Alton, Dumbara and Millakande Estates were revalidated with the same



Fairlawn Estate Tea Factory received ISO 22000:2005/HACCP Certification in June 2011

Our teas are periodically tested by accredited laboratories to ensure they conform to the minimum permitted levels of agro-chemicals, heavy metals and micro biological content. The process will also be regularly evaluated to ensure its conformity to safe and hygienic parameters by way of internal and external audits.

Our company has expanded on its engagement with the Ethical Tea Partnership (ETP) certification programme during the year under review. Gauravilla, Alton and Stockholm, which are ETP accredited plantations were revalidated after an audit in 2011. As a part of this monitoring and certification programme ETP has further acknowledged our commitment to the safe usage of agrochemicals and initiatives on water management. As the international markets demand increasingly high social and environmental standards, the accreditation of ETP certificates by our plantations will immensely benefit trading of our produce.

The existing Forest Stewardship Council (FSC) certification in respect of all the Rubber plantations were revalidated, whilst Froceter, Neuchatel and Mirishene factories were also awarded FSC chain of custody certification

during the year. This accreditation certifies that the agricultural management of the Rubber plantations is consistent with parameters of environmentally sound management, as defined by the FSC certification.



Awareness programme on RAC conducted at Mahanilu Estate, Upcot

In the review of 2010/11 we reported of our company's desire to obtain the Rainforest Alliance Certification (RAC), to all our Upcot Estates. This accreditation process is expected to be finalized during the current year. The RAC spells out a comprehensive set of standards on the Sustainable Agriculture Network (SAN), in social, economic and environmental aspects. Several activities were carried out in conformity with the 10 principles related to this standard, which includes planting of indigenous species, installation of waste bins, providing personnel protective equipments (PPE) to sprayers, construction of sprayers changing rooms etc. Awareness on objectives of the RAC has been communicated to the estate community through a series of training sessions. This certification which encompasses sustainable agricultural standards will add value to the Company's major product lines and will also attract leading buyers who have included the RAC as a primary requirement in their product purchase portfolio.



Installation of waste bins at Upcot Estates

The Fair Trade Product certification was initially awarded to the Stockholm Estate. Having witnessed the enormous benefits to the community as a result of acquiring this certification the Company has actively advocated fair trade policies in other estates as well. As a result Alton Estate was elevated to a Fair Trade Certified Estate in July 2011 by the Fair Trade International Certification Body.

As HP-PLC makes significant strides as a business venture, our responsibilities and duties as a corporate citizen have expanded ensuring that our labour force, the community and the environment are protected, enriched and sustained for our future success.

Board of Directors

Mr. Anthony A. Page

Mr. Page, a Chartered Accountant by profession, was appointed as a Director of Horana Plantations PLC on 24th June 1999 and Chairman in October 1999. He is also the Chairman of C T Holdings PLC, a Company classified by the Colombo Stock Exchange under the category "Diversified Holdings" with interests in Retail, Distribution of Food & Beverages, Manufacturing, Property Development, Coverings, Financial Services and Plantations.

He is also the Chairman of Lanka Ceramic PLC, Lanka Walltile PLC, Lanka Floortiles PLC, Ceytea Plantation Management Ltd., Uni-Dil Packaging Ltd., Uni-Dil Paper Sacks(Pvt) Ltd., Parquet (Ceylon) PLC, and a Director of Cargills (Ceylon) PLC, CT Land Development PLC, Ceylon Printers PLC, Kalamazoo Systems PLC, Office Equipment PLC and Paragon (Ceylon) PLC and other Subsidiary Companies in the C T Holdings PLC. He is also a Director of Pan Asia Banking Corporation PLC.

He was a former Director of the Colombo Stock Exchange and a former Council Member of the Employers' Federation of Ceylon.

Mr. R. Casie Chitty

Mr. Casie Chitty was appointed as a Director of Horana Plantations PLC on 24th June 1999 and Managing Director on 15th May 2004. Previously, Mr. Casie Chitty served as Head of Research at CT Smith Stock Brokers (Pvt) Ltd during the period from January 1996 to March 2000.

He was appointed Executive Director of Lanka Ceramics PLC in 2001 and continues to hold that position at present.

He also acts as the Managing Director of Ceytea Plantation Management Ltd and is the Deputy Chairman/Managing Director of Uni-Dil Packaging Ltd., and Uni-Dil Paper Sacks(Pvt) Ltd., which are subsidiaries of Lanka Walltile PLC.

Mr. Casie Chitty who holds a Master in Economics, University of Colombo is also a Fellow of the Association of Chartered Certified Accountants (ACCA), UK, an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK, and a Chartered Financial Analyst, USA.

Mr. L. J. A. Fernando

Mr. Fernando was appointed as a Director of Horana Plantations PLC on 4th May 2001. He is also the Managing Director of Standard Trading Company (Pvt) Ltd. He is also a Director of LF Holdings (Pvt) Ltd, LF Teas (Pvt) Ltd, STC Logistics (Pvt) Ltd, STC Trading House (Pvt) Ltd, Uni-Dil Packaging (Pvt) Ltd., Uni-Dil Paper Sacks(Pvt) Ltd., Ceytea Plantation Management Ltd., Research International (Pvt) Ltd., Marlinkspike Property Developers (Pvt) Ltd and The Solutions Group (Pvt) Ltd.

Mr. L. J. Rubera

Mr. Rubera was appointed as a Director of Horana Plantations PLC on 28th June 2002.

Mr. Rubera who is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka also serves as the Managing Director of Ceylon Comany Group (Pvt) Ltd., Ceylon Comany Green Teas (Pvt) Ltd., Comany Management and Investment (Pvt) Ltd., Comany Hotels (Pvt) Ltd., Comany Imports and Exports (Pvt) Ltd., and South East Asia Construction Co. (Pvt) Ltd.

He is a Director of Ceytea Plantation Management Ltd, Uni-Dil Packaging Ltd, Uni-Dil Paper Sacks (Pvt) Ltd, Quickshaws Travel Services (Pvt) Ltd and Thompson Associates (Ceylon) Ltd.

He counts over 25 years experience in Finance and Commerce.

Mr. C. Kingsnorth –Resigned with effect from 31st May 2012

Mr. Kingsnorth was appointed as a Director of Horana Plantations PLC on 7th January 2003. He is a Director of Ceytea Plantation Management Ltd.

Mr. Sunil Mendis

Deshamanya Sunil Mendis was formerly the Chairman of the Hayleys Group and the former Governor of the Central Bank of Sri Lanka. He possesses 40 years wide and varied commercial experience mostly in very senior positions.

Dr. Sivakumar Selliah

Dr. S Selliah serves as the Deputy Chairman of Lanka Floortiles PLC, Lanka Walltile PLC, Asiri Hospitals PLC, Asiri Surgical Hospitals PLC and Asiri Central Hospitals PLC. He also serves on the Board of many other Public and Private Companies.

Dr. Selliah holds a MBBS degree and a Masters Degree.

Mr. V. R. Page

Mr. Ranjit Page is the Deputy Chairman / Managing Director of Cargills (Ceylon) PLC and possess over 25 years of management experience with expertise in food retailing, food services and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He also serves on the Board of several other Group companies. He is also a Founder Director of the Mawbima Lanka Foundation, set up to promote local industry and produce.

Mr. A. T. P. Edirisinghe

Mr. Priya Edirisinghe FCMA, FCA is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Chartered Institute of Management Accountants (UK) and holds a Diploma in Commercial Arbitration. Having retired from professional practice, he is now the Consultant / Advisor of HLB Edirisinghe & Co., Chartered Accountants and counts over 39 years experience; of which 23 years in the public practice and 16 years in the private sector having held senior positions.

Dr. R. D. Bandaranaike

Dr. Romesh Dias Bandaranaike has a B.Sc. (1st Class Honours) in Physics from the University of Colombo and a M.S. in Physics and a Ph.D. in Economics, both from the University of Maryland, USA. For 12 years, till his retirement in December 2010, he was the Chief Executive Officer of the Eco Power Group of Companies. Prior to this he was the head of the government unit which privatized the plantation sector. His previous employment includes as Executive Director Sri Lanka Business Development Centre for five years and four years in the USA where he was Project Manager for a large energy consulting firm. Dr. Bandaranaike has also been an international economic and financial consultant for close to 30 years, working for the World Bank, the Asian Development Bank, UNDP, USAID and a number of other organizations.

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

The Directors of Horana Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2012.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No.7 of 2007, the Listing Rules of the Colombo Stock Exchange and are guided by recommended practices.

General

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

Principal Activities of the Company and Review of Performance during the year

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

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's review and Managing Director's Review (pages 1 to 6).

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

Financial Statements

The Financial Statements of the Company are given on pages 20 to 46.

Summarized Financial Results

	31st March 2012	31st March 2011
	Rs. 000	Rs. 000
Revenue	2,025,043	2,079,720
Profit for the year	83,931	329,598
Accumulated Profit	725,052	741,121

Auditors Report

The Report of the Auditors on the financial statements of the Company is given on page 19.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements given on pages 24 to 29 are consistent with those of the previous period.

Directors

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

Executive Directors

Mr. R. Casie Chitty (Managing Director/Chief Executive Officer)

Non Executive Directors

Mr. Anthony A. Page (Chairman)
Mr. C. Kingsnorth - Resigned w.e.f. 31st May 2012
(Alternate Director Mr. D. Panter)
Mr. L. J. A. Fernando
Mr. V. R. Page

Independent Non Executive Directors

Mr. L. J. Rubera
Mr. Sunil Mendis
Dr. S. Selliah
Mr. A. T. P. Edirisinghe
Dr. R. D. Bandaranaike - Appointed w.e.f. 31st May 2012

In accordance with Article No. 92 of the Articles of Association of the Company, Mr. V. R. Page and Mr. Sunil Mendis retire by rotation and, being eligible, offer themselves for re-election.

Dr. R. D. Bandaranaike who was appointed to the Board on 31st May 2012 is due to retire at the forthcoming Annual General Meeting in terms of Article No. 98 of the Articles of Association of the Company, and being eligible, offers himself for re-election.

Interests Register

The Company maintains an Interest Register in terms of the Companies Act, No. 7 of 2007, and the names of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 32.2 to the Financial Statements on page 45.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 32.3 to the Financial Statements on page 45.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 13.

Auditors

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

The audit fee payable to the Auditors for the year under review is Rs. 1,275,000.00.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

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

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

Directors' Shareholding

The shareholdings of the Directors of the Company are as follows.

	As at 31st March 2012	As at 31st March 2011
Mr. Anthony A. Page	80,000	80,000
Mr. R. Casie Chitty	Nil	Nil
Mr. C. Kingsnorth	Nil	Nil
Mr. L. J. Rubera	Nil	Nil
Mr. L. J. A. Fernando	Nil	Nil
Mr. V. R. Page	Nil	Nil
Mr. Sunil Mendis	Nil	Nil
Dr. S. Selliah	Nil	Nil
Mr. A. T. P. Edirisinghe	1,000	Nil

Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders of the Company, distribution schedule of the number of shareholders, percentage of shares held by the public, market values per share as per the Listing Rules of the Colombo Stock Exchange are given on page 48 under Shareholder and Investor Information.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 23.

Property, Plant and Equipment

Details of property plant and equipment and changes during the year are given in Notes 9 to 12 to the Financial Statements.

Land Holdings

The Company does not own any freehold land.

Capital Expenditure

The total capital expenditure during the year including the capitalization of borrowing cost amounted to Rs. 13.686 Million compared to Rs. 18.759 Million incurred in the previous year.

Dividend

At the forthcoming Annual General Meeting a final dividend of Rs. 1.00 per ordinary share in respect of the year ended 31st March 2012 is to be proposed.

Public Holding

48.68% of the issued shares of the Company are in the hands of the public.

Donations

The Company has made donations totaling Rs. 10,000 (2011 - Rs.24,567/-) during the year ended 31st March 2012 for charitable purposes.

Events occurring after the Balance Sheet date

No circumstances have arisen since the balance sheet date, which would require adjustment to, or disclosure in the financial statements.

Corporate Governance

The Board comprises one Executive Director and Eight (8) Non Executive Directors, five (5) of whom are independent.

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

Audit Committee

Mr. A. T. P. Edirisinghe – Chairman
Mr. L. J. Rubera
Mr. L. J. A. Fernando

Remuneration Committee

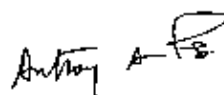
Mr. S Mendis – Chairman
Mr. L J Rubera

Annual General Meeting

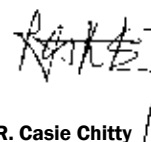
The Annual General Meeting will be held at 10.00 a.m. on 20th July 2012 at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 07. The Notice of the Annual General Meeting appears on page 53.

By Order of the Board

Horana Plantations PLC



Anthony A. Page
Chairman



R. Casie Chitty
Managing Director/Chief Executive Officer



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

Colombo

31st May 2012

Statement of Directors' Responsibilities

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

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

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

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

By Order of the Board

Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd

Director/Secretaries

Colombo

31st May 2012

Statement of Corporate Governance

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

Board of Directors

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

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

Audit Committee

Mr. A. T. P. Edirisinghe – Chairman

Mr. L. J. Rubera

Mr. L. J. A. Fernando

The Chairman, Mr. A.T.P. Edirisinghe is a fellow member of the Institute of Chartered Accountants of Sri Lanka, with more than 39 years of post qualification experience of finance.

Remuneration Committee

Mr. Sunil Mendis – Chairman

Mr. L. J. Rubera

The Board meetings are held on a regular basis and have a formal schedule of matters reserved to it. The Board is supplied with full and timely information to enable it to discharge its responsibilities, effectively. During the past year the Board held nine (9) scheduled meetings.

Corporate Management

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

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

Disclosure of information and compliance

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

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

Statement of Corporate Governance (Contd.)

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

Section		Subject	Applicable Rule	Compliance Status
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be Independent.	Complied
	(b)	Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Complied
7.10.3	(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
	(b)	Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
	(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied
	(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied
7.10.5		Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied
	(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied
	(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied
	(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should setout; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied
7.10.6		Audit Committee	The Company shall have an Audit Committee	Complied
	(a)	Composition of Audit Committee	a) Shall comprise of Non-Executive Directors a majority of whom will be Independent b) One Non- Executive Director shall be appointed as Chairman of the Committee c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied
	(b)	Audit Committee Functions	Functions shall include: a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements. c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d) Assessment of the independence and performance of the External Auditors. e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.	Complied
	(c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee. b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied

By Order of the Board
Horana Plantations PLC
P W CORPORATE SECRETARIAL (PVT) LTD



Director/Secretaries

Colombo
31st May 2012

Risk Management

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

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

Operational Risk

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

Interest rate Risk

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

Liquidity Risk

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

Weather

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

Legal and Regulatory Risk

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

Reputation Risk

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

Human Resource

The Plantation Sector employs a large workforce and they are highly unionized. In order to mitigate the risk of industrial disputes and work stoppages a collective agreement is signed between the Trade Unions and the Employers' Federation of Ceylon, which our Company is a member. The Company considers Human Resource Management is vital for the business continuity. Training, Development and Performance Management, Motivation and Empowerment are practiced to reduce the impact.

Information Risk

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

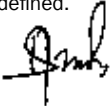
Remuneration Committee Report

The Remuneration Committee appointed by the Board of Directors comprises of two (2) Independent Non-executive Directors as follows:

Mr S. Mendis – Chairman
Mr L.J. Rubera

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations. The Committee met twice during the year. The meetings were for the purpose of examining the remuneration package of Managing Director/ Chief Executive Officer and the Management Staff ,their respective performances and deciding on appropriate remuneration packages for them; as well as determining incentives based on Company performance for all management staff.

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



Sunil Mendis
Chairman
Remuneration Committee

Colombo
31st May 2012

Audit Committee Report

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

Mr A.T.P Edirisinghe – Chairman

Mr L.J Rubera

Mr L.J.A Fernando

Role of the Committee

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

Internal Audit

The internal Audit division comprises of Internal Audit Manager and Audit Assistants who report directly to the Managing Director / Chief Executive Officer. During the period under review the internal audit of all estate locations were carried out including special audits as required by the senior management. In addition to the Internal Audit Division the Company has outsourced Messrs Ernst and Young, Chartered Accountants to carryout estate audits in respect of both Tea and Rubber Properties during the year under review.

External Audit

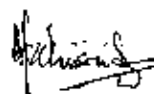
The Committee reviewed the Management Letter submitted by the External Auditors with the Management response. The management implements these recommendations and the Audit Committee follows up on the implementation of these recommendations.

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

Meetings and Activities

The Committee held 04 meetings during the year. The Managing Director and the Assistant General Manager - Finance attend the meetings by invitation. During the year, the Committee reviewed 17 reports forwarded by the Internal Auditor. The reports are submitted monthly by the Chief Internal Auditor as they carry out the audits according to a scheduled programme. In addition Internal Audit team carried out special audits on a needs basis. During its meetings the Committee reviewed the adequacy of the internal controls and procedures in place, to provide reasonable assurance that the Company's activities are properly carried out and assets safeguarded. The Committee also reviewed the Company's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act No 7 of 2007. Further, the Managing Director, Assistant General Manager – Finance and the Company Secretaries also provide assurance statements for the applicable compliances.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be re-appointed as Auditors subject to the approval of the share holders.



A. T. P. Edirisinghe

Chairman

Audit Committee

Colombo,

31st May 2012

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HORANA PLANTATIONS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Horana Plantations PLC, which comprise the Balance Sheet as at 31st March 2012, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of Significant Accounting Policies and other Explanatory Notes exhibited on pages 20 to 46 of the Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

31st May 2012
Colombo.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
C.P. Jayakumar FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms S.M.B. Jayakumar ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne ACA
R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Gooneswardene ACA

Income Statement

For the Year ended 31st March 2012

	Note	2012 Rs'000	2011 Rs'000
Revenue	1	2,025,043	2,079,720
Cost of Sales		(1,824,229)	(1,615,012)
Gross Profit	2	200,814	464,708
Other Operating Income	3	11,734	11,394
		212,548	476,102
Administrative Expenses		(69,121)	(67,079)
Management Fees	4	(12,842)	(16,777)
Profit from Operations		130,585	392,246
Interest and Finance Expenses	5	(46,195)	(53,878)
Profit before Taxation	6	84,390	338,368
Income Tax Expense	7	(459)	(8,770)
Profit for the year		83,931	329,598
Earnings per Ordinary Share (Rs.)	8	3.36	13.18

The accounting policies and explanatory notes form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Balance Sheet

As at 31st March 2012

	Note	2012 Rs'000	2011 Rs'000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment:-			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	9	128,453	132,320
Immovable JEDB/SLSPC Estate Assets on Finance Lease(Other than Bare Land)	10	100,704	109,885
Immature/Mature Plantations	11	1,272,663	1,090,923
Other Tangibles	12	504,567	480,322
		2,006,387	1,813,450
Other Non-Current Assets:-			
Investment in Subsidiary	13	-	-
Advance Company Tax (ACT) Recoverable	14	27,285	27,285
Total Non-Current Assets		2,033,672	1,840,735
Current Assets			
Inventories	15	259,281	283,854
Trade and Other Receivables	16	108,816	124,661
Other Related Company Receivables	32.1.1	569	636
Cash and Cash Equivalents	17	6,780	91,228
Total Current Assets		375,446	500,379
Total Assets		2,409,118	2,341,114
EQUITY & LIABILITIES			
Equity			
Stated Capital	18	250,000	250,000
Sinking Fund	19	35,000	35,000
Development Reserve	20	35,000	35,000
Retained Profits		725,052	741,121
Total Equity		1,045,052	1,061,121
Non-Current Liabilities and Deferred Income			
Interest bearing Borrowings payable after one year	21.1	243,954	312,202
Net Liabilities to Lessor of JEDB/SLSPC Estates	22	92,564	93,984
Other Finance Lease Creditors	23	15,106	13,146
Retiring Benefit Obligations	24	398,371	369,666
Deferred Income	25	120,939	122,754
Provision for Deferred Taxation	26	26,110	32,242
Total Non-Current Liabilities and Deferred Income		897,044	943,994
Current Liabilities			
Trade and Other Payables	27	231,684	231,588
Payable to Managing Agent (Holding Company)	32.1.2	5,360	9,089
Payable to Other Related Companies	32.1.2	2,580	1,861
Interest bearing Borrowings payable within one year	21.1	91,359	80,816
Lease Creditors payable within one year	22.2/23.2	7,888	12,645
Short Term Borrowings	28	128,151	-
Total Current Liabilities		467,022	335,999
Total Equity and Liabilities		2,409,118	2,341,114
Net Assets per Ordinary Share (Rs.)		41.80	42.44

The accounting policies and explanatory notes form an integral part of these Financial Statements.

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

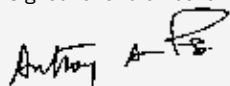


Ms.P.M.Ediriweera

Assistant General Manager - Finance

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

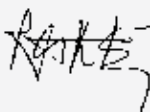
Signed for and on behalf of the Board by:-



Anthony A. Page

Chairman
Colombo,

31st May 2012



R. Casie Chitty

Managing Director/Chief Executive Officer

Cash Flow Statement

For the year ended 31st March 2012

	2012	2011
	Rs'000	Rs'000
Cash Flow from Operating Activities		
Profit before Taxation	84,390	338,368
<i>Adjustments for non-cash items :</i>		
Depreciation and Amortisation	89,698	80,661
Provision for Retiring Gratuity	95,174	83,822
Interest Expense	46,193	52,241
Finance Lease Interest	5,979	7,413
Profit on Disposal of Property, Plant and Equipment and Redundant Materials	(5,519)	(5,717)
Interest Income	(2,085)	(854)
Amortisation of Capital Grants	(4,130)	(4,729)
Field Development Expenditure written-off	-	211
<i>Operating Profit before Working Capital Changes</i>	309,700	551,416
(Increase)/Decrease in Debtors, Deposits & Prepayments	14,963	(43,440)
(Increase)/Decrease in Inventories	24,573	(95,696)
(Increase)/Decrease in Related Party Receivables	67	320
Increase/(Decrease) in Related Party Payables	(3,010)	4,470
Increase/(Decrease) in Creditors, Provisions & Accrued Charges	(24,199)	47,953
<i>Cash Generated from Operations</i>	322,094	465,023
Interest paid	(16,228)	(20,297)
Payment of Gratuity	(63,299)	(52,590)
Payment of Income Tax (Economic Service Charge & Withholding Tax)	(5,709)	(5,145)
<i>Net Cash Inflow from Operating Activities</i>	236,858	386,991
Cash Flow from Investing Activities		
Purchase/Construction of Property, Plant and Equipment	(60,969)	(95,915)
Expenditure incurred on Immature Plantations	(212,381)	(173,338)
Capital Grants and Subsidies received	2,315	4,284
Related Company Advances	-	5,398
Proceeds on Disposal of Property, Plant and Equipment and Redundant Materials	5,519	5,717
Interest Income	2,085	854
<i>Net Cash Outflow from Investing Activities</i>	(263,431)	(253,000)
Cash Flow from Financing Activities		
Repayment of Project Loans	(100,704)	(45,610)
Receipts of Other Term Loans	75,000	200,000
Repayment of Other Term Loans	(32,000)	(51,383)
Payment of Finance Lease Rentals	(28,322)	(41,355)
Payment of Dividend	(100,000)	(25,000)
<i>Net Cash Inflow/(Outflow) from Financing Activities</i>	(186,026)	36,652
Net Cash Inflow/(Outflow) for the Year	(212,599)	170,643
Change in Cash and Cash Equivalents		
At beginning of the Year	91,228	(79,415)
Net Cash Inflow/(Outflow) for the Year	(212,599)	170,643
At End of the Year(Note 17)	(121,371)	91,228

The accounting policies and explanatory notes form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Statement of Changes in Equity

For the Year ended 31st March 2012

	Stated Capital	Sinking Fund	Develop- -ment Reserve	Retained Profit	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2010	250,000	35,000	35,000	436,523	756,523
Profit for the year	-	-	-	329,598	329,598
Final Dividend of Rs.1.00 per Ordinary Share, paid for the year ended 31st March 2010	-	-	-	(25,000)	(25,000)
Balance as at 31st March 2011	250,000	35,000	35,000	741,121	1,061,121
Profit for the year	-	-	-	83,931	83,931
Final Dividend of Rs.4.00 per Ordinary Share, paid for the year ended 31st March 2011	-	-	-	(100,000)	(100,000)
Balance as at 31st March 2012	250,000	35,000	35,000	725,052	1,045,052

The accounting policies and explanatory notes form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Significant Accounting Policies

For the year ended 31st March 2012

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

Horana Plantations PLC (hereafter mentioned as “the Company”), is a limited liability Company, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (the Company re-registered under the Companies Act No.07 of 2007), in terms of the Public Corporation of Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is situated at No.8, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, and the plantations are situated in the planting districts of Nuwara-Eliya, Kalutara and Ratnapura.

1.2 Principle Activities and the Nature of Operations

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

1.3 Parent Enterprise

The Company's parent undertaking is Ceytea Plantation Management Ltd., which is incorporated in Sri Lanka.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General

2.1.1 Statement of Compliance

The Income Statement, Balance Sheet, Cash Flow Statement and the Statement of Changes in Equity together with the Accounting Policies and Notes to the Financial Statements have been prepared in accordance with the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka, and the Companies Act No.07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. Where appropriate, the policies are explained in the succeeding notes.

2.1.2 Basis of Measurement

The Financial Statements are prepared in Sri Lankan Rupees (Rs.) rounded to the nearest thousand. The financial statements have been prepared on historical cost convention other than the bare land and the leased assets of JEDB/SLSPC, which have been revalued as morefully described in Notes 9 and 10 to the Financial Statements. Where appropriate, specific policies are explained in the succeeding notes.

Functional and Presentation Currency

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

2.1.3 Use of Estimates and Judgements

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLAS) requires the management to make judgements, estimates and assumptions that effect the application of accounting

policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgemental decisions.

Estimates are underlying assumptions that are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

2.1.4 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exist when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from it's activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

However the Company has not prepared Consolidated Financial Statements due to the reasons morefully described in Note 13 to the Financial Statements.

2.1.5 Foreign Currency Transactions

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

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

The exchange difference arising on the translations are recognized in the Income Statement.

2.1.6 Segment Reporting

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

Since individual segments are located close to each other and operate in the same industry environment, the need for geographical segmentation does not arise.

The Company transfers products from one industry segment for use of 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

Significant Accounting Policies (Contd.)

For the year ended 31st March 2012

are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing borrowings, borrowings and expenses.

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

2.1.7 Comparative Information

The accounting policies have been consistently applied by the Company with those used in the prior year. Prior year's figure and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.2 Assets and Bases of their Valuation

Assets classified as Current Assets in the Balance Sheet are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date whichever is shorter.

2.2.1 Property, Plant and Equipment

a) Cost/Valuation

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

b) Subsequent Expenditure

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

c) De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal; or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognised in Income Statement and when revalued assets are disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

d) Permanent Land Development Cost

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

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

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

e) Limited Life Land Development Cost (Immature and Mature Plantations)

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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

The expenditure incurred on perennial crop (tea and/or rubber) fields, which come in to bearing during the year, has been transferred to mature plantations.

f) Infilling Cost

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 Income Statement in the year which they are incurred.

g) 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 Income Statement.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the Allowed Alternative Treatment in SLAS 20 - "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been

Significant Accounting Policies (Contd.)

For the year ended 31st March 2012

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 the notes to the Financial Statements

2.2.2 Depreciation and Amortisation

a) Amortisation

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

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

b) Mature Plantations (Re-planting and New Planting)

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

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

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

c) Depreciation

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

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

d) Impairment of Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:-

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash

Significant Accounting Policies (Contd.)

For the year ended 31st March 2012

generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The company performs its annual impairment test of goodwill as at balance sheet date. However, at present company does not have any recorded Goodwill as at the balance sheet date.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as at Balance Sheet date either individually or at the cash generating unit level, as appropriate. However, at present company does not have any recorded intangible assets as at the balance sheet date.

2.2.3 Leased Assets

Assets obtained under finance lease, which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their present value and the minimum lease payments.

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

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

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

2.2.4 Investment in Subsidiaries

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

2.2.5 Inventories

Inventories other than produce stocks are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for cost of conversion from their existing state to saleable condition

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

Input Material

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

Nurseries

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

Produce Stocks

Manufactured up to the Balance Sheet date and sold since then, until the time of preparation of the Financial Statements are valued at since realized price. The balance stocks are valued at estimated selling price. The prices are net of all attributable expenses relating to the public auction.

Spares and Consumables

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

2.2.6 Trade and Other Receivables

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

2.2.7 Cash and Cash Equivalents

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

2.3 Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date.

Non-current liabilities have been accounted for in preparing these Financial Statements.

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

2.3.1 Retirement Benefit to Employees

a) Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Obligations in the Balance Sheet. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using

Significant Accounting Policies (Contd.)

For the year ended 31st March 2012

the Project Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards No.16 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers Actuarial and Management Consultants (Private) Limited as at 31st March 2012. The Company expects to carry out Actuarial valuation once in two years.

The key assumptions used by the actuary include the following:

(i) Rate of Interest	11.00% per annum
(ii) Rate of Salary Increase	
- Workers	15.00% every two years
- Staff	12.50% every two years
- Staff	2.00% per annum
(iii) Retirement Age	
- Workers	60 years
- Estate Staff	60 years
- Head Office Staff	55 years
(iv) Daily Wage Rate	
- Tea	Rs.380.00
- Rubber	Rs.380.00

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

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

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

2.3.2 Trade and Other Payables

Trade and other payables are stated at their costs.

2.3.3 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a) Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the

provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto. Relevant details are disclosed in Note 7 to the Financial Statements.

b) Deferred Taxation

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts used for taxation purposes.

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

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

Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profits would be available against which the unused tax losses can be utilized.

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

2.3.4 Commitment and Contingencies

Contingencies are possible asset or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 29 to the Financial Statements. Commitments are disclosed in Note 30 to the Financial Statements.

2.3.5 Events Occurring After the Balance Sheet Date

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

2.4 Deferred Income

2.4.1 Grants and Subsidies

Grants related to Property, Plant and 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 and Equipment, more fully mentioned in Note 12 to the Financial Statements.

Significant Accounting Policies (Contd.)

For the year ended 31st March 2012

Grants related to income are recognised in the Income Statement in the year which it is receivable.

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

2.5 Income Statement

2.5.1 Revenue and Income Recognition

a) Recognition of Revenue

In keeping the practices in the plantation industry, revenue and profit or loss on sale of perennial crops are recognised in the financial period of harvesting. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.

- b) Infilling costs that are not capitalised have been charged to the Income Statement.

Gains and/or losses of a revenue nature on the disposal of Property, Plant and Equipment are accounted for in the Income Statement.

c) Interest Income

Interest income is recognised on an accrual basis.

d) Other Income

Other income is recognised on an accrual basis.

2.5.2 Expenditure Recognition

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

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

2.6 Cash Flow Statement

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

2.7 New Accounting Standards issued but not effective as at balance sheet date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the year ended 31st March 2012

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

Notes to the Financial Statements

For the Year ended 31st March 2012

	2012 Rs'000	2011 Rs'000
1. Revenue		
Segmental Analysis of Revenue:		
Main Crops - Tea	1,284,179	1,343,607
- Rubber	635,746	668,851
	1,919,925	2,012,458
Diversified Crops	4,786	3,859
Sale of Rubber Trees	40,545	24,731
Sale of Timber (Live Trees)	29,224	6,349
Other Operating Revenue	30,563	32,323
	2,025,043	2,079,720
2. Gross Profit		
Segmental Analysis of Gross Profit:		
Main Crops - Tea	(160,825)	67,777
- Rubber	267,401	339,765
	106,576	407,542
Diversified Crops	2,166	1,697
Sale of Rubber Trees	40,545	24,731
Sale of Timber (Live Trees)	29,224	6,349
Other Operating Revenue	22,303	24,389
	200,814	464,708
<i>Segmental Revenue, Expenses, Assets and Liabilities are morefully described in Note 33 to the Financial Statements.</i>		
3. Other Operating Income		
Interest Income	2,085	854
Profit on Disposal of Property, Plant & Equipment	1,605	5,283
Proceeds on Disposal of Redundant Materials	3,914	434
Revenue Grants Received	-	94
Amortisation of Capital Grants (Refer Note No.25)	4,130	4,729
	11,734	11,394
4. Management Fees		
Management Fee	11,486	15,000
Value Added Tax on Management Fee (Unclaimed)	1,356	1,777
	12,842	16,777

As per the Management Agreement signed between the Company and the Managing Agent, Ceytea Plantation Management Ltd., on 15th July 2005, the basis of computing management fee is on Earnings Before Interest Received/Paid, Corporate Tax, Depreciation, Amortisation and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Million, whichever is lower (same basis has been applied for 31st March 2011).

	2012 Rs'000	2011 Rs'000
5. Interest and Finance Expenses		
Project Loan Interest	15,070	25,953
Term Loan Interest	26,923	17,886
Bank Overdraft Interest	7,126	6,674
Interest on Government Lease & Other Finance Lease	8,840	17,682
Debit Tax, Stamp Duty and Other Finance Charges	1,922	4,833
Total	59,881	73,028
Capitalisation of Borrowing Costs on Immature Plantations	(13,686)	(18,759)
Exchange Gain	-	(391)
Net	46,195	53,878

Notes to the Financial Statements (Contd.)

For the Year ended 31st March 2012

	2012 Rs'000	2011 Rs'000
6. Profit before Taxation is stated after charging all expenses including the following		
Auditors Fees - Statutory Audit	1,275	975
- Other audit related services	60	50
Finance Lease Interest on JEDB/SLSPC Lease and Others	5,979	7,413
Operating Lease Rentals	698	698
Secretarial Fees and Expenses	354	250
Legal Fees and Expenses	3,298	3,403
Donations	283	66
Depreciation and Amortisation:-		
- Leasehold Rights to Bare Land	3,867	3,867
- Immovable Estate Assets on Finance Lease	9,181	9,181
- Mature Plantations	30,641	28,361
- Other Tangibles	46,009	39,252
Personnel Costs include:-		
- Provision for Retiring Gratuity:-		
- Current Service Cost	29,416	38,932
- Interest Cost	38,815	42,278
- Actuarial Loss/(Gain) on Retiring Gratuity	26,943	2,612
- Defined Contribution Plan Costs (Provident Funds & ETF)	127,375	104,059
- Other Staff Costs	1,096,785	941,624

7. Income Tax Expense

7.1 Current Taxes:

In terms of Section 16 of the Inland Revenue Act No.10 of 2006 and subsequent amendments there to, "Profits from any Agricultural Undertaking" is liable for income tax at 10%, commencing from 1st April 2011. Manufacturing profits and other income are liable for income tax at 28%.

	2012 Rs'000	2011 Rs'000
Income Tax on Profits for the year (Refer Note No.7.2)	6,441	-
Transferred (from)/to Deferred Taxation (Refer Note No.7.4)	(6,132)	4,317
Write off of Unclaimable Economic Service Charge (ESC)	-	4,415
Social Responsibility Levy on Dividend Tax	150	38
	459	8,770

7.2 Reconciliation between Profit before Taxation and Current Tax on Ordinary Activities:

Profit before Taxation	84,390	338,368
Disallowable Items	191,483	191,493
Loss attributable to the Manufacture	199,763	123,735
Allowable Items	(330,270)	(271,140)
Trade receipt on Disposal of Capital Assets	5,355	568
Profit from Agriculture, Trade or Business	150,721	383,024
Exempt Profit from Agriculture	-	(383,024)
Profit from Trade or Business	150,721	-
Other Sources of Income (Interest Income)	2,292	906
Total Statutory Income	153,013	906
Loan Interest Paid	(13,686)	(906)
Ground Rent Paid	(21,364)	-
Business Loss set off during the year	(53,555)	-
Taxable Income for the period	64,408	-
Tax Rates Applicable	10% & 28%	35%
Current Income Tax Expense	6,441	-

7.3 Tax Losses:

Tax Loss Brought Forward	(653,892)	(498,365)
Loss incurred during the year:-		
Deemed Losses (Unclaimed Interest, Ground Rent and Business Loss)	(199,763)	(155,527)
Tax Losses set off during the year	53,555	-
Tax Loss Carried Forward	(800,100)	(653,892)

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

Notes to the Financial Statements (Contd.)

For the Year ended 31st March 2012

	2012		2011	
	Rs'000	Rs'000	Rs'000	Rs'000
7.4 Deferred Taxation:				
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
On Property, Plant & Equipment	1,404,561	195,576	1,236,400	201,904
On Retiring Gratuity Obligation	(416,946)	(58,057)	(385,071)	(62,882)
On Tax Loss Carried Forward	(800,099)	(111,409)	(653,892)	(106,780)
	187,516	26,110	197,437	32,242
Tax Rates Applicable		13.92%		16.33%
Provision/(Reversal) of Deferred Taxation		(6,132)		4,317

7.5 Since the company's income is liable for income tax at different rates, the deferred tax liability is arrived at by applying the income tax rates of 28% and 10% applicable for the manufacture income and agricultural income respectively. The effective tax rate (Weighted Average) applicable is 13.92% (2011 - 16.33%).

8. Earnings per Ordinary Share

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

		2012	2011
Profit for the year	-Rs'000	83,931	329,598
Weighted Average Number of Ordinary Shares in issue during the year	-Numbers (in Thousands)	25,000	25,000
Earnings per Share	-Rs.	3.36	13.18

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012 Rs'000	2011 Rs'000
9. Leasehold Rights to Bare Land of JEDB/SLSPC Estates		
Capitalised Value :		
As at 22.06.1992	204,931	204,931
Amortisation :		
At the beginning of the ear	72,611	68,744
Charge for the year	3,867	3,867
At the end of the year	76,478	72,611
Carrying Amount :		
At the end of the year	128,453	132,320

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

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

	Immature Plantations	Mature Plantations	Permanent Land Development Costs	Buildings	Plant & Machinery	Total 2012	Total 2011
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Capitalised Value :							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	272,815	272,815
Transfers to Mature :							
Opening Balance	(145,993)	145,993	-	-	-	-	-
During the Period	-	-	-	-	-	-	-
At the end of the year	-	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :							
Opening Balance	-	118,164	2,513	35,435	6,818	162,930	153,749
Charge for the year	-	7,160	134	1,887	-	9,181	9,181
At the end of the year	-	125,324	2,647	37,322	6,818	172,111	162,930
Carrying Amount :							
As at 31.03.2012	-	89,486	1,367	9,851	-	100,704	
As at 31.03.2011	-	96,646	1,501	11,738	-		109,885

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

Investments in plantations which were immature, at the time of handing over to the Company by way of estate leases, are shown under immature plantations (revalued as at 22.06.92). Further investments in such immature plantations to bring them to maturity are shown under "Note 11 - Limited Life Land Development Costs After Take Over". When these plantations become mature the additional investment to bring them to maturity will be moved from the category **Immature Plantations** to **Mature Plantations** shown under **Note 11**, and a corresponding move from immature plantations to mature plantations will be made in the above category, namely cost incurred before take over.

Notes to the Financial Statements (Contd.)

As at 31st March 2012

11. Immature/Mature Plantations

	Tea	Rubber	Diversi- -fication	Reforest- -ation	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
11.1 Immature Plantations						
Cost :						
Opening Balance	129,563	319,376	2,285	76,901	528,125	407,118
Additions	70,451	132,009	1,276	8,645	212,381	173,338
Transfers to Mature Plantations	(54,832)	(60,149)	(2,927)	(10,628)	(128,536)	(52,120)
Transferred to Income Statement	-	-	-	-	-	(211)
At the end of the year	145,182	391,236	634	74,918	611,970	528,125
11.2 Mature Plantations						
Cost :						
Opening Balance	310,094	413,698	16,768	-	740,560	688,694
Transfers from Immature Plantations	54,832	60,149	2,927	-	117,908	40,713
Transfers from Immature Plantations - Reforestation	-	10,628	-	-	10,628	11,407
Transferred to Income Statement	-	-	-	-	-	(254)
At the end of the year	364,926	484,475	19,695	-	869,096	740,560
Amortisation :						
Opening Balance	58,133	116,786	2,843	-	177,762	149,655
Charge for the year	9,303	20,685	653	-	30,641	28,361
Transferred to Income Statement	-	-	-	-	-	(254)
At the end of the year	67,436	137,471	3,496	-	208,403	177,762
Carrying Amount	297,490	347,004	16,199	-	660,693	562,798
11.3 Total Immature and Mature Plantations	442,672	738,240	16,833	74,918	1,272,663	1,090,923

These are investments in immature/mature plantations since the formation of the company. The assets (including plantations) taken over by way of estate leases are set out in **Note 9** and **10**. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature. Borrowing costs amounting to Rs.13.686 Million (Rs.18.759 Million in 2010/11) directly relating to investment in immature plantations of tea, rubber, diversification and reforestation have been capitalised during the period, at an average borrowing rate of 11.92% (13.41% in 2010/11).

12. Other Tangibles

	Infrastruc- -ture and Buildings	Plant & Machinery (Freehold)	Plant & Machinery (Leasehold)	F & F / Equipment (Freehold)	Motor Vehicles (Freehold)	Motor Vehicles (Leasehold)	Capital Work in Progress	Total	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost :									
Opening Balance	259,077	269,836	-	80,914	134,153	20,538	28,270	792,788	682,852
Additions	32,718	22,494	-	8,710	1,779	9,286	30,920	105,907	176,650
On disposals	-	(3,671)	-	-	-	-	-	(3,671)	(4,513)
Transfers (from)/to	-	-	-	-	-	-	(35,653)	(35,653)	(62,201)
At the end of the year	291,795	288,659	-	89,624	135,932	29,824	23,537	859,371	792,788
Depreciation :									
Opening Balance	31,931	128,148	-	52,725	98,805	857	-	312,466	277,727
Charge for the year	6,630	15,981	-	5,859	11,631	5,908	-	46,009	39,252
On disposals	-	(3,671)	-	-	-	-	-	(3,671)	(4,513)
Transfers (from)/to	-	-	-	-	-	-	-	-	-
At the end of the year	38,561	140,458	-	58,584	110,436	6,765	-	354,804	312,466
Carrying Amount :									
As at 31.03.2012	253,234	148,201	-	31,040	25,496	23,059	23,537	504,567	
As at 31.03.2011	227,146	141,688	-	28,189	35,348	19,681	28,270	-	480,322

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

(b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the Balance Sheet date is Rs.128.944 Million.

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012 Rs'000	2011 Rs'000
13. Investment in Subsidiary		
13.1. Cost of Shares in Subsidiary Companies (Unquoted) :-		
Name of Subsidiary	No. of Shares	Controlling Interest
Fairlawn Power Limited (Refer Note 13.2):-		
Cost	13,207	54%
Less: Provision for fall in value of investment		
Written Down Value	-	-
	132	132
	(132)	(132)
	-	-
13.2. The Financial Statements of Fairlawn Power Limited has not been consolidated as at Balance Sheet date, since they are still in pre-operational stage and no real value to the shareholder of the Company, under the section 153(6)a of the Companies Act No.07 of 2007. Further the Company has fully provided for this investment. The shares of Fairlawn Power Limited were allotted on 29th July 1997.		
	2012 Rs'000	2011 Rs'000
14. Advance Company Tax (ACT) Recoverable		
At the beginning	27,285	27,285
Less: Setoff against Income Tax Payable	-	-
At the end	27,285	27,285
15. Inventories		
Harvested Crops (Tea & Rubber)	214,010	240,429
Consumables and Spares	25,222	27,224
Growing Crop Nurseries	20,049	16,201
	259,281	283,854
16. Trade and Other Receivables		
Trade Receivables	53,616	67,239
Staff Debtors	24,278	24,660
Income Tax Recoverable (ESC & WHT)	15,599	16,480
Other Receivables	2,249	2,485
Deposits, Advances and Prepayments	13,074	13,797
	108,816	124,661
17. Cash and Cash Equivalents		
Short Term Monetary Investments	26	75,398
Cash at Bank and in Hand	3,988	14,304
Cash in Transit	2,766	1,526
Cash and Cash Equivalents shown in the Balance Sheet	6,780	91,228
Less : Bank Overdrafts (Refer Note No.28.1)	(128,151)	-
Cash and Cash Equivalents shown in the Cash Flow Statement	(121,371)	91,228

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012	2011
	Rs.	Rs.
18. Stated Capital		
Issued and Fully Paid :-		
25,000,000 Ordinary Shares	250,000,000	250,000,000
1 Golden Share held by Secretary to the Treasury (Refer Note 18.1)	10	10
	<u>250,000,010</u>	<u>250,000,010</u>

18.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation. The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the company which grant specific rights to the Golden Shareholder. The Golden Shareholder or his nominee, will have the right to examine the books and accounts of the company at any time with two weeks written notice. The company will be required to submit a detailed quarterly report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year. The Golden Shareholder can request the Board of Directors of the company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the company's operations. The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

19. Sinking Fund

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

20. Development Reserve

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

Notes to the Financial Statements (Contd.)

As at 31st March 2012

21. Interest bearing Borrowings

21.1 Payable as follows:-

Due within one year

Payable by due dates - Project Loans

Payable by due dates - Other Term Loans

Due more than one year

Total Payable

2012 Rs'000	2011 Rs'000
31,359	48,816
60,000	32,000
91,359	80,816
243,954	312,202
335,313	393,018

21.2 Project Loans repayable within fifteen(15) years with a five(5) years grace period :-

Purpose	Date of Receipt	Bank of Ceylon (Out of ADB Line of Credit) 75% of Project Cost		Bank of Ceylon (Own Account) 5% of Project Cost			
		Capital	Rate of Interest	Capital	Rate of Interest		
		Rs'000	per annum (p.a)	Rs'000	per annum (p.a)		
Tree Crop Plantation Development	06-Mar-97	15,347	11.00%	1,023	14.95%	-	1,637
	28-Jan-98	23,199	11.00%	1,546	14.95%	2,062	4,537
	13-Oct-98	7,086	11.00%	422	14.95%	1,189	1,940
	07-Dec-98	26,595	11.00%	1,772	14.95%	4,727	7,564
	24-May-99	6,436	11.00%	429	14.95%	1,487	2,174
	05-Jun-00	8,149	11.00%	543	14.95%	2,825	3,694
	05-Jun-00	22,389	11.00%	1,493	14.95%	7,761	10,150
	23-Oct-00	10,525	11.00%	702	14.95%	4,023	5,146
			119,726		7,930		24,074
Processing, Improvement and Pollution Control Project	06-Mar-97	43,380	11.00%	2,892	14.95%	-	4,627
	02-Jul-98	15,782	11.00%	1,052	14.95%	2,244	3,928
	13-Oct-98	1,656	11.00%	110	14.95%	279	456
	07-Dec-98	5,449	11.00%	362	14.95%	968	1,549
	05-Jun-00	8,295	11.00%	553	14.95%	2,876	3,760
	05-Jun-00	2,990	11.00%	199	14.95%	1,037	1,356
	23-Oct-00	265	11.00%	18	14.95%	101	129
		77,817		5,186		7,505	15,805
Service Vehicles and Equipment	26-Mar-97	16,742	11.00%	1,116	14.95%	-	1,786
	24-Feb-98	5,594	11.00%	413	14.95%	550	1,151
	07-Dec-98	7,110	11.00%	473	14.95%	1,264	2,022
	05-Jun-00	1,686	11.00%	112	14.95%	585	764
	05-Jun-00	525	11.00%	35	14.95%	182	238
	23-Oct-00	490	11.00%	33	14.95%	188	239
		32,147		2,182		2,769	6,200
Sub-total		229,690		15,298		34,348	58,847

Security Offered :

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

Notes to the Financial Statements (Contd.)

As at 31st March 2012

2012
Rs'0002011
Rs'000**21.3 Project Loans repayable in eighty four (84) monthly installments, after a thirty six (36) month grace period:**

Purpose	Date of Receipt	Lanka Orix Leasing Co., PLC (Out of ADB-Plantation Development Project Line of Credit)			
		Capital Rs'000	Rate of Interest (p.a.)		
Replanting/Infilling & Upkeep of Main Crops	16-May-06	24,170	10.86%	14,166	17,636
	26-Oct-06	3,456	11.63%	2,851	3,485
		<u>27,626</u>		17,018	<u>21,121</u>
Crop Diversification	16-May-06	16,692	10.86%	9,783	12,179
	26-Oct-06	2,823	11.63%	2,329	2,847
		<u>19,515</u>		12,113	<u>15,026</u>
Factory Modernization & Process Automation	16-May-06	11,352	10.86%	7,194	8,956
	26-Oct-06	14,800	11.63%	8,680	10,609
		<u>26,152</u>		15,874	<u>19,566</u>
Sub-total		<u>73,293</u>		45,004	<u>55,712</u>

Security Offered :

Secondary Mortgage over leasehold rights of Millakanda Estate and Mirishena Estate.

21.4 Project Loans repayable in forty eight (48) monthly installments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	People's Leasing Co., PLC (Out of ADB-Plantation Development Project Line of Credit)			
		Capital Rs'000	Rate of Interest (p.a.)		
Replanting & Infilling of Main Crops:- Tea	28-Jan-08	8,676	13.32%	-	6,440
	28-Jun-09	4,069	13.32%	-	4,069
		<u>12,745</u>		-	<u>10,509</u>
Rubber	28-Jan-08	14,966	13.32%	-	11,108
	28-Jun-09	7,931	13.32%	-	7,931
	17-Mar-10	30,000	13.63%	-	30,000
		<u>52,897</u>		-	<u>49,039</u>
Sub-total		<u>65,642</u>		-	<u>59,548</u>

Security Offered :

Promissory Note, Right of lien over Motor Vehicles and Secondary Mortgage for Rs.95.00 Million, over leasehold rights of Hillstream Estate.

21.5 Project Loans repayable in one hundred and seven (107) monthly installments, after a twelve (12) month grace period:

Purpose	Date of Receipt	Seylan Bank PLC (Out of E'Friends Line of Credit)			
		Capital Rs'000	Rate of Interest (p.a.)		
Installation of Waste Water Treatment Plant	23-Aug-01	1,950	8.50%	-	75
Installation of Polydrive Power System	10-Sep-01	3,500	8.50%	-	163
	13-Dec-01	2,450	8.50%	-	180
	01-Nov-02	4,620	8.50%	297	811
Sub-total		<u>12,520</u>		297	<u>1,229</u>

Security Offered :

Primary Mortgage for Rs. 3.50 Million

Secondary Mortgage for Rs. 2.45 Million

Tertiary Mortgage for Rs.30.00 Million, over leasehold rights of Mahanilu Estate.

Notes to the Financial Statements (Contd.)

As at 31st March 2012

21.6 Project Loans repayable in sixty (60) monthly installments :

Purpose	Date of Receipt	Sampath Bank PLC (Out of E'Friends Line of Credit)	
		Capital Rs'000	Rate of Interest (p.a.)
Importation and Installation of 3 nos. Hot Water Generators	29-Aug-07	20,000	6.50%

Security Offered :

Primary Mortgage for Rs.20.00 Million, over leasehold rights of Frocester Estate

21.7 Project Loans repayable in forty eight (48) monthly installments, after a twenty four (24) months grace period:

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

Security Offered :

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

21.8 Other Term Loans (Securitized Debt Facility):-

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

Total Payable

2012 Rs'000	2011 Rs'000
1,685	5,681
5,829	6,851
5,150	5,150
10,979	12,001
168,200	200,000
75,000	-
243,000	200,000
335,313	393,018

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012			2011		
	Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000	Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000
22. Net Liability to Lessor of JEDB/SLSPC Estates						
22.1.Movement :						
As at 1st April	185,048	(82,402)	102,646	182,980	(86,318)	96,662
GDP Deflator Due	8,840	-	8,840	16,007	-	16,007
Repayments	(21,364)	-	(21,364)	(13,939)	-	(13,939)
Transferred to Income Statement	-	3,862	3,862	-	3,916	3,916
As at 31st March	<u>172,524</u>	<u>(78,540)</u>	<u>93,984</u>	<u>185,048</u>	<u>(82,402)</u>	<u>102,646</u>
22.2.Payable as follows :						
Payable within One Year						
Payable by due dates	5,228	(3,808)	1,420	5,228	(3,862)	1,366
GDP Deflator Payable	-	-	-	7,296	-	7,296
	<u>5,228</u>	<u>(3,808)</u>	<u>1,420</u>	<u>12,524</u>	<u>(3,862)</u>	<u>8,662</u>
Payable after One Year :-						
Payable within Two to Five Years	20,912	(14,640)	6,272	20,912	(14,881)	6,031
Payable after Five Years	146,384	(60,092)	86,292	151,612	(63,659)	87,953
	<u>167,296</u>	<u>(74,732)</u>	<u>92,564</u>	<u>172,524</u>	<u>(78,540)</u>	<u>93,984</u>
Total Payable	<u>172,524</u>	<u>(78,540)</u>	<u>93,984</u>	<u>185,048</u>	<u>(82,402)</u>	<u>102,646</u>

22.3.The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/- per estate per annum.The basic rental payable under the revised basis is Rs.5.228 Million per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent. This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Million for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Million per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

22.3.1Future liability on the revised annual lease payment of Rs.7.472 Million continued until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment remained at Rs.5.228 Million, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.102.646 Million.

22.3.2The Net Present Value as at date is represented by:-

		Rs.Million
Gross Liability	-Overdue Rentals/GDP Deflator (Contingent Rent)	-
	-33 Years @ Rs.5.228 Million per annum	172,524
		172,524
Less: Interest in Suspense		(78,540)
Net Present Value		<u>93,984</u>

	2012			2011		
	Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000	Gross Liability Rs'000	Future Finance Cost Rs'000	Net Liability Rs'000
23. Other Finance Lease Creditors						
23.1. Movement :						
As at 1st April	21,074	(3,945)	17,129	27,889	(5,377)	22,512
Facilities Obtained	11,621	(2,335)	9,286	22,991	(4,456)	18,535
Interest Rebate on early settlements	-	-	-	(2,390)	2,390	-
Repayments	(6,958)	-	(6,958)	(27,416)	-	(27,416)
Transferred to Income Statement	-	2,117	2,117	-	3,498	3,498
As at 31st March	<u>25,737</u>	<u>(4,163)</u>	<u>21,574</u>	<u>21,074</u>	<u>(3,945)</u>	<u>17,129</u>
23.2. Payable as follows :						
Payable within One Year	8,652	(2,184)	6,468	5,747	(1,764)	3,983
Payable after One Year :-						
Payable within Two to Five Years	17,085	(1,979)	15,106	15,327	(2,181)	13,146
Payable after Five Years	-	-	-	-	-	-
	<u>17,085</u>	<u>(1,979)</u>	<u>15,106</u>	<u>15,327</u>	<u>(2,181)</u>	<u>13,146</u>
Total Payable	<u>25,737</u>	<u>(4,163)</u>	<u>21,574</u>	<u>21,074</u>	<u>(3,945)</u>	<u>17,129</u>

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012 Rs'000	2011 Rs'000
24. Retiring Benefit Obligation		
Balance as at 1st April	385,071	353,839
Provision made during the Year	95,174	83,822
Payments made during the Year	(63,299)	(52,590)
Balance at the end of the Year	416,946	385,071
Payable for retired employees included under current liabilities (Refer Note 27)	(18,575)	(15,405)
Present Value of Obligation as at 31st March	398,371	369,666

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2012 by Mr.M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards No.16 (Revised 2006) "Employee Benefits".

24.1.The amount recognised in the Balance Sheet is as follows:-

Present Value of Unfunded Obligation	398,371	369,666
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	398,371	369,666
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	398,371	369,666
Unrecognised Actuarial (Gain)/Losses	-	-
Recognised liability for Defined Benefit Obligation	398,371	369,666

24.2.Movement in the Present Value of Defined Benefit Obligation:-

Liability for Defined Benefit Obligation as at 1st April	369,666	352,315
Actuarial (Gain)/Loss	26,943	2,612
Benefit paid by the Plan	(63,299)	(52,590)
Current Service Cost	26,246	25,051
Interest Cost	38,815	42,278
Liability for Defined Benefit Obligation as at 31st March	398,371	369,666

24.3.Expenses recognised in Income Statement:-

Current Service Cost	29,416	38,932
Interest Cost	38,815	42,278
Actuarial (Gain)/Loss during the year	26,943	2,612
	95,174	83,822

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

24.4.1. Rate of Interest	-11.00% per annum
24.4.2. Rate of Salary Increase	
-Workers	-15.00% every two years
-Staff	-12.50% every two years
-Staff	-02.00% per annum
24.4.3. Retirement Age	
-Workers	-60 years
-Estate Staff	-60 years
-Head Office Staff	-55 years
24.4.4. Daily Wage Rate	
-Tea	-Rs.380.00
-Rubber	-Rs.380.00
24.4.5. The Company will continue as a going concern.	

The Actuarial Present Value of the accrued benefit as at 31st March 2012 is Rs.398.371 Million. The item is grouped under "Retirement Benefit Obligation" in the Balance Sheet.

The Actuarial Present Value of all benefits accrued to the existing employees of the scheme based on the current labour wage rate as at 31st March 2012, was Rs.398.371 Million (31st March 2011 -Rs.369.667 Million).

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012 Rs'000	2011 Rs'000
25. Deferred Income		
25.1. Deferred Capital Grants & Subsidies		
25.1.1. Movement :		
Grant Received :		
Opening Balance	150,758	146,474
Received during the year	2,315	4,284
Closing Balance	<u>153,073</u>	<u>150,758</u>
Accumulated Amortisation :		
Opening Balance	28,004	23,275
Amortisation for the year	4,130	4,729
Closing Balance	<u>32,134</u>	<u>28,004</u>
Net Grant Received	<u>120,939</u>	<u>122,754</u>

25.1.2 Category wise details on Deferred Capital Grants & Subsidies

Granted By	Purpose of the Grant	Amount Received (todate) Rs'000	Basis of Amortisation	Balance as at 31-Mar-11 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-12 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	419	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	324	-	(31)	293
	Tea Replanting Subsidy	1,170	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	1,170	-	-	1,170
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,587	Rate of Depreciation applicable to Buildings (2.50% p.a.)	23,568	-	(790)	22,778
	Forestry Programme	6,013	Will be matched with the cost at the time of disposal of Plantations	6,013	-	-	6,013
Plantation Human Development Trust (PHDT)	Motor Ambulance	4,786	Rate of Depreciation applicable to Motor Vehicle (20% p.a.)	-	-	-	-
	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	37,099	-	(1,154)	35,945
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	379	-	(12)	367
Plantation Development Project (PDP) -ADB/JBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	18,339	-	(501)	17,838
	Ergonomic Equipment	5,853	Rate of Depreciation applicable to Equipment (12.50% p.a.)	3,482	-	(732)	2,750
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	4,323	-	(116)	4,207
	Earth Moving Vehicles	2,100	Rate of Depreciation applicable to Motor Vehicle (20% p.a.)	527	-	(420)	107
	Other Agricultural Vehicles	354	Rate of Depreciation applicable to Motor Vehicle (20% p.a.)	140	-	(71)	69
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	9,528	-	(252)	9,276
Rubber Development Department (RDD)	Rubber Replanting Subsidy	19,712	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	17,397	2,315	-	19,712
	Rubber Factory Development	675	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	465	-	(51)	414
		<u>153,073</u>		<u>122,754</u>	<u>2,315</u>	<u>(4,130)</u>	<u>120,939</u>

Notes to the Financial Statements (Contd.)

As at 31st March 2012

	2012	2011			
	Rs'000	Rs'000			
26. Provision for Deferred Taxation					
Balance at the Beginning	32,242	27,925			
Charge/(Reversed) during the period (Refer Note 7.4)	(6,132)	4,317			
Balance at the End	26,110	32,242			
27. Trade and Other Payables					
Trade and Service Creditors	38,062	38,951			
Retiring Benefit Obligations (Current) (Refer Note 24)	18,575	15,405			
Bank Interest Payable	38,710	17,584			
Other Payables and Accrued Charges (Refer Note 27.1)	136,337	159,648			
	231,684	231,588			
27.1 Other Payables and Accrued Charges :					
Staff Creditors	57,273	51,684			
Incentives to Staff	17,687	34,523			
Government Departments and Statutory Bodies	24,403	22,196			
Capital Grant Repayable to Ceylon Electricity Board	2,641	2,641			
Others including Provisions and Accrued Charges	34,333	48,604			
	136,337	159,648			
28. Short Term Borrowings					
28.1 Bank Overdrafts (Secured) :					
The following facilities were granted to the Company, during the year under review :-					
Financial Institution	Type of Securities	Rate of Interest (p.a.)	Facility Available Rs'000		
Bank of Ceylon Corporate Branch Colombo 1	Primary Mortgage over Estate Produce such as Tea, Rubber etc., to the value of Rs.100 Million	14.95% .	47,678	-	-
Seylan Bank PLC Millennium Branch Colombo 1	Primary Mortgage for - Rs. 3.50 Million Secondary Mortgage for - Rs. 2.45 Million Tertiary Mortgage for - Rs.30.00 Million over leasehold rights of Mahanilu Estate	15.00%	10,000	-	-
People's Bank Corporate Banking Division Colombo 10	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets	13.00% [Average Weighted Prime Lending Rate (AWPLR) plus 1%]	150,000 <u>207,678</u>	128,151	-
				128,151	-

Notes to the Financial Statements (Contd.)

For the Year ended 31st March 2012

29. Contingent Liabilities

There were no material contingent liabilities outstanding as at Balance Sheet date except for the following:

29.1 Legal Proceedings on Labour and Other Disputes: -

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

29.2 GDP Deflator on Annual Lease Rental: -

Refer Note 22.3 to these Financial Statements.

29.3 Unfulfilled Conditions on Capital Grants: -

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

30. Commitments**30.1 Financial Commitments:-**

Operating Lease Rentals on Dumbara Estate :

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

Finance Lease Rentals Payable to the Secretary to the Treasury:

22.06.2011 to 21.06.2045	Rs. 5.228 Million per annum
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30.2 Capital Commitments:-

There were no capital commitments outstanding as at the Balance Sheet date.

31. Events Occurring After the Balance Sheet Date

Subsequent to the date of the Balance Sheet, no circumstances or events have arisen or been revealed that would require adjustments to or disclosure in the financial statements, except for the following:-

31.1 Proposed Dividend:-

The Directors have recommended a payment of final dividend of Rs.1.00 per Ordinary Share amounting to Rs.25,000,000.00 for the year ended 31st March 2012 (31st March 2011 -Rs.100,000,000.00), at the Directors' Meeting held on the 31st May 2012.

32. Related Party Transactions and Balances**32.1 The following balances were outstanding as at Balance Sheet date: -****32.1.1 Amounts due from Related Companies:****Other Related Companies:-**

Lanka Ceramic PLC	10	5
Lanka Walltile PLC	206	127
Parquet (Ceylon) PLC	240	440
Uni-Dil Pakaging Ltd.	59	29
CT Land Development PLC	8	12
Bandarawella Hotel	46	23
	569	636

32.1.2 Amounts due to Related Companies:**Holding Company:-**

Ceytea Plantation Management Ltd.	5,360	9,089
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Other Related Companies:-

C T Holdings PLC	541	523
Uni-Dil Pakaging Ltd.	-	85
Uni-Dil Paper Sacks (Pvt) Ltd	2,039	1,253
	2,580	1,861

Notes to the Financial Statements (Contd.)

For the Year ended 31st March 2012

32. Related Party Transactions and Balances (contd.)

32.2 Transactions with Related Companies:

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosure". The details of which are reported below:-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2012 Rs'000	2011 Rs'000
Ceytea Plantation Management Ltd.	Mr. Anthony A. Page Mr. R. Casie Chitty Mr. C. Kingsnorth Mr. L.J. Rubera Mr.L.J.A. Fernando Mr. V. R. Page Mr. Sunil Mendis Mr. A. T. P. Edirisinghe	Chairman Managing Director Director Director Director Director Director Director	Management Fee (net of VAT)	11,486	15,000
Uni-Dil Packaging Ltd.	Mr. Anthony A. Page Mr. R. Casie Chitty Mr. L.J. Rubera Mr.L.J.A. Fernando Dr. S. Selliah Mr. A. T. P. Edirisinghe	Chairman Deputy Chairman Director Director Director Director	Purchase of Packing Materials Sale of Tea Short Term Advance settlements Interest Income on Short Term Advance	130 (44) - -	128 (501) (5,398) 309
Uni-Dil Paper Sacks(Pvt) Ltd.	Mr. Anthony A. Page Mr. R. Casie Chitty Mr. L.J. Rubera Mr.L.J.A. Fernando Dr. S. Selliah Mr. A. T. P. Edirisinghe	Chairman Deputy Chairman Director Director Director Director	Purchase of Packing Materials	8,985	7,880
Lanka Ceramic PLC	Mr. Anthony A. Page Mr. R. Casie Chitty Mr. A. T. P. Edirisinghe	Chairman Executive Director Deputy Chairman	Sale of Tea Reimbursement of Expenses	(22) (2)	(23) -
C T Holdings PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. Sunil Mendis Mr. A. T. P. Edirisinghe	Chairman Managing Director Director Director	Office Rental Reimbursement of Expenses	3,170 (18)	3,078 (18)
Lanka Walltile PLC	Mr. Anthony A. Page Mr. R. Casie Chitty Mr. V. R. Page Dr. S. Selliah Mr. A. T. P. Edirisinghe	Chairman Director Director Deputy Chairman Director	Sale of Tea Purchase of Tiles	(181) -	(284) 137
Lanka Floortiles PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. Sunil Mendis Dr. S. Selliah Mr. A. T. P. Edirisinghe	Chairman Director Director Deputy Chairman Director	Purchase of Tiles	89	7
C T Land Development PLC	Mr. Anthony A. Page Mr. V. R. Page Mr. A. T. P. Edirisinghe	Chairman Director Director	Sale of Tea	(44)	(56)
Ceylon Printers PLC	Mr. Anthony A. Page Mr. R. Casie Chitty	Director Director	Sale of Tea Printing of Annual Report	(18) 615	(28) -
Ceylon Theatres (Pvt) Ltd	Mr. Anthony A. Page Mr. V. R. Page	Director Director	Sale of Tea	(9)	(12)
Kalamazoo Systems PLC	Mr. Anthony A. Page Mr. R. Casie Chitty	Director Director	Printing of Annual Report	-	462
Bandarawella Hotel	Mr. V. R. Page	Deputy Chairman	Sale of Tea	(184)	(236)

32.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005), "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors has been classified as Key Management Personnel of the Company.

	2012 Rs'000	2011 Rs'000
Fees paid to Directors	2,498	1,060

Notes to the Financial Statements (Contd.)

For the year ended 31st March 2012

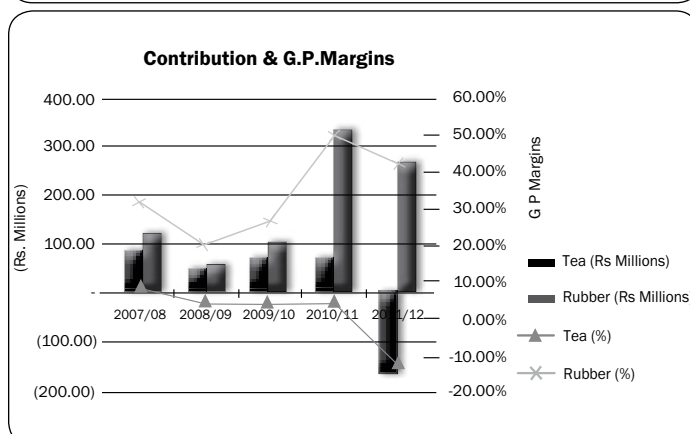
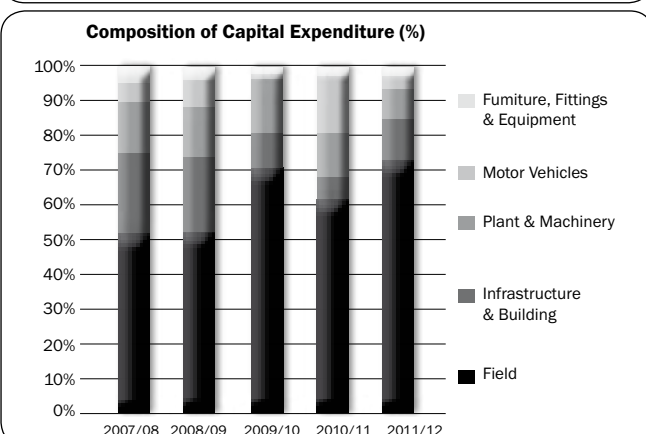
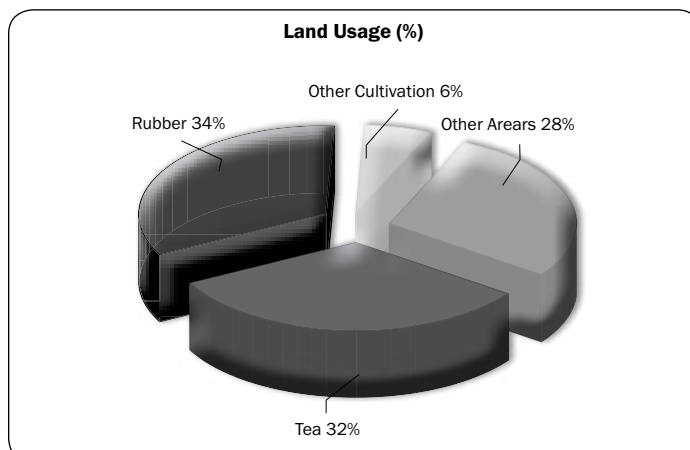
33. Information on Business Segments

	Tea		Rubber		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segmental Revenue								
Main Crops	1,284,179	1,343,607	635,746	181,514	668,851		1,919,925	2,012,458
Diversified Crops					4,786	3,859	4,786	3,859
Sale of Rubber Trees					40,545	24,731	40,545	24,731
Sale of Timber (Live) Trees					29,224	6,349	29,224	6,349
Other Operating Revenue					30,563	32,323	30,563	32,323
	1,284,179	1,343,607	635,746	668,851	105,118	67,262	2,025,043	2,079,720
Segmental Gross Profit	(160,825)	67,777	267,402	339,765	94,237	57,166	200,814	464,708
Other Operating Income					11,734	11,394	11,734	11,394
Administrative Overheads					(69,121)	(67,079)	(69,121)	(67,079)
Management Fees					(12,842)	(16,777)	(12,842)	(16,777)
Profit from Operations							130,585	392,246
Interest and Finance Charges					(46,195)	(53,878)	(46,195)	(53,878)
Profit before Taxation							84,390	338,368
Income Tax Expense					(459)	(8,770)	(459)	(8,770)
Profit for the year							83,931	329,598
OTHER INFORMATION								
Segmental Assets								
Non-current Assets	934,841	866,606	970,525	844,717	128,306	129,412	2,033,672	1,840,735
Current Assets	253,043	276,792	97,135	109,788	25,268	113,799	375,446	500,379
Total Assets	1,187,884	1,143,398	1,067,660	954,505	153,574	243,211	2,409,118	2,341,114
Segmental Liabilities								
Non-current Liabilities	376,637	355,638	117,868	110,011	402,539	478,345	897,044	943,994
Current Liabilities	130,378	133,639	51,967	64,931	284,677	137,428	467,022	335,998
Total Liabilities	507,015	489,277	169,835	174,942	687,216	615,773	1,364,066	1,279,992
Capital Expenditure	118,859	123,921	151,604	128,086	12,173	17,245	282,636	269,252
Amortisation and Depreciation	49,506	43,549	37,542	35,007	2,650	2,106	89,698	80,662
Non-Cash Expenditure other than Amortisation and Depreciation	77,202	67,245	20,633	19,936	37,777	45,207	135,612	132,388

Statistical Information

		Year Ended 31-Mar-08	Year Ended 31-Mar-09	Year Ended 31-Mar-10	Year Ended 31-Mar-11	Year Ended 31-Mar-12
PRODUCTION	(kgs'000)					
Tea	- Estate Crop	3,821	3,459	3,422	3,437	3,434
	- Bought Crop	395	245	268	341	385
		<u>4,216</u>	<u>3,704</u>	<u>3,690</u>	<u>3,778</u>	<u>3,819</u>
Rubber	- Estate Crop	1,667	1,506	1,441	1,344	1,402
	- Bought Crop	-	-	-	-	-
		<u>1,667</u>	<u>1,506</u>	<u>1,441</u>	<u>1,344</u>	<u>1,402</u>
YIELD	(kgs / Hectare)					
Tea		1,640	1,501	1,519	1,541	1,554
Rubber		861	793	788	739	802
COST OF PRODUCTION	(Rs / kg)					
Tea		256.75	263.45	343.36	337.71	378.40
Rubber		162.70	170.16	208.16	244.86	262.65
NET SALE AVERAGE	(Rs / kg)					
Tea		277.87	276.85	361.48	355.65	336.28
Rubber		237.41	209.74	279.15	497.66	453.33
CONTRIBUTION						
Tea	- Rs'000	89,054	49,613	66,875	67,777	(160,825)
	- Margin (%)	7.60	4.84	5.01	5.04	(12.52)
Rubber	- Rs'000	124,539	59,608	102,296	339,765	267,401
	- Margin (%)	31.47	18.87	25.43	50.80	42.06
EMPLOYMENT						
Number of Employees		<u>9,556</u>	<u>8,905</u>	<u>8,404</u>	<u>8,215</u>	<u>8,021</u>
CAPITAL EXPENDITURE	(Rs'000)					
Field		97,482	119,695	141,678	173,338	212,381
Infrastructure and Building		42,789	50,643	20,819	18,936	32,718
Plant & Machinery		29,499	31,415	31,209	34,876	22,494
Motor Vehicles		9,607	18,634	1,770	43,018	11,065
Furniture, Fittings & Equipment		8,523	9,348	4,374	9,013	8,710
		<u>187,900</u>	<u>229,735</u>	<u>199,850</u>	<u>279,181</u>	<u>287,368</u>

HECTARAGE		Hectares
Tea	Mature	2,214
	Immature	69
	Others	127
	Total Tea	2,410
Rubber	Mature	1,749
	Immature	535
	Others	239
	Total Rubber	2,524
Other Cultivation	Coconut	33
	Cinnamon	14
	Fuelwood/Timber Forestry	275
	Others	145
	Total Other Cultivation	467
Other Areas		2,133
Total Hectarage		7,534



Shareholder & Investor Information

Distribution of Shareholdings as at 31st March 2012				
Category of Holdings		No. of Shareholders	Total Holdings	Percentage (%)
1	1,000	9,989	2,146,245	8.58
1,001	10,000	492	1,740,984	6.96
10,001	100,000	86	3,024,572	12.11
100,001	1,000,000	19	5,338,200	21.35
Over 1,000,000		1	12,750,000	51.00
		<u>10,587</u>	<u>25,000,001</u>	<u>100.00</u>

Categories of Shareholders as at 31st March 2012			
Category	No. of Shareholders	No. of Shares	Percentage (%)
Local Individuals	10,423	5,895,826	23.58
Local Institutions	130	17,865,917	71.46
Foreign Individuals	31	1,174,558	4.71
Foreign Institutions	3	63,700	0.25
	<u>10,587</u>	<u>25,000,001</u>	<u>100.00</u>

Public Holding		
	As at 31st March 2012	As at 31st March 2011
Percentage of Shares held by the public	48.68%	48.68%

Directors' Shareholdings as at 31st March 2012		
Name of Directors	No. of Share held as at 31st March 2012	31st March 2011
Mr. Anthony A. Page	80,000	80,000
Mr. R. Casie Chitty	Nil	Nil
Mr. C. Kingsnorth	Nil	Nil
Mr. L. J. Rubera	Nil	Nil
Mr. L. J. A. Fernando	Nil	Nil
Mr. S. Mendis	Nil	Nil
Dr. S. Selliah	Nil	Nil
Mr. V. R. Page	Nil	Nil
Mr. A. T. P. Edirisinghe	1,000	Nil
Mr. D. Panter (Alternate Director to Mr C Kingsnorth)	Nil	Nil

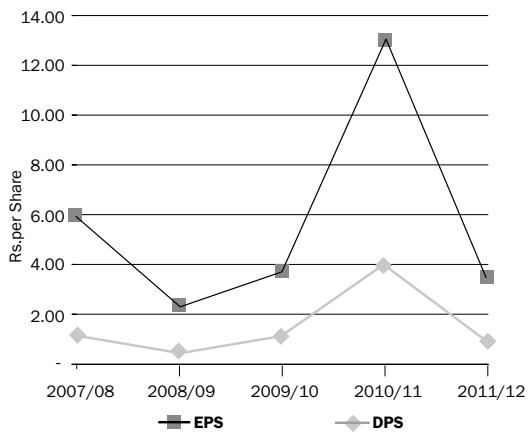
Share Prices		
	As at 31st March 2012	As at 31st March 2011
Market price per share		
Highest during the year	Rs. 80.50 (09/05/2011)	Rs. 96.10 (08/02/2011)
Lowest during the year	Rs. 20.00 (14/02/2012)	Rs. 27.75 (05/04/2010)
As at end of the year	Rs. 25.10	Rs. 72.30

Share Trading		
	Year ended 31st March 2012	Year ended 31st March 2011
Number of transactions	5,385	16,351
Number of shares traded	5,871,156	45,136,900
Value of shares traded (Rs.)	348,117,568	2,148,566,780

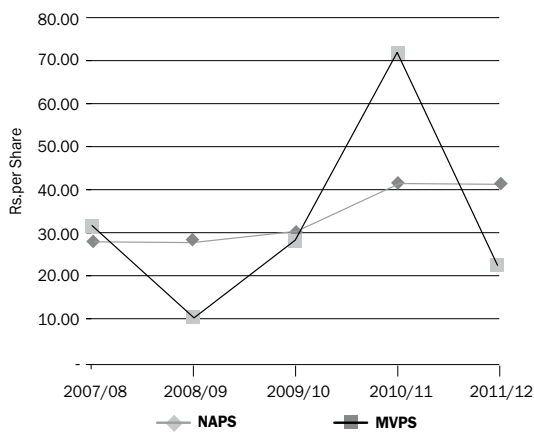
Twenty Major Shareholders of the Company as at 31st March 2012		
Name	No. of Shares	Percentage (%)
1 Ceytea Plantation Management Limited	12,750,000	51.000
2 Mr. N. R. Selvadurai	643,000	2.572
3 Seylan Bank PLC/W. D. N. H. Perera	540,000	2.160
4 Bank of Ceylon No. 1 Account	513,000	2.052
5 Associated Electrical Corporation Ltd	455,900	1.824
6 Mrs. P. Selvaduray	415,200	1.661
7 Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	337,500	1.350
8 Merchant Bank of Sri Lanka PLC/J. A. S. Piyawardena	332,000	1.328
9 Mr. T. T. T. Al-Nakib	314,900	1.260
10 Almar Holdings (Pvt) Limited	230,000	0.920
11 Almar Trading Co (Pvt) Ltd	211,300	0.845
12 Waldock Mackenzie Ltd/Mr.S. N. P. Palihena & Mrs. A. S. Palihena	200,000	0.800
13 Mr. K. C. Vignarajah	195,700	0.783
14 Mr. K. S. D. Senaweera	185,400	0.742
15 J. B. Cocoshell (Pvt) Ltd	174,000	0.696
16 Singalanka Standard Chemicals PLC	150,000	0.600
17 Premium Brands (Pvt) Limited	120,000	0.480
18 Merchant Bank of Sri Lanka PLC /K. R. W. Ranasinghe	109,400	0.438
19 Dee Investments (Pvt) Ltd	105,900	0.424
20 Mr. P. H. D. Waidyatilaka	105,000	0.420
Total	18,088,200	72.355

Shareholder & Investor Information (Contd.)

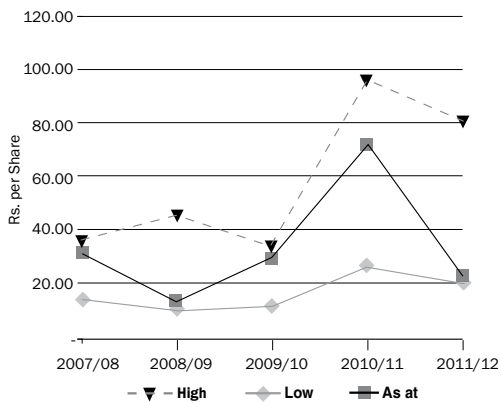
Earnings per Share (EPS) Vs. Dividend per Share (DPS)



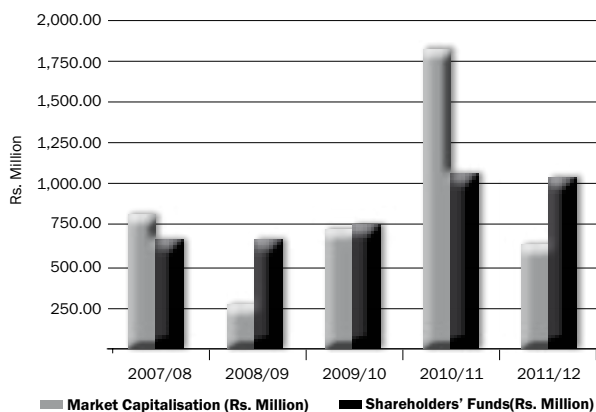
Net Assets per Share (NAPS) Vs. Market Value per Share (MVPS)



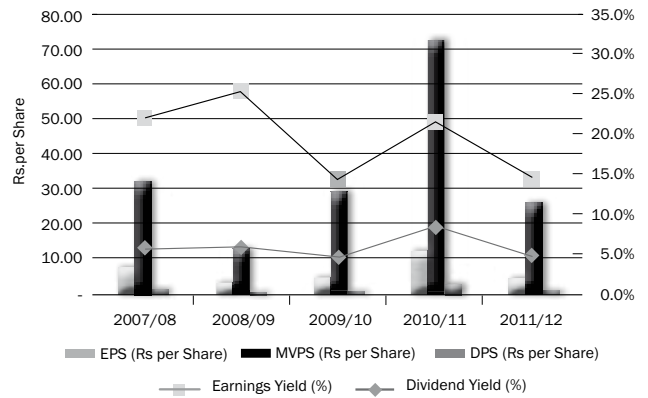
High-Low Market Prices



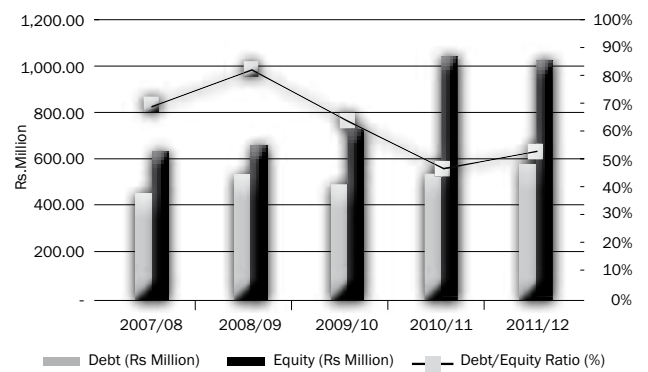
Market Capitalisation Vs. Shareholders' Funds



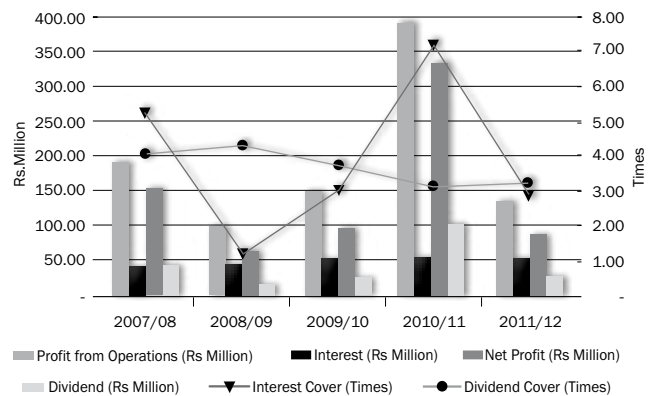
Earnings & Dividend Yield (%)



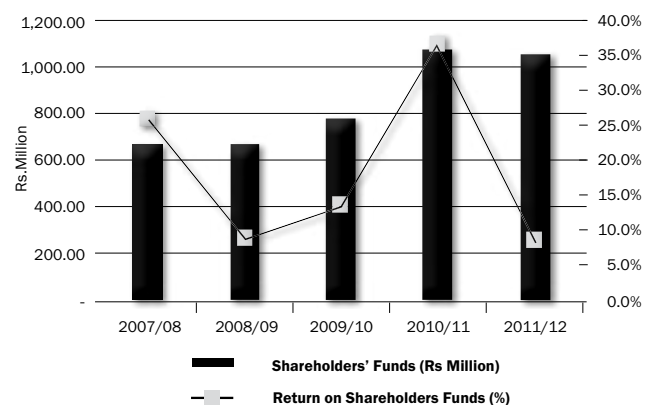
Debt/Equity Ratio (%)



Interest & Dividend Cover (Times)



Return on Equity (%)

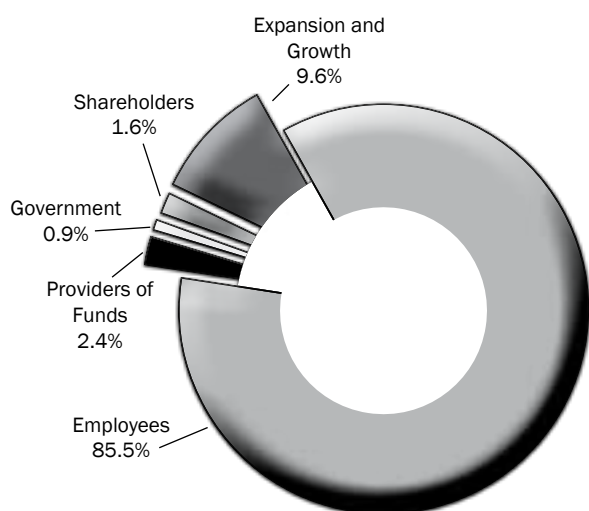


Value Added Statement

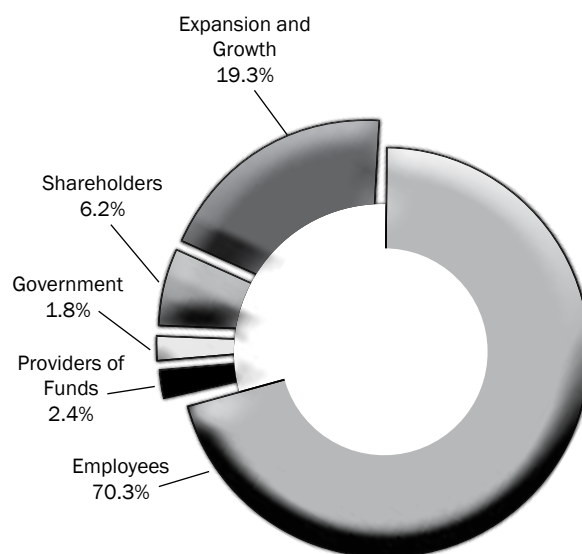
For the year ended 31st March 2012

	2012		2011	
	Rs'000	%	Rs'000	%
Revenue	2,025,043		2,079,720	
Other Income	11,734		11,394	
	2,036,777		2,091,114	
Cost of Materials and Services obtained	(493,298)		(484,787)	
Value Addition	1,543,479		1,606,327	
Distribution of Value Addition:-				
To Employees				
Salaries and Other Benefits	1,319,334	85.5	1,129,505	70.3
To Providers of Funds				
Interest Cost	37,355	2.4	37,871	2.4
To Government				
Income Tax	459		8,770	
Lease Interest	12,702		19,922	
	13,161	0.9	28,692	1.8
To Shareholders				
Dividends to Shareholders	25,000	1.6	100,000	6.2
To Expansion and Growth				
Profit Retained	58,931		229,598	
Depreciation	89,698		80,661	
	148,629	9.6	310,259	19.3
	1,543,479	100.0	1,606,327	100.0

Distribution of Value Addition - 2012



Distribution of Value Addition - 2011



Financial Highlights

	Year Ended 31-Mar-03 Rs'000	Year Ended 31-Mar-04 Rs'000	Year Ended 31-Mar-05 Rs'000	Year Ended 31-Mar-06 Rs'000	Year Ended 31-Mar-07 Rs'000	Year Ended 31-Mar-08 Rs'000	Year Ended 31-Mar-09 Rs'000	Year Ended 31-Mar-10 Rs'000	Year Ended 31-Mar-11 Rs'000	Year Ended 31-Mar-12 Rs'000
Operating Results :										
Revenue	878,850	895,246	1,066,016	1,184,290	1,314,654	1,630,740	1,388,687	1,781,125	2,079,720	2,025,043
Gross Profit	84,254	139,114	166,396	196,463	250,276	271,010	147,738	204,345	464,708	200,814
Profit from Operations	12,211	63,669	112,428	132,947	184,477	190,761	96,692	148,876	392,246	130,585
Interest	(46,171)	(42,875)	(27,369)	(37,620)	(30,529)	(35,435)	(41,348)	(49,295)	(53,878)	(46,195)
Amortisation of Negative Goodwill	11,449	11,449	11,449	9,911	-	-	-	-	-	-
Extra-ordinary Items	(32,235)	(48,500)	-	-	-	(1,733)	-	-	-	-
Profit/(Loss) before Taxation	(54,746)	(16,257)	96,508	105,238	153,948	153,593	55,344	99,581	338,368	84,390
Income Tax Expense	-	-	(4,591)	-	-	(1,613)	(113)	(5,013)	(8,770)	(459)
Profit/(Loss) for the year	(54,746)	(16,257)	91,917	105,238	153,948	151,980	55,231	94,568	329,598	83,931
Net Assets Employed :										
Property, Plant & Equipment	995,746	1,041,340	1,081,940	1,128,616	1,226,627	1,344,351	1,493,630	1,606,535	1,813,450	2,006,387
Investments	132	132	132	132	132	-	-	-	-	-
Other Non-Current Assets	99,400	27,400	27,285	27,285	27,285	27,285	27,285	27,285	27,285	27,285
Current Assets	143,749	137,925	162,183	195,022	232,950	300,119	216,569	279,715	500,379	375,446
Current Liabilities excluding Borrowings	(145,905)	(162,599)	(151,396)	(153,880)	(173,451)	(154,293)	(131,491)	(160,299)	(242,538)	(239,624)
Provisions and Deferred Income	(252,987)	(244,933)	(253,219)	(264,053)	(326,974)	(402,039)	(393,879)	(503,438)	(524,662)	(545,420)
	840,135	799,265	866,925	933,122	986,569	1,115,423	1,212,114	1,249,798	1,573,914	1,624,074
Financed By :										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Revenue Reserves	(48,712)	(64,969)	26,948	119,686	197,245	336,725	341,955	436,523	741,121	725,052
Shareholders' Funds	271,288	255,031	346,948	439,686	517,245	656,725	661,955	756,523	1,061,121	1,045,052
Borrowings	568,847	544,234	519,977	493,436	469,324	458,698	550,159	493,275	512,793	579,022
	840,135	799,265	866,925	933,122	986,569	1,115,423	1,212,114	1,249,798	1,573,914	1,624,074
Cash Flow :										
Net Cash Inflow/(Outflow) from										
Operating Activities	(295)	79,064	96,556	120,590	188,346	272,045	144,053	243,797	386,992	236,858
Net Cash Outflow from Investing Activities	(31,054)	(48,618)	(73,479)	(80,669)	(139,817)	(181,423)	(171,028)	(172,912)	(253,000)	(263,431)
Net Cash Inflow/(Outflow) from										
Financing Activities	(9,790)	(23,387)	(24,930)	(27,781)	14,586	(50,487)	(78,681)	3,388	36,652	(186,027)
Net Cash Inflow/(Outflow) for the period	(41,139)	7,059	(1,853)	12,140	63,115	40,135	(105,656)	74,273	170,644	(212,600)
Cash and Cash Equivalents at the beginning	(127,489)	(168,628)	(161,569)	(163,422)	(151,282)	(88,167)	(48,032)	(153,688)	(79,415)	91,229
Cash and Cash Equivalents at the end	(168,628)	(161,569)	(163,422)	(151,282)	(88,167)	(48,032)	(153,688)	(79,415)	91,229	(121,371)
Key Indicators :										
Earnings per Share (Rs.)	(2.19)	(0.65)	3.86	4.21	6.16	6.08	2.21	3.78	13.18	3.36
Market Value per Share (Rs.)	7.00	6.25	14.00	16.50	20.00	32.00	10.50	28.00	72.30	25.10
Dividend per Share (Rs.)	-	-	0.50	1.00	1.50	1.50	0.50	1.00	4.00	1.00
Net Assets per Share (Rs.)	10.85	10.20	13.88	17.59	20.69	26.27	26.48	30.26	42.44	41.80
Price-Earnings Ratio (times)	(3.20)	(9.61)	3.63	3.92	3.25	5.26	4.75	7.40	5.48	7.48
Earnings Yield (%)	(31.28)	(10.40)	27.57	25.51	30.79	19.00	21.04	13.51	18.24	13.38
Interest Cover (times covered)	0.26	1.48	4.11	3.53	6.04	5.38	2.34	3.02	7.28	2.83
Dividend Cover (times covered)	-	-	7.35	4.21	4.11	4.05	4.42	3.78	3.30	3.36
Dividend Payout (%)	-	-	13.60	23.76	24.36	24.67	22.63	26.44	30.34	29.79
Effective Dividend Rate (%)	-	-	5.00	10.00	15.00	15.00	5.00	10.00	40.00	10.00
Dividend Yield (%)	-	-	3.57	6.06	7.50	4.69	4.76	3.57	5.53	3.98
Current Ratio (times)	0.40	0.36	0.43	0.52	0.74	1.08	0.60	0.82	1.49	0.80
Revenue to Capital Employed (times)	1.05	1.12	1.23	1.27	1.33	1.46	1.15	1.43	1.32	1.25
Return after Taxation on Net Assets (%)	(20.18)	(6.37)	26.49	23.93	29.76	23.14	8.34	12.50	31.06	8.03
Property, Plant & Equipment to										
Shareholders' Funds (times)	3.67	4.08	3.12	2.57	2.37	2.05	2.26	2.12	1.71	1.92
Debt to Equity Ratio (%)	209.68	213.40	149.87	112.22	90.74	69.85	83.11	65.20	48.33	55.41
Equity to Total Assets Ratio (%)	21.90	21.13	27.29	32.54	34.78	39.28	38.10	39.54	45.33	43.38

Our Plantations

Estate	Planting District	EXTENTS (Ha)				ELEVATION (ft)	CROP (kg'000)		No. of Workers
		Tea	Rubber	Others	Total		Tea	Rubber	
Upcot/Maskeliya									
Alton	Nuwara Eliya	267	-	83	350	4,700-5,550	421	-	718
Fairlawn	Nuwara Eliya	343	-	105	448	4,500-4,870	532	-	841
Gouravilla	Nuwara Eliya	306	-	75	381	3,600-5,300	528	-	936
Stockholm	Nuwara Eliya	232	-	73	305	4,800	396	-	601
Mahanilu	Nuwara Eliya	185	-	51	236	4,500-5,000	196	-	409
Regional Total		1,332	-	388	1,719		2,073	-	3,505
Lindula									
Bambrakelly	Nuwara Eliya	420	-	171	590	4,200-5,400	517	-	813
Eildon Hall	Nuwara Eliya	129	-	32	162	4,430	221	-	297
Tillicoultry	Nuwara Eliya	276	-	101	377	4,200-5,000	384	-	498
Regional Total		825	-	304	1,129		1,122	-	1,608
Up-Country Total		2,157	-	692	2,849		3,194	-	5,113
Ingiriya/Bulathsinghala									
Millakande	Kalutara	143	-	244	387	100	362	-	341
Dumbara	Ratnapura	111	537	370	1,017	1,750	263	209	533
Halwatura	Kalutara	-	349	263	612	396-825	-	129	281
Hillstream	Kalutara	-	205	195	400	429	-	179	176
Kobowella	Kalutara	-	158	59	217	310	-	98	122
Neuchatel	Kalutara	-	547	355	902	172-495	-	311	422
Mirishena	Kalutara	-	254	234	487	246-330	-	150	193
Procester	Kalutara	-	474	190	664	165-330	-	326	371
Low-Country Total		254	2,524	1,908	4,686		624	1,402	2,439
Plantation Total		2,410	2,524	2,600	7,534		3,819	1,402	7,552

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of Horana Plantations PLC will be held at the Sri Lanka Foundation Institute , No. 100, Independence Square, Colombo 07 on 20th July 2012 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2012 and the Report of the Auditors thereon.
2. To declare a final dividend of Rs.1/- per share as recommended by the Directors.
3. To re-elect as a Director Mr. V. R. Page who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. Sunil Mendis who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
5. To elect as a Director Dr. R. D. Bandaranaike who was appointed a Director since the last Annual General Meeting in terms of Article 98 of the Articles of Association of the Company.
6. To authorise the Directors to determine donations for the ensuing year.
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board
Horana Plantations PLC
P W CORPORATE SECRETARIAL (PVT) LTD



Director/Secretaries

Colombo
27th June 2012

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 8, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.

Form of Proxy

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

of

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

Mr. Anthony Asokumar Page	of Colombo or failing him *
Mr. Rajiv Casie Chitty	of Colombo or failing him *
Mr. Lalendra Jerome Rubera	of Colombo or failing him *
Mr. Lalin Joseph Ainsley Fernando	of Colombo or failing him *
Mr. Valentine Ranjithkumar Page	of Colombo or failing him *
Mr. Sunil Mendis	of Colombo or failing him *
Dr. Sivakumar Selliah	of Colombo or failing him *
Mr. Antoine Theodore Priyalal Edirisinghe	of Colombo or failing him *
Dr. Romesh Dias Bandaranaike	of Colombo or failing him *

.....

of.....
my/our * Proxy to vote and speak as indicated hereunder for me/us* and on my/our* behalf at the Nineteenth Annual General Meeting of the Company to be held on 20th July 2012 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

For **Against**

Resolution 1

To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2012 with the Report of the Auditors thereon.

Resolution 2

To declare a dividend as recommended by the Directors.

Resolution 3

To re-elect as a Director Mr. V. R. Page who retires in terms of Article No. 92 of the Articles of Association of the Company.

Resolution 4

To re-elect as a Director Mr. Sunil Mendis who retires in terms of Article No. 92 of the Articles of Association of the Company.

Resolution 5

To elect as a Director Dr. R. D. Bandaranaike who was appointed a Director since the last Annual General Meeting in terms of Article No. 98 of the Articles of Association of the Company.

Resolution 6

To authorise the Directors to determine donations for the ensuing year.

Resolution 7

To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.

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

.....
Signature of Shareholder/s

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

Instructions as to Completion

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

Corporate Management Team

R. Casie Chitty

Managing Director/Chief Executive Officer

G. B. S. De Silva

Deputy Chief Executive Officer

V.W. Karunatillake

Deputy General Manager - Up Country Properties

Ms. P. M. Ediriweera

Assistant General Manager - Finance

P. S. Samarakoon

Manager - Human Resource & Administration

I. L. K. Edirisooriya

Manager - Internal Audit

J. R. Gunathilake

Manager - Finance

T. I. Wijekulasooriya

Accountant

Ms. Y. C. Abeyawardena

Agricultural Economist

Estate Management Team

SENIOR MANAGERS:

- H. M. S. Kahatapitiya - Alton Estate
- U. K. P. P. Silva - Bambarakelly Estate
- W. M. Somapala - Dumbara Estate
- B. H. Weerakoon - Neuchatel Estate

ESTATE MANAGERS

- M. L. U. C. Pinto - Fairlawn Estate
- U. C. Oliver - Gouravilla Estate
- H. I. B. Herath - Mahanilu Estate
- B. L. W. Gunawardene - Stockholm Estate
- J. C. Weerasekera - Eildon Hall Estate
- L. Ranasinghe - Tillicoultry Estate
- I. D. Weerakoon - Millakanda Estate
- W. N. M. Wijenayake - Halwatura Estate
- W. A. Sumanadasa - Hillstream Estate
- Mirishena Estate
- N. S. Jayawardena - Frocester Estate
- Kobowella Estate

Corporate Information

Horana Plantations PLC

DOMICILE AND LEGAL FORM

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

DATE OF INCORPORATION

22nd June 1992

REGISTRATION NUMBER

PQ 126

DIRECTORS

- Mr. Anthony A. Page - Chairman
(Alternate Director Mr. V. R. Page)
- Mr. R Casie Chitty - Managing Director/Chief Executive Officer
- Mr. L J Rubera
- Mr. L. J. A. Fernando
- Mr. V. R. Page
- Mr. Sunil Mendis
- Dr. S. Selliah
- Mr. A. T. P. Edirisinghe
- Dr. R. D. Bandaranaika

REGISTERED ADDRESS

No.8, Sir Chittampalam A Gardiner Mawatha, P.O.Box 2042, Colombo 2.

T'phone : 011 5400700 (Hunting), 011 5865984 - 7

Facsimile : 011 5400730

E Mail : horanap@hplnet.com

horanap@horanaplantations.com

Web : www.horanaplantations.com

PARENT COMPANY

Ceytea Plantation Management Ltd
No. 8, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

ULTIMATE PARENT COMPANY OF THE GROUP

C T Holdings PLC
No. 8, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
No.3/17, Kynsey Road, Colombo 8.
Telephone 011 4640360 - 3

INDEPENDENT AUDITORS

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

LEGAL ADVISORS

Murugesu & Neelakandan
Attorneys-at-Law & Notaries Public
M & N Building (Level 5),
No.2 Deal Place, P.O.Box 749, Colombo 3.

TAX ADVISORS

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

BANKERS

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

Horana Plantations PLC

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Web : www.horanaplantations.com