



KALUBOWITIYANA TEA FACTORY LIMITED

ANNUAL REPORT 2011/12

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CORPORATE INFORMATION

Name of the Company	Kalubowitiyana Tea Factory Limited
Company Registration No.	PB 1020
Registered Office	Kalubowitiyana Tea Factory Limited Head Office CTC Tea Factory Kalubowitiyana
Legal form	A Public Company with Limited Liability Incorporated in Sri Lanka on 30th September 1992.
Telephone No.	041 - 4935618 , 4935620
Fax No.	041 - 4935640
E-mail Address	'ktf@sltnet.lk
Auditors	Tudor V. Perera & Company P. O. Box 1177 3rd Floor, de Mel Building No. 103, Chatham Street Colombo 01
Secretaries	Corporate Services Limited, 216, De Saram Place, Colombo 10
Lawyers	F J & G De Saram Attorney -at-Law & Notaries Public 216, De Saram Place, Colombo 10
Bankers	People's Bank
Board of Directors	Mr. Donald Abeyesundara (Chairman) Mr. G. D. W. Jayawardena (Managing Director) Mr. G. D. C. Pamaratna (Executive Director) Mrs. Indrani Sugathadasa (Director) Mrs. Geetha Wemalawera (Director) Mr. H. A. Abeyiri Perera (Director) Mr. W. D. Upali Wijesinghe (Director)
Senior Management	Mr.P.Jayasekara (Manager / Finance) Mr.T.W.M.S.P.Bandara (Manager / Administration & Human Resources) Mr. T.A.D.J.C.Thilakarathna(Manager / Kalubowitiyana Tea Factory) Mr.Gamini Dasanayaka (Manager / Derangala Tea Factory)
Factories	Kalubowitiyana CTC Factory Kalubowitiyana, Via Matara Tel/ Fax. 0913 783020 E-Mail ktfk@sltnet.lk Derangala Tea Factory Kiriwelkelle, Pitabeddara Tel/ Fax. 0913 783621 E-Mail dtfl@sltnet.lk

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report of Kalubowitiyana Tea Factory Ltd for the year ended 31st March 2012

Kalubowitiyana Tea Factory Ltd (KTFL) was incorporated on the 30th of September 1992 as a public Company fully owned by the Government. It began commercial operations with the commencement of manufacture at the newly built CTC Tea Factory at 01st August 1994. This CTC tea factory was built with the assistance of Indian Line of Credit. Similarly the Derangala Tea Factory was re-built, again with the assistance of the Indian Line of Credit, and commenced manufacture of Orthodox teas in March 2000.

The Company has been operating on a self-financing basis since 1995. Kalubowitiyana CTC Tea Factory soon established itself as the best CTC manufacturer in the Island, maintained its position in the year under review as well.

The Company recorded a Pre Tax Profit of Rs.90.45 Million as increase of 296% over the previous year. The Company's net profit for the year is Rs.79.27 Million. Both Kalubowitiyana & Derangala factories' production was increase/decrease to the last year by 18% / (11%) respectively.

The Company is entirely dependant on the Tea smallholder sector and I take this opportunity to thank them for the continuous supply of high quality standard of green leaf. In the year under review, KTFL has paid Rs.441.98 Million in total, to around 2100 suppliers, in Kalubowitiyana and 600 in Derangala, at an average rate of Rs. 69.59 per kg & Rs.58.20 respectively.

I, on behalf of the Board of Directors pay a special tribute to our Head Office & factory staff.

I also extend my thanks to Honorable Minister, Secretary & staff of the Ministry of Plantation Industries, Buyers, Brokers and those who are associated with us for their unstinted support & assistance during the year under review.

Finally, I wish to express my sincere gratitude to Managing Director & all Board Members who contribute immensely towards the progress of the Company.



Donald Abeyasundara
Chairman

DIRECTOR'S REPORT

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

The Directors of Kalubowitiyana Tea Factory Limited present their report together with the Audited Financial Statement of the Company for the year ended 31st March 2012.

The details setout herein provide the pertinent information required by the Companies Act No. 07 of 2007, and are guided by recommended best accounting practices.

This report consists of two parts. **Part A** is a report by the board describing contents of this annual report in compliance with section 168 of the Companies Act No. 07 of 2007. **Part B** provides other information referred to.

PART A

Statement of compliance on the content of the annual report

Principal activities and business review future developments

The company is engaged mainly manufacture and marketing of CTC (Cut, tear & curled) tea and Orthodox tea. The company has only two factories in Kalubowitiyana and Derangala in Matara District.

A review of the company's business and its performance during the year, with comments on financial results and future strategic developments, is contained in the Chairman's review (page No.02). This report together with the financial statements reflect the state-of-affairs of the Company.

The Directors to their best of knowledge and belief confirm that the company has not engaged in any activities that contravene laws and regulations.

Financial statements

The financial statements of the company are given on page 17 to 27 .

Auditor's report

Auditors' report on the financial statements is given on page 06.

The accounting policies adopted in the preparation of the financial statements are given on pages 11 to16 . There were no changes in the accounting policies adopted in the previous year.

Directors' remuneration

Directors' remunerations (including sitting allowances) in respect of the Company for the financial year ended 31st March 2012 are as follows;

	(Rs.)
1. Chairman	720,000.00
2. Executive Directors	655,590.00
Total	1,375,590.00

DIRECTOR'S REPORT (Contd.)

Corporate Donations

Donations made by the company during the year amounts to Rs. 1,379,149.00

Directorate

The names of the directors who held office during the financial year are given below;

01. Mr.D.Abeysundara	(Chairman)
02. Mr. G. D. W. Jayawardena	(Managing Director)
03. Mr.G.D.C.Pemaratna	(Executive Director)
04. Mrs. Indrani Sugathadasa	(Director)
05. Mrs.Geetha Wimalawera	(Director)
06. Mr.H.A.Abeyiri Perera	(Director)
07. Mr.W.D.Upali Wijesinghe	(Director)

No Directors resigned during the year 2011/2012

Directors' Interest

As far as the Directors are aware, the Directors of the company were not directly or indirectly interested in contracts of the company.

Mr.G.D.W.Jayawardena & Mrs. Indrani Sugathadasa Directors of the Company hold one share each issued as subscriber shares.

Auditors

As far as Directors are aware the auditors do not have any relationship (other than that of an auditors) or any interest in the Company. The auditors do not have any interest in the Company.

Audit Fees

The Auditors M/s Tudor V. Perera & Co. were paid Rs. 171,376.00 being the fee payable for the year 2011/2012.

PART B

Revenue

The total revenue of the company for the year is Rs.639 Mn (2011- Rs.547 Mn). An analysis of the revenue is given in note No. 01 (page 17) to the financial statements the company's revenue has increase by 16.8% compared to the previous year.

Financial Results and Appropriations

The pre tax profit for the year is Rs. 90.45Mn (2011 - Rs.30.53 Mn). The increase in pre tax profit year on year is 296%.

Taxation and Statutory Payments

According to the Inland Revenue Act No. 06 of 2006 the company is liable to pay Rs. 11,182,452/=, as Income tax on the profits for the year ended 31st March 2012

All statutory payments such as EPF, ETF, Gratuity and other taxes etc. have been made up to date.

DIRECTOR'S REPORT (Contd.)

Fixed assets

Information relating to movements fixed of assets is given in Note No. 10 to the financial statement in page No.21.

stated capital

The stated capital as at the end of the year is Rs. 46,375,070/= and there was no change in the stated capital during the year.

Post balance sheet events

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

Going concern

The directors consider that the company has adequate resources to adopt going concern basis in preparing the financial statements.

Environmental protection

It is the Company's policy to minimize the adverse effects on the environment, which may result from the Company's operations, and to co-operate and comply with the relevant authorities and regulations.


DONALD AREYSUNDARA
CHAIRMAN
KALUBOWITTIYANA TEA FACTORY


G. D. W. JAYAWARDENA
MANAGING DIRECTOR
KALUBOWITTIYANA TEA FACTORY


SECRETARIES
CORPORATE SERVICES (Private) LIMITED,
Director
CORPORATE SERVICES (PRIVATE) LIM
Secretaries

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KALUBOWITTIYANA
TEA FACTORY LIMITED**

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kalubowititiyana Tea Factory Limited which comprise the Balance Sheet as at 31st March 2012 and the Income Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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 misstatements.

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 principles 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 purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion, except as stated in the paragraphs (a),(b) & (c) below:

- a) The Company has granted a loan of Rs.10 million to B.C.C. Lanka Limited with the approval of the Board of Directors and, monthly repayments were expected commencing 15th July 2003, but no settlements have been made by them to date and no provision has been made in full or part of same in respect of bad debts. The interest due on the above loan @ 22% per annum since July 2003, had not been provided for in the accounts.
- b) Retirement benefit obligation not actuarially valued.
- c) The Company has not re-valued its property, plant and equipment in every three or five years as required by the Sri Lanka Accounting Standard No. 16

Opinion

In our opinion, so far as appears from our examination, except for any adjustments that may arise from the matters stated in the preceding paragraph, 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 of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without further qualifying our report we draw attention to the Note-No. 22 of the financial statements.

Report on Other Legal & Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151 (2) of the Companies Act No.7 of 2007.


TUDOR V. PERERA & CO.,
Chartered Accountants.

Colombo
Date: 25/7/2013

KALUBOWITTIYANA TEA FACTORY LIMITED

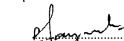
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	Notes	2010/2011	
		Rs Cts.	Rs.
Net Sales	1	638,941,282.30	# 547,568,613
Cost of Sales	2	<u>(536,329,531.92)</u>	<u># (492,030,156)</u>
Gross Profit		102,611,750.38	# 55,538,457
Other Income	3	<u>13,697,745.74</u>	<u># 18,564,382</u>
Profit Before Operating Expenses		116,309,496.12	# 74,102,839
Administration & Establishment Expenses	4	<u>(24,171,165.96)</u>	<u># (41,681,405)</u>
Selling & Distribution Expenses	5	<u>(1,099,374.64)</u>	<u># (1,643,524)</u>
Profit From Operating Activities	6	91,038,955.52	# 30,777,910
Finance Expenses	7	<u>(585,336.80)</u>	<u># (238,321)</u>
Net Profit Before Taxation		90,453,618.72	# 30,539,589
Income Tax	8	<u>11,182,452.00</u>	<u># 5,128,363</u>
Net Profit After Taxation		<u>79,271,166.72</u>	<u># 25,411,226</u>
Earnings Per Share	9.1	<u>17.09</u>	<u># 5.48</u>
Dividend Per Share	9.2	<u>2.16</u>	<u># 3.44</u>

KALUBOWITTIYANA TEA FACTORY LIMITED**BALANCE SHEET AS AT 31ST MARCH 2012**

			As at <u>31.03.2011</u>
	Notes	Rs Cts.	Rs.
NON CURRENT ASSETS			
Property Plant & Equipment	10	116,766,859.13	93,077,025
Work-in- Progress		6,870,224.67	3,928,189
Loan to BCC Limited		10,000,000.00	10,000,000
		<u>133,637,083.80</u>	<u>107,005,214</u>
CURRENT ASSETS			
Inventories	11	128,927,404.92	70,841,546
Short Term Investments	12	127,946,904.54	144,644,242
Trade & Other Receivable	13	41,575,247.92	38,536,115
Cash & Cash Equivalents	14	28,635,510.18	14,992,779
		<u>327,085,067.56</u>	<u>269,014,682</u>
TOTAL ASSETS		<u>460,722,151.36</u>	<u>376,019,896</u>
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated Capital	15	46,375,070.00	46,375,070
Reserves	16	325,495,844.12	256,224,677
		<u>371,870,914.12</u>	<u>302,599,747</u>
NON CURRENT LIABILITIES			
Sri Lanka Tea Board		22,465,416.00	22,465,416
Retirement Benefit Obligation	17	5,707,052.50	5,160,250
		<u>28,172,468.50</u>	<u>27,625,666</u>
CURRENT LIABILITIES			
Creditors & Accrued Charges	18	54,036,492.11	45,753,992
Commissioner General of Inland Revenue			
- Income Tax	19	6,194,050.67	(318,261)
- ESC Payable		447,025.95	357,552
- WHT Payable		1,200.01	1,200
		<u>60,678,768.74</u>	<u>45,794,483</u>
TOTAL LIABILITIES		<u>460,722,151.36</u>	<u>376,019,896</u>

It is certified that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No.7 of 2007


Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved & signed on behalf of the Board of Directors.


Director


Director

Colombo.

Date:

KALUBOWITTIYANA TEA FACTORY LIMITED

STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 31ST MARCH 2012

	<u>Stated Capital</u> Rs Cts.	<u>General Treasury</u> Rs Cts.	<u>Retained Profit</u> Rs Cts.	<u>Total</u> Rs Cts.
Balance as at 01st April 2010	46,375,070.00	23,229,000.00	223,551,144.53	293,155,214.53
Dividends Paid	-	-	(15,966,693.00)	(15,966,693.00)
Net Profit for the Year	-	-	25,411,225.87	25,411,225.87
Balance as at 01st April 2011	46,375,070.00	23,229,000.00	232,995,677.40	302,599,747.40
Net Profit for the Year	-	-	79,271,166.72	79,271,166.72
Dividends Paid	-	-	(10,000,000.00)	(10,000,000.00)
Balance as at 31st March 2012	<u>46,375,070.00</u>	<u>23,229,000.00</u>	<u>302,266,844.12</u>	<u>371,870,914.12</u>

KALUBOWITTIYANA TEA FACTORY LIMITED

CASH FLOW STATEMENT - YEAR ENDED 31ST MARCH 2012

	Rs.	2010/2011 Rs.
CASH FROM OPERATING ACTIVITIES		
Net Profit before Taxation	90,453,619	30,539,589
Adjustments for:		
Depreciation	14,383,436	9,942,290
Provision for Retirement Benefit Costs	1,178,743	1,031,550
Interest Income	(11,344,158)	(13,993,658)
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	94,671,640	27,519,771
(Increase) / Decrease in Inventory	(58,085,859)	(16,188,100)
(Increase) / Decrease in Trade & Other Receivables	(3,039,133)	348,929
Increase/(Decrease) in Trade & Other Payables	8,282,500	7,018,204
(Increase) / Decrease in Work in Progress	(2,942,036)	-
CASH GENERATED FROM/(USED IN) OPERATIONS	38,887,112	18,698,804
Gratuity Paid	(631,940)	(1,926,420)
Tax Paid	(4,580,666)	(5,425,311)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	33,674,506	11,347,073
CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES		
Acquisition of Property, Plant & Equipment	(38,073,270)	(38,073,270)
Investment in Projects	-	186,206
Interest Received	11,344,158	13,993,658
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(26,729,112)	(23,893,406)
NET CASH FROM/(USED IN) FINANCE ACTIVITIES		
Dividends Paid	(10,000,000)	(15,966,693)
NET CASH FLOWS FROM /(USED IN) FINANCE ACTIVITIES	(10,000,000)	(15,966,693)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(3,054,606)	(25,826,605)
Cash & Cash Equivalents at the Beginning of the year (Schedule 1)	159,637,021	185,463,626
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	156,582,415	159,637,021

Schedule 1 - Cash & Cash Equivalents

	Rs.	Rs.
Treasury Bills	42,782,945	42,736,734
Fixed Deposits - Peoples' Bank	79,000,000	101,000,000
Investment in Savings Account	1,003,709	907,508
People's Bank - Head Office - A/c.No. 0084911	25,670,328	1,257,448
People's Bank - Head Office - A/c.No. 0084885	1,856,556	5,163,378
People's Bank - Head Office - A/c.No. 0084961	851,269	1,180,681
People's Bank - Morawaka - A/c.No. 002988	102,831	5,059,108
People's Bank - Morawaka - A/c.No. 002983	150,347	414,192
Bank of Ceylon - Kolpetty - A/c.No. 205604	-	3,335
Cash in Transit	-	1,914,515
Cash in Hand	4,180	122
Gratuity Externally Funded	5,160,250	-
	156,582,415	159,637,021

KALUBOWITIYANA TEA FACTORY LIMITED

CORPORATE INFORMATION FOR THE YEAR ENDED 31ST MARCH 2011

1. General

Kalubowitiyana Tea Factory Limited is incorporated on 30th September 1992 under Companies Act No. 17 of 1982 and re-registered under the Companies Act No.7 of 2007 and domiciled in Sri Lanka. The registered and the principle office of the company is located at Kalubowitiyana and the principle place of business is situated at Kalubowitiyana.

2. Principle Activities & Nature of Operations

The principle activity of the company is to carry on the business of processing and manufacturing tea leaf purchased from growers.

3. Directors

The Directors present herewith the audited financial statements for the year ended 31st March 2012. The Directors are responsible for preparing and presenting the financial statements.

The Directors of the company as at 31st March 2012 were

Mr. Donald Abeysundara
Mr. G.D.W. Jayawardena
Ms. G.D.C.Pemarathne
Ms. Indranie Sugathadasa
Ms. Geetha Wimalawera
Mr. H.A.Abeysiri Perera
Mr..W.D.Upali Wijesinghe

4. Company Secretaries

Corporate Services Limited,
216, De Seram Place, Colombo 10.

5. Postal Address

Kalubowitiyana Tea Factory,
Kalubowitiyana CTC Tea Factory,
Kalubowitiyana.

6. Auditors

Tudor V. Perera & Co.
Chartered Accountants,
103, 1/3, De Mel Building,
Chatham Street,
Colombo 1.

KALUBOWITIYANA TEA FACTORY LIMITED

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST MARCH 2011

1. General Policies

Basis of Preparation

The financial statements of Kalubowitiyana Tea Factory Limited comprise the Balance Sheet, Statement of Income, Cash Flows, Changes in Equity, Accounting Policies and Notes to the financial statements. These financial statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. The financial statements referred to are based on the historical cost convention, except for revaluation of certain current investments and items of property, plant & equipment which are stated at market values.

Taxation

a) Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

2. Valuation of Assets & their Bases of Measurement

2.1 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost or fair value less accumulated depreciation and any accumulated impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. Any revaluation deficit that off sets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. Items of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset is included in the income statement in the year the asset is derecognized.

a) Depreciation

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

Contd

KALUBOWITTIYANA TEA FACTORY LIMITED

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST MARCH 2011

Assets	Years	Rate
Buildings	20	5.0%
Motor Vehicles	4	25.0%
Plant & Machinery	8	12.5%
Equipment	8	12.5%
Furniture & Fittings	8	12.5%
Computer Software	8	12.5%

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

b) Restoration Cost

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

c) Finance Leases

Property, plant & equipment on finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized and disclosed as finance leases at their cash price and depreciated over the period the company is expected to benefit from the use of the leased assets. The corresponding principle amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the income statement over the period of lease.

d) Operating Leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases. Lease payments are recognized as an expense in the income statement on straight-line basis over the term of the lease.

2.2 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Contd

KALUBOWITTIYANA TEA FACTORY LIMITED

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST MARCH 2011

Finished goods and Work-in-progress	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed Production overheads based on normal operating capacity;
Produce inventories	-	At since realized price;
Other inventories	-	At actual cost.

2.3 Trade & Other Receivables

Debtors are stated at the amounts estimated to be realized. Provision has been made in the financial statements for bad and doubtful debts. Other receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

2.4 Short- Term Investments

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short-term market movements are accounted for at cost plus the relevant proportion of the discounts or premiums.

2.5. Cash & 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 risks of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts, investments with short maturity, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3. Liabilities & Provisions

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

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

Contd

KALUBOWITTIYANA TEA FACTORY LIMITED

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST MARCH 2011

Retirement Benefit Obligations

a) Defined benefit Plan – Gratuity

A provision is carried forward in the balance sheet, based on a half month's salary as of the last month of the financial year, for all employees for each completed year of service, commencing from the first year of service. The gratuity liability is neither externally funded nor actuarially valued where an actuarial valuation is computed.

b) Defined Contribution Plan – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions inline with respective statutes and regulations.

4. Income Statement

Revenue Recognition

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

a) Sale of Goods

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

b) Gains & Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis. Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognized if the best estimate indicates a loss.

c) Other Income

Other income is recognized on an accrual basis.

KALUBOWITTIYANA TEA FACTORY LIMITED

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST MARCH 2011

Expenditure Recognition

- a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the income statement. For the purpose of presentation of the income statement, the "function of expenses" method has been adopted on the basis that it present fairly the elements of the Company.

b) Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, unless they are incurred in respect of qualifying assets in which case it is capitalized.

5. Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

6. Events Occurring after the Balance Sheet Date

All material post balance sheet events have been considered, disclosed and adjusted where appropriate.

KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

1 SALES

	<u>Head Office</u>	<u>Kalubowitiyana</u>	<u>Derangala</u>	<u>Total</u>	<u>2010/2011</u>
	<u>Rs Cts</u>	<u>Factory</u> <u>Rs Cts</u>	<u>Factory</u> <u>Rs Cts</u>	<u>Rs Cts</u>	<u>Rs.</u>
Gross Sales	-	549,903,500.00	86,950,313.88	636,853,813.88	547,007,633
<u>Less: Brokerage & Sales Expenses</u>	-	(6,463,420.82)	(1,562,004.26)	(8,025,425.08)	(7,016,669)
	-	543,440,079.18	85,388,309.62	628,828,388.80	539,990,964
<u>Add: Local Sales</u>	2,396,812.50	4,958,518.50	2,757,562.50	10,112,893.50	7,577,649
	<u>2,396,812.50</u>	<u>548,398,597.68</u>	<u>88,145,872.12</u>	<u>638,941,282.30</u>	<u>547,568,613</u>

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2 COST OF SALES - KALUBOWITTIYANA & DERANGALA

	<u>Rs Cts</u>	<u>Rs Cts</u>	<u>Rs Cts</u>	<u>Rs Cts</u>	<u>Rs</u>
Bought Leaf	-	377,261,982.33	66,174,405.05	443,436,387.38	387,765,485
Manufacturing Cost					
Production Cost	1,255,492.30	94,429,141.30	18,877,891.62	114,562,525.22	91,774,456
General Charges	3,752,808.18	20,577,488.30	13,529,078.52	37,859,375.00	25,709,371
	<u>5,008,300.48</u>	<u>492,268,611.93</u>	<u>98,581,375.19</u>	<u>595,858,287.60</u>	<u>505,249,312</u>
<u>Less: Depreciation (over) / under charges</u>	-	(3,367,738.12)	(542,461.56)	(3,910,199.68)	164,587
Cost of Production	<u>5,008,300.48</u>	<u>488,900,873.81</u>	<u>98,038,913.63</u>	<u>591,948,087.92</u>	<u>505,413,899</u>
<u>Add: Opening Stock</u>	-	43,504,525.00	15,656,604.00	59,161,129.00	46,149,440
<u>Less: Closing Stock</u>	-	(94,193,920.00)	(20,585,765.00)	(114,779,685.00)	(59,533,183)
	<u>5,008,300.48</u>	<u>438,211,478.81</u>	<u>93,109,752.63</u>	<u>536,329,531.92</u>	<u>492,030,156</u>

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

		2010/2011
3	<u>OTHER INCOME</u>	
	Rs Cts.	Rs.
Sundry Income	2,353,588.06	4,570,723
Interest on Fixed Deposits	7,819,636.70	9,611,900
Interest on Treasury Bills	3,248,965.72	3,980,411
Interest On Staff Loan	239,354.66	368,031
Interest On Savings Account	36,200.60	33,317
	<u>13,697,745.74</u>	<u>18,564,382</u>
4	<u>ADMINISTRATION & ESTABLISHMENT EXPENSES</u>	
Directors' Remuneration	1,375,590.00	661,590
Staff Salaries	2,104,089.24	3,550,968
Gratuity	51,490.00	182,038
Allowances	2,655,849.43	2,928,409
Overtime & Holiday Payment	734,260.23	875,324
Contributions to Employee's Provident Fund	299,492.14	511,005
Contributions to Employee's Trust Fund	62,605.96	127,742
Bonus	564,000.00	130,000
Compensation	-	21,437,730
Board Member Fees	366,000.00	34,500
Traveling & Subsistence- Local	177,022.00	208,132
Maintenance of Office Building	-	175
Maintenance of Office Equipment	385,189.34	100,403
Maintenance of Motor Vehicles	721,838.18	549,479
Professional Fees	302,126.18	45,440
Legal Fees	64,056.00	100,808
Secretarial Fees	128,791.64	205,027
Audit & Tax Fees	171,376.00	142,699
Depreciation	4,129,423.85	1,665,181
License & Insurance	126,024.71	252,775
Tyres , Tube & Patches	1,400.00	17,748
Hire Charges	1,842,804.66	1,920,118
Vehicle Fuel Cost	2,323,586.66	1,952,283
Short Delivery	-	13,830
Printing	136,811.12	229,733
Telephone	293,720.36	337,844
Postage	7,480.00	10,705
Advertising	386,755.20	92,354
Newspaper & Periodicals	76,480.00	59,890
Rent	39,000.00	640,500
Insurance	310,842.59	508,682
Other Utilities & Services	25,040.00	27,944

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

4	<u>ADMINISTRATION & ESTABLISHMENT</u>		2010/2011
	<u>EXPENSES (Contd.....)</u>	Rs Cts.	Rs.
	Electricity	-	141,947
	Stationery	93,201.82	134,125
	Supply & Requisition - Others	10,559.00	15,054
	Computer Stationery	10,450.00	550
	Staff Training	88,834.00	124,375
	Entertainment	230,325.52	86,054
	Staff Welfare	642,550.50	677,945
	Battaramulla Office Expenses	1,399,528.63	76,763
	Marketing Office Expenses	-	335,536
	Donations	1,379,149.00	568,000
	Nation Building Tax	453,422.00	-
		4,308,020.47	41,681,405
5	<u>SELLING & DISTRIBUTION EXPENSES</u>		
	Trade Fair & Exhibition	705,383.97	297,611
	Registration Fees	33,840.00	17,862
	Business Turnover Tax	360,150.67	1,328,051
		1,099,374.64	1,643,524
6	Operating Profit before finance charge is stated after charging all expenses including followings:		
	Directors' Remuneration	1,375,590.00	661,590
	Audit Fees	171,376.00	142,699
	Depreciation	14,383,436.66	9,942,920
7	<u>FINANCE EXPENSES</u>		
	Bank Charges	369,869.00	109,678
	Debit Tax	12,686.23	128,643
	Loan Interest	202,781.57	-
		585,336.80	238,321

8 INCOME TAX

The Company has claimed exemption from income tax, on the trade profits on manufacture of tea, under section 16 of the Inland Revenue Act No:10 of 2006 and subsequent amendments.

The Income tax rate applicable on other taxable income is computed @ 10%

The Deferred tax adjustment has not been recognized in the accounts since income tax exemption has been claimed on trade profits.

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

9 EARNING PER SHARE/ DIVIDEND PER SHARE

9.1 Earning per share

The basic earnings per Share is based on profit attributable to the ordinary shareholders divided by the weighted average number of ordinary shares on issue during the year calculated as follows:

	Rs Cts.	<u>2010/2011</u> Rs.
Net Profit for the year	79,271,166.72	25,411,226
Weighted average number of shares	<u>4,637,507</u>	<u>4,637,507</u>
Basic Earning per share	<u>17.09</u>	<u>5.48</u>

9.2 Dividend per share

Dividend for the Year	10,000,000.00	15,966,693
Number of Shares	4,637,507	4,637,507
Dividend per share	2.16	3.44

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

10. PROPERTY, PLANT & EQUIPMENT

Description of Asset	Cost As At <u>01.04.2011</u>	Additions during the year	Cost As at <u>31.03.2012</u>	Accumulated Depreciation <u>01.04.2011</u>	Charge for the year	Accumulated Depreciation <u>31.03.2012</u>	Written Down Value as at <u>31.03.2012</u>
	Rs Cts.	Rs Cts.	Rs Cts.	Rs Cts.	Rs Cts.	Rs Cts.	Rs Cts.
Production Kalubowititiyana							
Land	1,950,621.30	-	1,950,621.30	-	-	-	1,950,621.30
Buildings	74,348,398.20	8,399,510.62	82,747,908.82	41,835,554.12	3,961,137.06	45,796,691.18	36,951,217.64
Water & Electricity	3,033,440.44	-	3,033,440.44	2,885,981.09	90,065.08	2,976,046.17	57,394.27
Factory Equipment	1,262,190.18	608,213.39	1,870,403.57	612,398.32	163,077.96	775,476.28	1,094,927.29
Equipment - Horana	121,342.00	-	121,342.00	121,342.00	-	121,342.00	-
Plant & Machinery	89,738,629.53	748,448.00	90,487,077.53	86,759,011.77	859,226.88	87,618,238.65	2,868,838.88
Tools	316,604.40	23,500.00	340,104.40	223,842.05	16,998.60	240,840.65	99,263.75
Miscellaneous Items	249,488.00	15,401.00	264,889.00	10,133.66	32,668.80	42,802.46	222,086.54
Sub Total	171,020,714.05	9,795,073.01	180,815,787.06	132,448,263.01	5,123,174.38	137,571,437.39	43,244,349.67
Production Derangala							
Buildings	58,915,236.38	9,447,583.13	68,362,819.51	22,944,276.44	3,137,001.70	26,081,278.14	42,281,541.37
Water & Electricity	1,178,444.75	-	1,178,444.75	1,117,943.72	28,652.63	1,146,596.35	31,848.40
Plant & Machinery	55,738,420.23	953,433.83	56,691,854.06	48,599,006.03	1,521,951.50	50,120,957.53	6,570,896.53
Factory Equipment	1,096,375.88	485,367.08	1,581,742.96	211,507.71	165,371.16	376,878.87	1,204,864.09
Equipment - Horana	15,990.00	-	15,990.00	15,990.00	-	15,990.00	-
Tools	111,022.50	-	111,022.50	95,166.00	5,346.56	100,512.56	10,509.94
Miscellaneous Items	-	3,293,094.73	3,293,094.73	-	272,513.89	272,513.89	3,020,580.84
Sub Total	117,055,489.74	14,179,478.77	131,234,968.51	72,983,889.90	5,130,837.44	78,114,727.34	53,120,241.17
Administrative							
Buildings	2,353,860.97	-	2,353,860.97	27,587.86	117,693.05	145,280.91	2,208,580.06
Computer & Accessories	3,729,209.57	62,044.00	3,791,253.57	2,570,128.33	242,052.03	2,812,180.36	979,073.21
Office Equipment	1,668,604.53	138,665.50	1,807,270.03	1,125,250.08	137,700.73	1,262,950.81	544,319.22
Furniture & Fittings	2,725,029.02	896,761.50	3,621,790.52	1,693,045.32	213,060.13	1,906,105.45	1,715,685.07
Vehicles	15,797,812.02	12,929,600.00	28,727,412.02	10,561,008.48	3,394,298.18	13,955,306.66	14,772,105.36
Miscellaneous Items	383,018.27	71,647.00	454,665.27	247,540.17	24,619.73	272,159.90	182,505.37
Sub Total	26,657,534.38	14,098,718.00	40,756,252.38	16,224,560.24	4,129,423.85	20,353,984.09	20,402,268.29
Total	314,733,738.17	38,073,269.78	352,807,007.95	221,656,713.15	14,383,435.67	236,040,148.82	116,766,859.13

KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

		As at <u>31.03.2011</u>
	Rs Cts.	Rs.
11. INVENTORIES		
Made Tea	114,779,685.00	59,533,183
Stationery	210,662.12	170,905
Other Stock	11,893,191.75	10,167,189
Head Office Stocks	2,043,866.05	970,269
	<u>128,927,404.92</u>	<u>70,841,546</u>
12. SHORT TERM INVESTMENTS		
Treasury Bills	42,782,945.56	42,736,734
Fixed Deposits - People's Bank	79,000,000.00	101,000,000
Savings Accounts - People's Bank	1,003,708.98	907,508
Gratuity Liability Externally Funded	5,160,250.00	-
	<u>127,946,904.54</u>	<u>144,644,242</u>
13. TRADE & OTHER RECEIVABLE		
13.1. Trade Debtors		
Asha Agencies	63,444.51	63,445
Asia Siyaka Commodity Limited	434,924.00	434,924
Bought Leaf Suppliers Debts	208,250.34	227,301
Bought Leaf Suppliers Loan	20,333.36	-
Bought Leaf Loan	33,333.33	288,333
Checkroll Debts	47,088.47	41,490
Electricity Board	-	39,568
Divisional Secretariat	3,238.00	3,238
Eastern Trading	4,412.00	6,229
Fertilizer Debtors	-	1,368,335
Helix Engineering	224,958.45	224,958
Iddamalgoda Commercial Co.	174,626.00	174,626
Jayakody Filling Station	984.38	984
Jayasekara Motors	8,260.40	8,260
Kandy Transport	350.00	350
Kotapola MPCs	304,471.75	323,446
Lalitha Trade Center	4,585.00	4,585
SAPDA	451,547.30	451,547
Siripura Traders	45,457.75	45,458
Sundry Debtors	323,561.45	329,006
Sunil Trade Enterprises	26,920.30	26,920
T.G. Hemachandra	27,258.70	27,259
Tea Small Hold. Dev. Authority	18,931.25	18,931
Trade Debtors	13,336,034.34	11,972,028
P A Ariyadasa & Sons	11,743.00	-
Provision for Bad & Doubtful Debts	(391,099.42)	(391,099)
	<u>15,383,614.66</u>	<u>15,690,122</u>

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

		As at <u>31.03.2011</u>
13.2. Other Receivables	Rs Cts.	Rs.
Bank Loan Neluwa	9,370.00	9,370
Check Roll Loan	13,825.06	3,825
Distress Loan	3,972,977.93	4,371,047
Deposit Receivables	932,975.00	732,975
Festival Advance	506,627.74	366,628
Fertilizer Outstanding	2,264,440.61	877,985
PAYE Tax Recoverable	45,551.00	-
Interest Receivables FD/TB	5,286,461.53	7,189,633
Lent Labour	1,128.46	1,128
Other Advances	10,478,726.30	7,492,707
Over Paid Insurance	120.09	120
Pre Payments	1,500,233.79	1,591,701
Rice Supplier	1,100.00	1,100
Stamps	-	727
Sri Lanka Telecom	46,071.38	38,007
Stock Purchases Suspense	687.32	687
Staff Salary Debts	6,166.20	6,166
Survey Department	42,511.88	42,422
Suspense's A/C	55,975.39	56,244
Somerville & Company	798,461.15	-
Tea Short Delivery	15,220.94	15,221
Tea Nursery	4,801.41	4,802
MPCS Agalawatta	163,591.80	10
Petty Cash Head office	(0.50)	1
Petty Cash Horana	6.50	7
226/1532 Lorry	42,833.93	42,834
Postage/Stamps	1,768.35	646
	<u>26,191,633.26</u>	<u>22,845,993</u>
	<u>41,575,247.92</u>	<u>38,536,115</u>

14. CASH & CASH EQUIVALENTS

People's Bank A/C No.204100140084885	25,670,327.78	5,163,378
People's Bank A/C No.204100140084911	1,856,555.75	1,257,448
People's Bank A/C No.204100130084961	851,268.90	1,180,681
People's Bank A/C No.060100110000681	102,830.97	5,059,108
People's Bank A/C No.060100100000592	147,046.96	414,192
Bank Of Ceylon A/C No.0006065711	3,299.96	3,335
Cash in Transits	-	1,116,054
Cheques Return	-	798,461
Cash in Hand	4,179.86	122
	<u>28,635,510.18</u>	<u>14,992,779</u>

KALUBOWITIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

As at
31.03.2011

15 STATED CAPITAL

No. of Ordinary Shares Issued & Fully Paid	4,637,507.00	4,637,507
	Rs	Cts.
Ordinary Share Capital Issued & Fully Paid	46,375,070.00	46,375,070

16. RESERVES

Grant - General Treasury	23,229,000.00	23,229,000
Profit & Loss Account	302,266,844.12	232,995,677
	325,495,844.12	256,224,677

17. RETIREMENT BENEFIT OBLIGATION

Balance as at Beginning of the year	5,160,250.00	6,055,120
Add: Provision for the year	1,178,742.50	1,031,550
Less: Payment made during the year	(631,940.00)	(1,926,420)
Balance as at end of the year	5,707,052.50	5,160,250

18. CREDITORS & ACCRUED CHARGES

18.1. Trade Creditors

A. Baur & Company	508,750.00	508,750
Abans Ltd	25,017.00	36,662
Allied Commercial	978,197.14	978,197
Agstar Fertilizer A/C	97,297.60	97,298
Ariyasiri Hardware	300.00	300
Bour Fertilizer	588,800.00	-
C.I.C. Fertilizer	7,358,812.54	7,902,212
Ceylon Paper Sack Ltd.	116,427.64	116,428
Ceylon Petroleum Co. A/C	173,580.00	173,940
Colombo Commercial	18,657.40	18,657
Colombo Agro Fertilizer Ltd.	10,233.10	10,233
Eagle Traders	54,750.79	54,750
Eastera Trading Agency	10,937.58	-
Folcan Enterprises	25,700.00	25,700
Hettiarachchi Hardware	365.20	365
Helix	2,136.00	2,136
Jayakody Filling Station	74,569.19	74,569
Jayasekara Motors	5,285.00	5,285
Kala Motors	19,000.00	19,000
Kotapola MPCS	31,613.69	31,157
Kotapola Hardware	-	4,941
Lanka Sathosa	505,389.00	505,389
Morawake Hardware	18,352.50	18,533
Rent payable BCC Lanka Ltd.	750,000.00	750,000
S.L.N. Sangamaya	2,680.00	680
Singer Sri Lanka Ltd	72,244.00	10,127
Southern Eng. Co Ltd	3,257.00	48,407
Sundry Creditors	3,245,258.06	1,876,155

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KALUBOWITIVANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

As at
31.03.2011

	Rs Cts.	Rs.
18.1. Trade Creditors ...Contd.		
St.Regeis	444,422.56	466,788
Sponsorship	5,000.00	155,000
Thanuja Hardware	15,340.00	1,200
Vithanage (Pvt) Ltd	4,785.00	4,785
Quikpack (Pvt) Ltd	1,861.80	1,862
A.W. Ranasinghe	53,540.60	43,150
	<u>524,949.96</u>	<u>672,785</u>
18.2. Accrued Charges		
Accrued Expenses	2,689,408.70	2,026,158
Bought Leaf A/c	27,633,988.82	23,559,407
Ceylon Planters Provident Society	108.86	7,320
Ceylon Electricity Board	1,262,684.53	981,703
Check Roll A/C	1,250,563.46	1,182,608
Coconut Suppliers	770.00	770
Deposit Payable	175,000.00	175,000
Employees' Provident Fund	430,473.68	356,483
Employees' Trust Fund	55,620.11	47,389
Filling Station	5,075.66	5,076
Fire Wood Contractors	168,725.00	170,925
G.W. Sriyaratne	4,520.00	4,520
General Engineering Services	240,619.36	240,619
Green Leaf Transport	2,268,091.71	1,462,952
Insurance Payable	77,724.21	58,337
Leaf Bag Spreading Contractors	12,182.31	-
Leaf Bag Unloading Contractors	42,391.52	38,007
Leaf Bag Loading Contractors	63,587.28	22,804
Nation Building Tax Payable	119,921.47	-
Retention Payable	809,040.09	-
Print Pack	20,487.83	20,488
Tudor V.Perera & Co	181,019.00	142,699
Provision for Holiday Wages	50,344.16	50,344
PAYE	90,852.00	-
Suspense A/c	474,295.53	474,296
Seline Trading	5,421.00	5,421
Staff Overtime	81,067.43	72,369
Stamp Duty Payable	31,781.00	23,581
Sri Lanka Telecom	1,095.39	1,407
Sundry Abetment	66,795.79	60,466
Sundry Transport	210.75	211
Shantha Estates	12,512.50	12,512
Sundry Contractors	27,480.00	27,480
Sunil Traders	11,925.00	11,925
Tea Shakthi Fund	140,000.00	45,000

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KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

		As at 31.03.2011
	Rs Cts.	Rs.
18.2. Accrued Charges contd		
Turnover Tax	-	107,431
Welfare Society	4,050.00	5,400
Unidil Paper Sack	7,498.40	113,630
Unclaimed Checkroll Wages	29,436.15	29,436
Unclaimed Insurance	3,750.00	3,750
Unclaimed Sundry Transport A/c	3,522.25	3,522
Unclaimed Bought Leaf Suppliers A/c	196,524.07	196,524
Unclaimed Salaries & Wages	63,366.70	63,366
	<u>308,147.57</u>	<u>523,059</u>
	<u>833,097.53</u>	<u>1,195,844</u>

Contd

KALUBOWITTIYANA TEA FACTORY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST MARCH 2012

	Rs Cts.	2010/2011 Rs.
19. COMMISSIONER GENERAL OF INLAND REVENUE - INCOME TAX		
Balance as at Beginning of the year	(318,261.40)	1,881,166
Add: Provision for the year	<u>11,182,452.00</u>	<u>5,128,363</u>
	10,864,190.60	7,009,529
Less: Payments made during the year		
Y/A 2011/2012	2,171,273.00	5,425,311
Withholding Tax Paid	887,000.00	421,979
Economic Service Charge Paid	1,611,866.93	1,385,568
Social Responsibility Levy	-	94,932
Balance as at end of the year	<u>6,194,050.67</u>	<u>(318,261)</u>

Economic Service Charge	2009/2010 Rs.	2010/2011 Rs.	2011/2012 Rs.
Balance Carried Forward Y/A 2009/2010	1,263,814		
ESC Paid	<u>1,263,814</u>		
Set Off Against Income Tax			
Balance Carried Forward Y/A 2010/2011		-	
ESC Paid		1,385,568.53	
Set Off Against Income Tax		<u>1,385,568.53</u>	
Balance Carried Forward Y/A 2011/2012			<u>-</u>

20. PENDING LEGAL CASES AGAINST THE COMPANY

- i) A labour case has been filed (Case No. LT/KP/34/18/07) at the Kotapola Labour Tribunal by Mr.G.Pemachandra against the company pleading the courts to restate him at his duties stating his dismissal from the services is unfair.
- ii) A labour case has been filed (Case No. LT/KP/34/19/07) at the Kotapola Labour Tribunal by Mr.L.S.Wijayamanna against the company pleading the courts to restate him at his duties stating his dismissal from the services is unfair.
- iii) A labour case has been filed (Case No. LT/KP/34/01/13) at the Kotapola Labour Tribunal by Mr. Jayantha Abeyathunga against the company pleading the courts to restate him at his duties stating his dismissal from the services is unfair. A further case has been filed (Case No. HRC/MT/70/13/S) in the Human Rights Commission of Sri Lanka, regarding this issue.

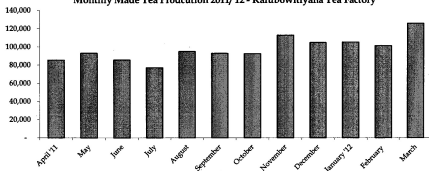
FACTORY INFORMATION

	<u>Kalubowitiyana CTC Tea Factory</u>	<u>Derangala Tea Factory</u>
District	: Matara	Matara
Sub District	: Morawaka	Morawaka
Village	: Kalubowitiyana	Kiriwelkelle
Elevation	: Low Country	Low Country
Trade Mark	: Kalubowitiyana	Derangala / Kiriwelkelle
Type of Production	: CTC Teas	Orthodox Teas
Human Resources	: Superintendent	Manager
	Asst.Superintendent	Asst.Manager
	Office Staff	Office Staff
	Factory Staff	Factory Staff
	Labour	Labour

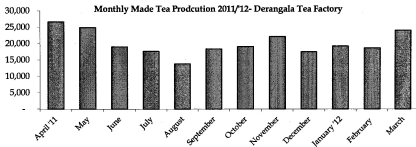
DETAILS OF MONTHLY PRODUCTION OF TEA - 2011/'12

Month	Kalubowitiyana Tea Factory Kg.	Derangala Tea Factory Kg.	Total Kg.
April '11	85,374	26,638	112,012
May	93,110	24,882	117,992
June	85,544	19,013	104,557
July	77,135	17,634	94,769
August	94,987	13,808	108,795
September	92,893	18,343	111,236
October	92,425	19,058	111,483
November	112,740	22,107	134,847
December	104,729	17,484	122,213
January '12	105,107	19,247	124,354
February	101,163	18,640	119,803
March	125,765	24,047	149,812
Total	1,170,972	240,901	1,411,873

Monthly Made Tea Production 2011/'12 - Kalubowitiyana Tea Factory

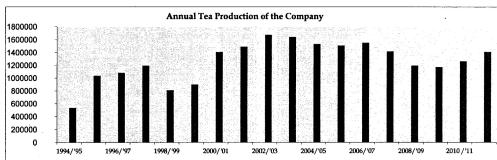
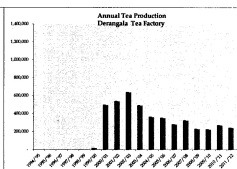
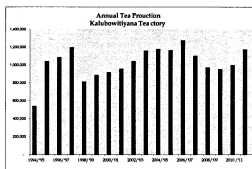


Monthly Made Tea Production 2011/'12 - Derangala Tea Factory



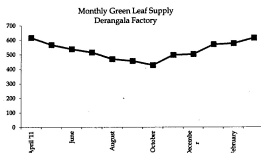
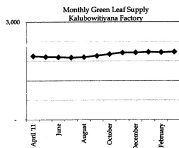
DETAILS OF ANNUAL PRODUCTION OF TEA

Year	Kalubowitiyana Tea Factory Kg	Derangala Tea Factory Kg	Total Kg
1994/'95	536,780	-	536,780
1995/'96	1,038,739	-	1,038,739
1996/'97	1,082,973	-	1,082,973
1997/'98	1,194,418	-	1,194,418
1998/'99	809,741	-	809,741
1999/'00	884,197	14,584	898,781
2000/'01	914,433	494,894	1,409,327
2001/'02	954,905	536,601	1,491,506
2002/'03	1,039,447	636,762	1,676,209
2003/'04	1,154,969	488,915	1,643,884
2004/'05	1,173,659	361,154	1,534,813
2005/'06	1,161,031	348,651	1,509,682
2006/'07	1,272,903	278,828	1,551,731
2007/'08	1,097,681	320,512	1,418,193
2008/'09	967,631	227,617	1,195,248
2009/'10	950,347	222,824	1,173,171
2010/'11	994,746	269,314	1,264,060
2011/'12	1,170,972	240,901	1,411,873
Total	18,399,572	4,441,557	22,841,129



DETAILS OF MONTHLY GREEN LEAF INTAKES 2011/12

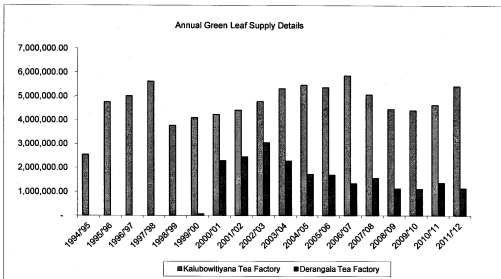
Month	Kalubowitiyana Tea Factory		Derangala Tea Factory		Total	
	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg	No. of Suppliers	Qty - supplied kg
April '11	1,949	397,096	617	123,891	2,566	520,987
May	1,931	432,485	567	115,709	2,498	548,194
June	1,922	395,184	538	88,394	2,460	483,578
July	1,907	357,444	515	81,983	2,422	439,427
August	1,922	437,729	469	64,225	2,391	501,954
September	1,984	431,696	456	85,315	2,420	517,011
October	2,014	428,293	427	92,964	2,441	521,257
November	2,061	526,809	496	105,506	2,557	632,315
December	2,060	487,115	502	81,320	2,562	568,435
January '12	2,080	486,607	569	89,519	2,649	576,126
February	2,069	466,189	576	90,823	2,645	557,112
March	2,084	574,790	613	117,188	2,697	691,978
Total		5,421,437		1,136,937		6,558,374



Month	Kalubowitiyana Tea Factory		Derangala Tea Factory			Total
	Rate Rs.	Payment Rs.	Super Leaf Rate Rs.	Nomal Leaf Rate Rs.	Payment Rs.	Payment Rs.
April '11	65.80	26,128,916.80		56.26	6,970,107.66	33,099,024.46
May	62.98	27,237,905.30		53.33	6,170,760.97	33,408,666.27
June	63.57	25,121,846.88		53.05	4,689,301.70	29,811,148.58
July	63.57	22,722,715.08		53.68	4,400,847.44	27,123,562.52
August	69.04	30,220,810.16		54.70	3,513,107.50	33,733,917.66
September	76.15	33,213,039.68		59.27	5,056,620.05	38,269,659.73
October	74.71	32,477,430.57		60.05	5,582,488.20	38,059,918.77
November	75.93	40,337,793.81		58.56	6,206,384.64	46,544,178.45
December	72.84	35,481,456.60		60.07	4,884,892.40	40,366,349.00
January '12	68.79	33,473,695.53		56.53	5,060,509.07	38,534,204.60
February	65.63	30,595,984.07		57.32	5,211,706.36	35,807,690.43
March	70.04	40,258,291.60		59.45	6,966,826.60	47,225,118.20
Total		377,269,886.08			64,713,552.59	441,983,438.67

DETAILS OF ANNUAL GREEN LEAF INTAKES

Year	Kalubowitiyana Tea Factory			Derangala Tea Factory		
	Quantity kg	Rate Rs.	Amount Paid Rs.	Quantity kg	Rate Rs.	Amount Paid Rs.
1994/'95	2,539,978.00	11.65	29,587,982.13	-	-	-
1995/'96	4,758,850.00	13.50	64,251,776.63	-	-	-
1996/'97	5,011,298.00	16.76	83,946,849.41	-	-	-
1997/'98	5,619,161.00	21.49	120,746,103.55	-	-	-
1998/'99	3,764,498.00	20.99	79,009,251.87	-	-	-
1999/'00	4,092,958.00	20.54	84,059,716.54	68,377	21.00	1,435,917.00
2000/'01	4,225,019.00	24.73	104,493,119.37	2,283,999	23.21	53,001,315.79
2001/'02	4,406,549.00	25.76	113,531,489.13	2,452,187	23.33	57,224,296.34
2002/'03	4,779,581.00	27.06	129,321,153.69	3,042,878	22.67	68,985,911.36
2003/'04	5,316,428.00	29.28	155,642,831.99	2,274,012	23.82	54,158,850.23
2004/'05	5,464,753.00	34.08	186,241,089.52	1,727,312	27.70	47,847,765.77
2005/'06	5,362,732.00	36.30	194,683,064.10	1,688,298	29.11	49,302,770.60
2006/'07	5,859,734.00	38.43	225,182,103.24	1,339,562	32.28	43,239,914.14
2007/'08	5,061,084.00	51.08	258,498,237.53	1,559,138	46.93	73,165,311.51
2008/'09	4,455,756.00	53.57	238,716,305.27	1,129,629	46.22	52,214,017.57
2009/'10	4,406,749.00	62.57	275,722,181.37	1,114,004	57.22	63,746,050.83
2010/'11	4,634,137.00	66.28	307,172,293.98	1,359,341	59.29	80,593,192.05
2011/'12	5,421,437.00	69.59	377,269,886.08	1,136,937	58.20	64,713,552.59



COMPARISON DETAILS - PRODUCTION

Contribution to Low Grown CTC Production & National CTC Production

Month	CTC		Production of KTF *	Contribution to the production of	
	Low Grown	National		Low Grown	National
	kg 000,	kg 000,	kg 000,	%	%
April '11	552.32	1,690.62	85.37	15.46	5.05
May	619.23	2,058.44	93.11	15.04	4.52
June	654.39	1,952.66	85.54	13.07	4.38
July	652.23	1,656.53	77.13	11.83	4.66
August	758.47	1,562.02	94.99	12.52	6.08
September	737.76	1,409.56	92.89	12.59	6.59
October	828.74	1,855.76	92.42	11.15	4.98
November	565.05	2,244.77	112.74	19.95	5.02
December	479.59	1,548.34	104.73	21.84	6.76
January '12	574.01	1,442.72	105.11	18.31	7.29
February	363.32	1,406.10	101.16	27.84	7.19
March	775.33	1,907.25	125.76	16.22	6.59
Total	7,560.44	20,734.77	1,170.95	195.82	69.12

* Kalubowitiyana Tea Factory

Contribution to Low Grown Orthodox Production & National Orthodox Production

Month	Orthodox Production of		Production of DTF *	Contribution to the production of	
	Low Grown	National		Low Grown	National
	kg 000,	kg 000,	kg 000,	%	%
April '11	15,908.04	26,536.55	26.64	0.17	0.10
May	14,432.68	29,751.12	24.88	0.17	0.08
June	15,654.30	26,583.58	19.01	0.12	0.07
July	13,955.28	22,315.62	17.63	0.13	0.08
August	15,532.02	22,199.88	13.81	0.09	0.06
September	15,211.31	21,326.44	18.34	0.12	0.09
October	14,201.86	21,806.70	19.06	0.13	0.09
November	16,870.71	15,290.12	22.11	0.13	0.14
December	15,446.10	23,731.98	17.48	0.11	0.07
January '12	13,313.06	20,737.88	19.25	0.14	0.09
February	12,539.67	20,362.16	18.64	0.15	0.09
March	15,900.34		24.05	0.15	
Total	178,965.37	250,642.03	240.90	1.62	0.97

* Derangala Tea Factory

Contribution to Low Grown Tea Production & National Tea Production by the Company

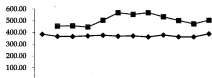
Month	Total Production of		Total Production Company	Contribution to the production of	
	Low Grown	National		Low Grown	National
	kg 000,	kg 000,	kg 000,	%	%
April '11	16,460.36	28,227.17	112.01	0.68	0.40
May	15,051.91	31,809.56	117.99	0.78	0.37
June	16,308.69	28,536.24	104.55	0.64	0.37
July	14,607.51	23,972.15	94.76	0.65	0.40
August	16,290.49	23,761.90	108.80	0.67	0.46
September	15,949.07	22,736.00	111.23	0.70	0.49
October	15,030.60	23,662.46	111.48	0.74	0.47
November	17,435.76	17,534.89	134.85	0.77	0.77
December	15,925.69	25,280.32	122.21	0.77	0.48
January '12	13,887.07	22,180.60	124.36	0.90	0.56
February	12,902.99	21,768.26	119.80	0.93	0.55
March	16,675.67	1,907.25	149.81	0.90	7.85
Total	186,525.81	271,376.80	1,411.85	0.76	0.52

COMPARISONS DETAILS - SALES AVERAGE

Comparison with low grown Average

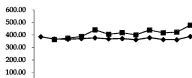
Month	Lowgrown Average Rs.	Monthly Average	
		Kalubowitiyana Rs.	Derangala Rs.
April '11	386.48		
May	368.34	455.66	363.83
June	366.99	457.77	375.49
July	371.94	447.72	388.52
August	377.93	505.47	442.27
September	369.94	569.74	406.72
October	372.46	555.75	419.09
November	363.80	569.95	402.60
December	380.34	535.61	441.02
January '12	365.11	503.75	418.94
February	364.28	474.84	424.90
March	390.50	506.27	480.78

Comparison with Monthly Low Grown Average
Kalubowitiyana Tea Factor



—♦— Lowgrown Average —■— Kalubowitiyana

Comparison with Monthly Low Grown Average
Derangala Tea Factor

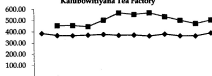


—♦— Lowgrown Average —■— Derangala

Comparison with low grown CTC & Orthodox Average

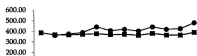
Month	CTC Low grown Rs.	Kalubowitiyana Tea Factory Rs.	Orthodox Low grown Rs.	Derangala Tea Factory Rs.
April '11	386.48		386.27	
May	368.34	455.66	368.08	363.83
June	366.99	457.77	366.68	375.49
July	371.94	447.72	371.53	388.52
August	377.93	505.47	377.53	442.27
September	369.94	569.74	368.73	406.72
October	372.46	555.75	372.15	419.09
November	363.80	569.95	362.57	402.60
December	380.34	535.61	379.85	441.02
January '12	365.11	503.75	364.48	418.94
February	364.28	474.84	363.72	424.90
March	390.50	506.27	389.87	480.78

Comparison with Low grown CTC Average
Kalubowitiyana Tea Factory



—♦— CTC Low grown —■— Kalubowitiyana Tea Factory

Comparison with Low grown Orthodox Average
Derangala Tea Factory



—♦— Orthodox Low grown —■— Derangala Tea Factory

TOP PRICES 2011/12

Date	Grade					Broker
	KTF			DTF		
	BP1 RS.	PF1 RS.	P.DUST	PFCS RS.	FBOPF RS.	
25-May-2011	370.00				960.00	CTB / AS
31-May-2011		510.00				AS / FW / CTB
22-Jun-2011	385.00		400			CTB / AS
13-Jul-2011		500.00				FW
19-Jul-2011	395.00					AS
26-Jul-2011	385.00	540.00				AS / CTB
2-Aug-2011	385.00					AS
10-Aug-2011	420.00					FW
16-Aug-2011		560.00	415			CTB / AS
23-Aug-2011	435.00					CTB
30-Aug-2011	435.00	600.00				FW
7-Sep-2011	460.00	620.00			355.00 (BOP1 A)	FW / CTB
14-Sep-2011		640.00				FW
27-Sep-2011			375			AS
5 October 2011		600.00				CTB
5 October 2011		600.00				AS
12 October 2011		620.00				CTB
18 October 2011	425.00					AS
25 October 2011		630.00				AS
26 October 2011		630.00				CTB
1-Nov-2011		640*			355.00 (BOP 1 A)	AS
1-Nov-2011		640.00				CTB
9-Nov-2011		640.00	410			CTB
23-Nov-2011		570.00				CTB
7-Dec-2011			385			CTB
20-Dec-2011	400.00	580.00				AS
3-Jan-2012		570.00				AS
11-Jan-2012		560.00				CTB
24-Jan-2012		600.00				AS
31-Jan-2012	420.00	610.00				AS / CTB
8 Feburary 2012		510.00				AS
14 Feburary 2012	445.00					AS
13-Mar-2012	450.00	560.00			350.00 (BOP 1 A)	AS
20-Mar-2012	475.00	575.00			345.00 (BOP 1 A)	AS
27-Mar-2012			530			CTB

**All Time Record Price

AS : Asia Siyaka Commodities (Pvt) Ltd

FW : Forbes & Workers Tea Brokers (Pvt) Limited

CTB : Ceylon Tea Brokers Ltd

LCBL: Lanka Commodity Broker Ltd