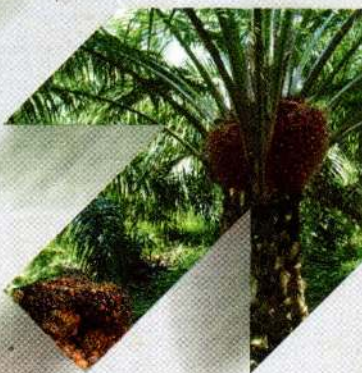


Annual Report 2006/07



Namunukula Plantations Limited



Company Profile

The Principal activities of NPL are the cultivation, manufacture and sale of Tea, Rubber, Coconut, Oil Palm and Cinnamon.

In addition to the estate crops the Company also purchases Green Leaf and Latex from smallholders.

The Company's estates and factories are situated in the low grown agro-climatic area. Operationally, they are divided into three regions: Kalutara, Galle and Matara.

The main strength of the Company lies in the Diversity of Crops and the large land base with real estate value, Total land base is around 7,400 Ha. with a work force of 4,100.

NPL was incorporated in 1992 as a wholly Government owned Company and subsequently privatized in July 1997. Currently we are part of the Richard Pieris Group of Companies, the largest plantation group in Sri Lanka. Today, our expectations are high and our potential is at hand.



Our Vision

*"To be a diversified agri-business
company with an international reputation
for excellence
in
Quality, Innovation & Land Use."*

Our Mission

*To maximize returns to the
Stakeholder, by optimizing
Productivity of available
Resources through sound
Dynamic management practices
Production and of excellent quality
Products*

Our Corporate Objectives

*We work towards increasing
The wealth of our
Shareholders
By providing True Value to our
Customers
Providing opportunities for our
Employees to Grow
Practicing and as Responsible
Corporate Citizens*

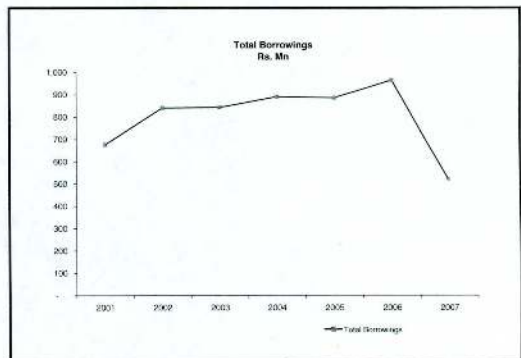
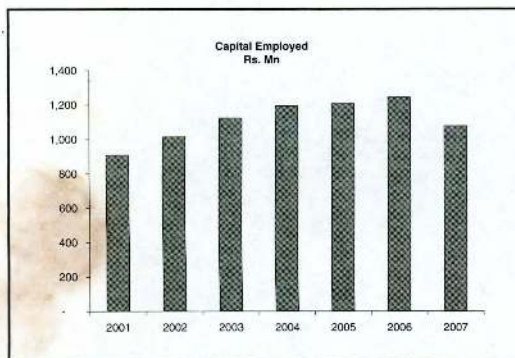
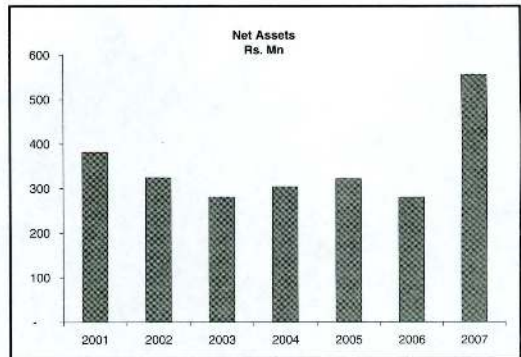
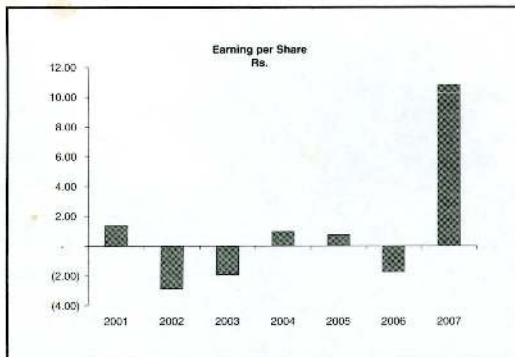
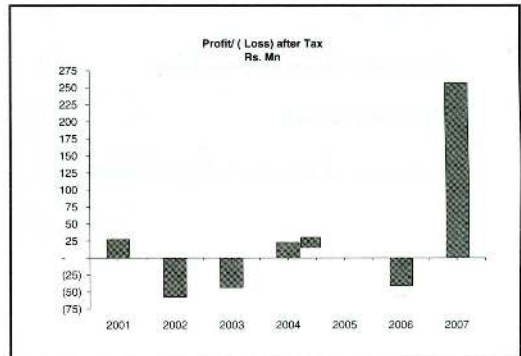
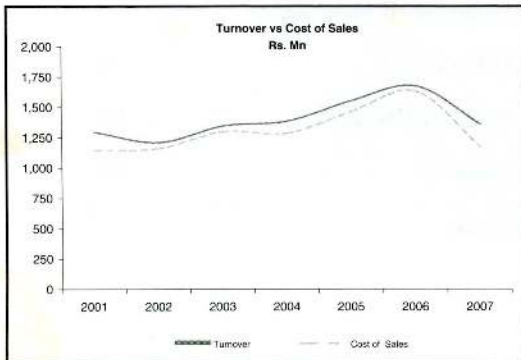
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Form of Proxy (Enclosed)

Financial Highlights

For the year ended 31st March	2007 Rs'000	2006 Rs'000	Change Rs'000	Change %
RESULTS OF OPERATIONS				
Revenue	1,363,014	1,676,557	(313,543)	(19)
Cost of Sales	(1,176,768)	(1,632,153)	455,385	(28)
Operating Profit / (Loss)	351,333	54,916	296,417	540
Profit / (Loss) after Tax	256,921	(41,202)	298,123	724
Basic Earning per share	10.81	(1.73)	12.54	723
FINANCIAL POSITION				
Total Assets	1,756,287	2,097,858	(341,571)	(16)
Total Borrowings	521,585	964,071	(442,486)	(46)
Shareholders' Funds	555,963	280,080	275,883	99
Capital Employed	1,077,548	1,244,151	(166,603)	(13)
Net Assets	555,963	280,080	275,883	99
Net Assets per share	23.41	11.79	11.62	99



Our Plantations

Estate	Planting District	Cultivated Area (ha)				Total Area (ha)	Annual Production (Kg000/pa)			Factory Details		No of Workers	
		Tea	Rubber	Oil Palm	Others		Tea	Rubber	Oil Palm	Crop	Rated Kg000/pa		
Eladuwa	Kalutara	-	353.50	236.90	20.50	610.90	675.00	-	398	1,127	Rubber	1,800	383
Miriswatte	Kalutara	33.75	309.25	30.00	64.25	437.25	551.00	43	191	186	Rubber		262
Pallegoda	Kalutara	-	389.25	348.25	106.50	844.00	943.00	-	404	1,576	Rubber	2,500	421
Sirikandura	Kalutara	12.50	290.00	-	85.25	387.75	634.00	5	191		Rubber		175
Yatadola	Kalutara	-	375.15	50.00	29.54	454.69	648.59	-	291	238	Rubber	2,800	353
Pelawatte	Kalutara	177.50	-	-	91.00	268.50	455.50	465	-		Tea	1,161	388
Baddegama	Galle	43.02	137.83	43.75	119.88	344.48	651.26	656	90	374	Tea	755	336
Citrus	Galle	43.10	138.42	104.62	35.65	321.79	507.84	179	94	472	Tea	484	254
Walpita	Galle	49.87	19.87	-	204.80	274.54	339.34	345	22		Tea	535	224
Olympus TF	Galle	-	-	-	-	-	-	298	-		Tea	503	59
Akuressa	Matara	58.74	253.98	-	232.56	545.28	807.54	254	155	683	Tea	387	352
Hulandawa	Matara	111.25	135.39	136.00	120.45	503.09	676.24	459	132	1,291	Tea	535	465
Tennahen	Matara	110.44	80.05	165.00	72.48	427.97	593.11	485	65		Tea	1,032	438
Belmont TF	Matara	-	-	-	-	-	-	313	-		Tea	516	69
		640.17	2,482.69	1,114.52	1,182.86	5,420.24	7,482.42	3,501	2,035	5,947			4,179

Employment Strength

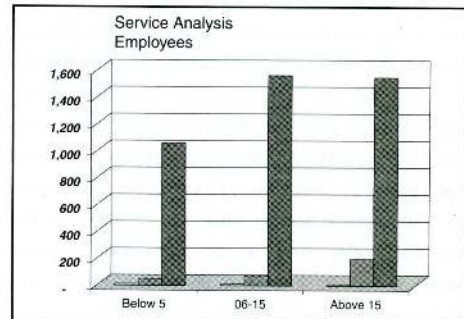
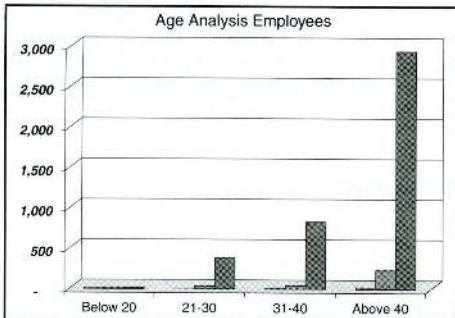
	Executives	Staff (Estate+Head Office)	Workers	Total
2006	58	355	4,335	4,748
2007	43	327	4,179	4,549

Age Analysis

	Executives	Staff (Estate+Head Office)	Workers	Total
Above 40 years	21	246	2,948	3,215
31-40 years	14	44	833	891
21-30 years	8	37	385	430
Below 20 years	-	-	13	13
Total	43	327	4,179	4,549

Service Analysis

	Executives	Staff (Estate+Head Office)	Workers	Total
Above 15 years	13	201	1,552	1,766
06-15 years	16	75	1,566	1,657
Below 5 years	14	51	1,061	1,126
Total	43	327	4,179	4,549



Chairman's Review



Dr. Sena Yaddheghe - Chairman

On behalf of your Board of Directors I have pleasure in presenting the Annual Report and the financial statements for the year ended 31st March 2007.

I am pleased to welcome you to the 14th Annual General Meeting of your company covering the Financial year 2006/07 which happens to be the 02nd year of operations since the company came under the umbrella of Richard Pieris Group. On behalf of the Board Of Directors I have pleasure in presenting you the Annual Report, Audited Accounts and Financial Statements for the relevant year.

I mentioned in my last review that plans were in place to review and restructure the company profile and the operational model in order to make the company profitable and add value to the stake holders. We have looked at various options of restructuring and given due consideration to various aspects such as the portfolio of crops, Product mix, Geographical locations of the properties, operational issues and the viability of the estates individually and collectively in the short and long term. After having considered all the above issues and deliberated at various levels and forums we decided to sublease the six estates in the Namunukula Region. The lease was effective from 15th June 2006 and the lessee took over all the loans and certain liabilities assigned to these estates.

As a result of this transaction the company's Debt position has been drastically reduced to around Rs. 500 Mn level from about Rs. 950 Mn exposure in the previous financial year. After the sub-lease your company has become very lean in structure with a well balanced mix of crops - Tea, Rubber, Oil Palm and Coconut. The Management Structure too has been aligned to meet the

changed structure and we are now confident the company should move forward and give tangible returns.

Industry out look

Tea

The year 2006 has been a year with mixed results for Sri Lanka. The Low Grown category recorded an increase of 2.3 Mn. kgs over the previous year. Whereas High Grown and Mid Grown segments reported declines amounting to 6.0 Mn. and 3.9 Mn kgs. respectively. The end result was that the Black tea production in Srilanka showed a decline of 7.6 Mn.Kgs. from that of year 2005 and recorded 307 Mn.Kgs in 2006. The contributory factors for the decline are the go-slow and strike action resorted to by the workers during November and December and the unfavourable weather conditions that prevailed. At the Colombo auctions the sale average for the year 2006 was Rs.199.58 compared with Rs.185.84 recorded in the previous year which reflects 7.4% increase.

Rubber

The Rubber production in Sri Lanka increased for the 5th consecutive year. The production increase that started in 2001 continues to this date. The contribution for the increase comes mainly from the Smallholders who are encouraged by the higher prices of the crop and may have started to harvest rubber trees which were not tapped in the past. Further, more replanted areas are reportedly coming into tapping. The National Production in 2006 was 109 mn kgs an increase of 5 mn kgs over the previous year. Once again Rubber prices reached record levels during the year with a number of Grades trading above Rs 200 during most part of the year.

Oil Palm

The total extent under cultivation in Sri Lanka is around 5,000 Ha., of which 3,000 Ha are new plantations and your company is having an extent of 1,100 Ha. For the national production, no Official records are available to provide statistics. The price of Oil Palm too has seen an increase during the financial year mainly due to higher demand particularly from India and China. The local producers who convert fresh fruits into crude palm oil export mainly to India under FTA and the prices obtained currently are very attractive.

Company Performance

Tea

Teas produced by the Company is now entirely in the low grown segment and about 90% is produced out of bought leaf and our target is around 4 mn kgs. However during the financial year we had teas from the Namunukula Region upto 15th June 06. The company produced 4.59 Mn Kgs tea in the current year compared to 5.2.Mn Kgs in the previous year and these figures include 1.3 mn Kgs and 1.5 mn .Kgs of estate crop for the respective years. The company will continue to focus on increasing bought crop and necessary steps will be taken in this direction. The average price realized during the year was Rs 188/31 compared with Rs 188/31 obtained in the previous year. The increase achieved by

Chairman's Review *Contd...*

the company is higher than that recorded nationally for the Low Grown segment. The Cost of Production was Rs 182.66 compared with Rs170/11 recorded in the previous year. COP has been contained within the permissible limits and the increase is mainly due to higher prices paid for bought leaf as a result of the higher Sale Prices obtained and the wage increase that came into effect from November 2006.

Rubber

Rubber performed extremely well during the year under review driven by higher sale prices obtained. The production remained at around 2 Mn Kgs with an increase of 66,000.Kgs. The average price realized by the company in the financial year was Rs 221/- compared with the previous year figure of Rs 156 and the increase is in line with the overall market movement. The COP at Rs 105/64 has seen an increase of Rs 12/42 mainly as a result of the wage increase.

Oil Palm

Going by the current trends it is my belief that Oil Palm would make substantial contribution towards the Profitability of your company in the years to come. Oil Palm plants are reaching maturity and the production figures show progressive increase. During the year the production has been 5.9 mn kgs of fresh fruits compared with 5.2.mn kgs in the previous year recording a 13.5.% increase. Our forecast is that the production will increase gradually during the next few years and will reach around 20 Mn Kgs by year 2011. Almost entire extent of 950 which was planted newly are under production while the existing 150 Ha too contribute to the over all production. Upto December 2006 the Fresh Fruits has been sold to another Regional Plantations company and from January 2007 onwards the crop is supplied to the Mill jointly owned by NPL. Prices paid by the joint venture Mill have been very attractive and at these levels the investment in the Oil Palm plantation could be recovered earlier than the original forecasts. In view of this we are also considering planting oil palm in more land area that are suitable for this crop.

The COP was well managed and there was a reduction of = /47 cts compared to the previous year having recorded Rs 6/34 in the current year. The NSA achieved was Rs 6/48 from that of Rs 4/45 realised in the previous year.

Palm Oil Mill

The Palm Oil Mill which has been developed under the Company AEN Oil Palm Processing Limited is equally owned by Namunukula Plantations Limited, Elpitiya Plantations Limited and Agalawatte Plantations Limited. The total Cost of the Mill is Rs 275Mn. and was funded both by equity and loan capital.

The project has undergone numerous obstacles such as cost escalation, delays, funding issues etc and finally was commissioned in January 2007. After certain short comings at the beginning the Mill is now functioning smoothly and produce Crude Palm Oil (CPO) from Fresh Fruits supplied by the joint venture companies from their respective plantations. The CPO is exported to India and the prices obtained so far had been very good. The plantation companies are paid for their Fresh Fruits

based on a formula that is linked to the market prices of Palm Oil and as a result of the higher prices for CPO the prices paid for the fresh fruits are also very attractive.

Financial Results

The Company recorded a turnover of Rs.1.36 Bn compared with Rs.1.68 Bn in the previous year. The turnover of the previous year includes contribution from the Numunukula estates. The cost of sales for the year was Rs 1.18 Bn and the company made a Gross profit of Rs 186.25 Mn , an improvement Rs.141.85 Mn. over that recorded in the previous year. Administration costs have been well contained due to restructuring of the Head Office and the savings was Rs 3.51 Mn . Finance cost has also reduced as a result of the sub lease mentioned elsewhere in this review and the restructuring of the Debts. With the gain in the sub lease arrangement your company made a Net Profit of Rs. 256.92 Mn. for the year. The Directors having considered the financial position of the company and the capital commitment towards Rubber replanting, oil palm planting and machinery rehabilitation reluctantly decided not to declare a dividend this year. I am sure the shareholders would bear with us as this decision was made in the interest of the company.

Human Resource Development

As is known Human Resource is the most valuable asset for an Industry like ours. Therefore we don't waver in our commitment to improve the skill levels, Housing, Health and Sanitary and other welfare facilities that are provided to the employees. We have arranged various training programmes both in house and with the assistance of outside consultants. Some senior executives have been sent on overseas training as well.

Assistance is being given by PHDT on worker housing sanitation and health related activities.

Acknowledgement

On behalf of the Board of Directors, I wish to thank the employees for their unstinted support and co-operation particularly in the year of change.

I also wish to take this opportunity to place on record our appreciation for the assistance given to us during the year by our customers, brokers, suppliers, bankers, the Employer's Federation of Ceylon, Plantation Human Development Trust, The Planters' Association and by all those who have associated with us.

Once again a special vote of thanks to our shareholders for the trust they have placed on us.

Lastly I wish to thank my colleagues at the Board for their valuable guidance in steering the company forward.

Thank you.

Sgd/-
Dr S Yaddehige
Chairman

25th May 2007

Profile of Directors



Dr. S Yaddhige - Chairman

Dr. Sena Yaddhige is a Sri Lanka born British Scientist/Engineer and a UK based industrialist. He is the Managing Director of Precision Varionics International Limited which is a part of a Group involved in the development of high technology, automated manufacturing and export of automotive components and systems to Europe and United States. The PVI Group also manufactures precision injection mouldings to automotive and industrial markets. Dr. Yaddhige is the Chairman/Managing Director/CEO of Richard Pieris & Co. Ltd, and Chairman Asia Capital Ltd, Asian Alliance Insurance Co. Ltd, Richard Pieris Exports Ltd, Rivira Media (Pvt) Ltd, RPC Management Services (Pvt) Ltd, Kegalle Plantations Ltd and Maskeliya Plantations Ltd.



Mr. L N de S Wijeyeratne

Mr. Lalith de S Wijeyeratne is a fellow of the Institute of Chartered Accountants of Sri Lanka. He has over thirty years experience in finance both locally and internationally. Joined Richard Pieris & Co. Ltd in 1997 as Finance Director and he holds directorates in many of the group companies including Kegalle Plantations Ltd, Maskeliya Plantations Ltd and RPC Management Services (Pvt) Ltd. He is also a Director of Asia Capital Ltd and Asian Alliance Insurance Co. Ltd.



Mr. J H P Ratnayeke - Deputy Chairman

Mr. Paul Ratnayeke is a leading commercial lawyer and the Senior Partner and Founder of the Firm Paul Ratnayeke Associates. He graduated with honours from the University of Ceylon (Colombo) and has been awarded a LL.M degree by the University of London. He is an Attorney-at-law of the Supreme Court of Sri Lanka and a Solicitor of the Supreme Court of England and Wales. He is a Director of Richard Pieris & Co. Ltd., Asian Alliance Insurance Co. Ltd, RPC Management Services (Private) Ltd, Kegalle Plantations Ltd and Maskeliya Plantations Ltd.



Mr. P D Samarasinghe

Mr. Pravir Samarasinghe is a fellow of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants - UK and holds a MBA. Joined the Board of Richard Pieris & Co. Ltd in May 2000 and functions as the Chief Operating Officer of the Company. He is also a Director of Richard Pieris Exports Co. Ltd., RPC Management Services (Pvt) Ltd. and several quoted and unquoted companies within and outside Richard Pieris Group. He is also a member of the Ceylon Chamber of Commerce.



Mr. R L Kumararatne

Mr. Ravi Karunaratne has 35 years experience in the Tea Industry, including 25 years experience as a Tea Broker, Auctioneer, Tea Taster and Valuer, Former Director of the Sri Lanka Tea Board. Past Chairman of the Colombo Brokers' Association, past Committee Member of the Colombo Tea Traders Association and Past Committee Member of the Ceylon Chamber of Commerce. Past Chairman Forbes & Walker Tea Brokers (Pvt) Ltd, past Director of Forbes & Walker Ltd, past Chairman of Forbes & Walker Commodity Brokers (Pvt) Ltd, past Chairman of Forbes Air Services (Pvt) Ltd. He is currently the Chairman of Siyaka (Pvt) Ltd, President/Chief Executives Officer of Asia Siyaka Commodities (Pvt) Ltd and Siyaka Management (Pvt) Ltd, Chairman of Asia Siyaka Warehousing (Pvt) Ltd. Chairman of Asia Siyaka Warehousing (Pvt) Ltd.



Mr. J M A Ratnayeke

Mr. Jude Ratnayeke has had experience of over 36 years in the Plantation Industry covering both Tea and Rubber Plantations. He has been in Senior Management of Plantations for over 14 years. He was a Cluster "Director of the Sri Lanka State Plantations Corporate, Group Manager and Deputy General Manager of Kahawatte Plantations Limited. Presently he serves as a Director on the Boards of RPC Management Services (Pvt) Ltd., RPC Plantation Management Services (Pvt) Ltd., Kegalle Plantations Ltd., and Maskeliya Plantations Ltd.

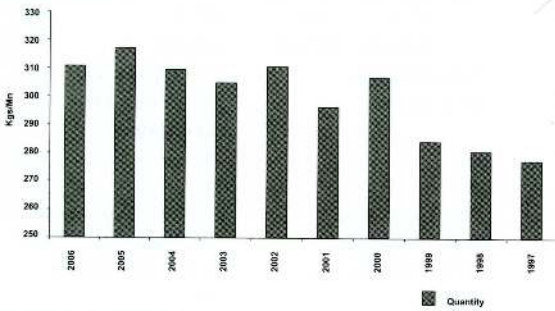
Industry Outlook

World Tea production

The world tea production has recorded a deficit, during the year under review and only India & Malawi have recorded increase in crop over 2005.

Sri Lanka Tea Production

2006 has been a year with mixed results. The Low Grown Sector has shown an increase while the High and Medium Growns have recorded deficits. The total tea production of 310.8 Mn Kg recorded a deficit of 6.4 Mn Kg against 2005. The major contributory factors for the above negative variance are poor distribution of weather and the go slow and estate worker strike in the months of November/December. Namunukula Plantations Ltd has produced 4.6 Mn Kg during this year representing 1.5% of Sri Lanka tea production.



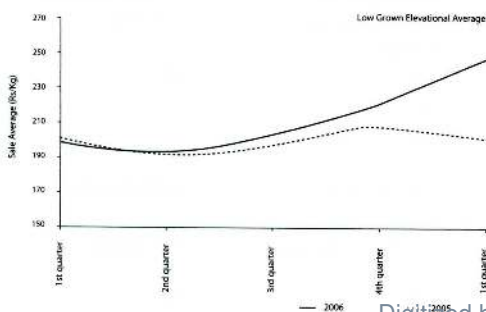
Sri Lanka Tea Exports

We have exported 314.91 Mn Kg tea during the year creating an all time record and continuing the position of world's largest tea exporter. It is significant to note the growth of Rs 15.34 per Kg in the FOB average of tea exports against the previous year.

The CBO tea auction has recorded a year end average of Rs 199.58 for 2006. In comparison to 2005, it has recorded a positive variance of Rs 13/74. One of the main contributory factor was the depreciation of the Sri Lanka rupee against the US dollar. Within a period of 12 months the US dollar has appreciated from 102/- to 108/- which is +6%. The Sri Lanka tea export market was once again dominated by the CIS countries consuming 79.7 Mn Kg which is over 22% of the total exports. They are followed by UAE, Syria and Iran, all recording increase in the volumes consumed against 2005.

Sri Lanka Tea Prices

The Low Grown sector has shown negative results in the 1st quarter. However at the end of the year this sector recorded a positive variance of Rs 5/60 over previous year. The major contribution was evident in the High Grown sector where an increase of Rs 33/47 was recorded against 2005.



Rubber

World Rubber Production

The world rubber production at 9,316,000 tones recorded a growth of 5.7% against 2005.

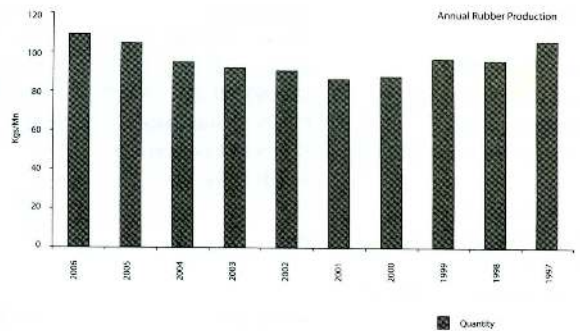
Annual Production (In 000 tones)

Country	2004	2005	2006	Rank
Thailand	2984	2937	2942	1
Indonesia	2066	2271	2468	2
Malaysia	1169	1126	1263	3
India	743	772	835	4
Vietnam	403	509	563	5
China	486	428	428	6
Sri Lanka	95	104	109	9

The Asia Pacific region has again become the dominant player in global rubber business. Thailand continues to be the leader in NR production. Global rubber consumption is forecasted to increase rapidly compared to 2006 and before. As a result, it is projected that the FOB prices will also improve from US 1.75 to 2.25 per Kg levels in the year 2007.

Sri Lanka Rubber Production

The annual rubber production of Sri Lanka has recorded a positive variance of 4.8% against 2005 and ranked 9th position among the World Rubber Producing Countries.



The Company has also recorded a surplus of 4.3% to that of the year 2005, despite go slow and worker strike prevailed during 3rd quarter of the year 2006/07.

Coconut

The coconut yield of the Company declined marginally from 3715 nuts per Ha. to 3659 nuts per Ha. compared to the year 2005. This is equivalent to a negative impact of 2%. The drop in crop is mainly due to a poor distribution of rainfall in the previous year.

Key Information

Estate	Kalutara District								
	Eladuwa			Miriswatte			Pallegoda		
	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm
Total Extent (Ha)	-	353.50	236.90	33.75	309.25	30.00	-	389.25	348.25
Annual Production (Kg)	-	398,361	1,126,536	42,512	190,997	186,081	-	404,224	-
1,576,395 Superintendent	S M Doranagama			B Gunathilaka			N B Senaviratne		
Assistant Superintendent(s)	L K S Karunathilaka			-			D S Dalpethado		
No of Workers	383			262			421		
No of Staff Members	19			19			27		
Key Officials: Administrative Officer*/Chief Clerk	M D J Fernando*			R O Maradamuthu			M Sirisena*		
Field Officer	L J H Pathirana			B Karavita			A P Amarasinghe		
Factory Officer	K P Stanley			-			H P K Gamage		
No of Small Holders attached to the Tea Factory	-			-			-		

Estate	Kalutara District								
	Sirikandura			Yatadola			Pelawatte		
	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm
Total Extent (Ha)	12.50	290.00	-	-	375.15	50.00	177.5	-	-
Annual Production (Kg)	4,925	191,409	-	-	290,854	238,125	464,755	-	-
Superintendent	U N Illankone			R A Alahakoon			H P Rajapakse		
Assistant Superintendent(s)	-			B L A Perera			M K D Priyantha		
No of Workers	175			353			388		
No of Staff Members	15			23			28		
Key Officials: Administrative Officer*/Chief Clerk	S S Withanage			M K Somarathne*			S D L D Samaranyake		
Field Officer	K D D Jayathilaka			M K R Dayananda			S M Pathirana		
Factory Officer	-			R P K K Ranaweera			M E A Ariyasinghe		
No of Small Holders attached to the Tea Factory	-			-			497		

Estate	Galle District											
	Baddegama			Citrus			Walpita			Olympus TF		
	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm
Total Extent (Ha)	43.02	137.83	43.75	43.10	138.42	104.62	49.87	19.87	-	-	-	-
Annual Production (Kg)	656,053	90,206	373,731	178,895	94,013	472,330	345,072	22,435	-	297,882	-	-
Superintendent	P de S A Gunasekara			M A J A Mendis			S S Gunasekara			S L A Sarath		
Assistant Superintendent(s)	D M S M Dissanayake			-			S M Batugedara			-		
No of Workers	336			254			224			59		
No of Staff Members	33			23			30			9		
Key Officials :												
Administrative Officer*/Chief Clerk	S A Sunil*			W Gunathilake*			M W Siriwardane			G A Asoka		
Field Officer	C L Edirisingh			N K Dahanayake			C Pathinayake			-		
Factory Officer	A K D Amarawansa			B Withana			B G Kamal Shantha			J Wedamulla		
No of Small Holders attached to the Tea Factory	1045			-			292			124		

Estate	Matara District											
	Akuressa			Hulandawa			Tennahena			Belmont TF		
	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm	Tea	Rubber	Oil Palm
Total Extent (Ha)	58.74	253.98	-	111.25	135.39	136.00	110.44	80.05	165.00	-	-	-
Annual Production (Kg)	254,068	154,699	-	458,715	132,345	682,708	485,214	65,361	1,291,229	312,566	-	-
Superintendent	S Welikala			U Wanigatunga			Q Hiripitiyage			U Wanigatunga		
Assistant Superintendent(s)	S Gurusinghe			L Tennakoon			K T Jayasekara			C V Dias		
No of Workers	352			465			438			69		
No of Staff Members	31			31			31			8		
Key Officials :												
Administrative Officer*/Chief Clerk	K W G Nelson*			A Warnakulasuriya*			S B Tennakoon			A Kokawala		
Field Officer	K B A Jayasooriya			K G Somasiri			P K Sirisena			-		
Factory Officer	S Gunasekara			L G Sarath			N C Kodituwakku			P K Sarath		
No of Small Holders attached to the Tea Factory	224			17			120			37		

Review of Operations

This is another year with challenges in which the Company has performed extremely well in making a net profit of Rs 69.94 Mn, excluding the gain made on sub lease of Uva Estates. Despite the negative impact due to extreme weather conditions, wage increase and escalation of material cost, the Company has achieved the above profit, with prudent spending measures thereby containing the cost of production at a very reasonable level.

The Company subleased six estates in the Uva Region on a strategic move to improve and sustain profitability of its balance portfolio and allow a reduction in borrowings.

A Palm Oil Processing Unit, which is a joint venture between Namunukula, Agalawatte and Elpitiya Plantation Companies at Mohamedi Estate commenced operation in January 2007. With the commissioning of this factory, the Company enjoy a premium price for the Oil Palm crop harvested and supplied.

The Company is projecting a significant increase in profitability next year with plans to improve production of Tea, Rubber and Oil Palm. This will be strengthened by modernization of factories, expansion of acreage under Tea, Rubber and Oil Palm cultivation, and the conversion of unsuitable land for Plantation crop, into forestry.

Tea

Sri Lanka Tea production has dropped by 03% from an all time record crop of 317.19 Mn Kgs in the previous year. The Company recorded a 8% drop against the previous year mainly due to go-slow and strike prevailed in November and December continued with a drought in the last quarter of the season.

The Tea Sector of the Company has turned around during the year having made a profit of Rs 25.92 Mn as against a loss of Rs 13.52 Mn in the previous year. The main contributory factor was the substantial increase in the company sale average during 2nd half of the season, whilst maintaining the operational costs at reasonable level, mitigating the impact on worker wage increase, crop decline due to dry spell and cost escalation of input stocks.

The Company pursued with all agricultural practices ensuring high standard and maintained fertilizer inputs at required levels. A yield of 1,099 Kgs could be considered satisfactory due to the adverse impact of dry weather prevailed in the last quarter of the year under review. Despite the drop in crop and increase in worker wages, production costs were well controlled.

The continuation of "contract" plucking and "cash" plucking increased plucker productivity thereby reducing cost.

Tea prices were very attractive during the year. All elevations recorded an increase over 2005. One of the contributory factor was the shortfall in Kenyan production. The average price at the CBO auction was Rs 199/58 per Kg in 2006, an increase of 7.4% that of 2005 average of Rs 185/84. The sale average of the Company too improved over Low Grown Elevation Average compared to that of the previous years.

Year	Variance on Ele. Average (Rs)
2006/07	-8/68
2005/06	-10/22
2004/05	-09/21

03 tea factories in the Low Grown area, are in the process of obtaining HACCP certification during the year. This will enable the Company to develop and enhance product quality, food safety, quality of work life of our employees and more importantly the buyers satisfaction.

Bought Leaf

The Company continues to be one of the largest producer of Low Grown teas among the Plantation Companies. During the year, the Company has purchased 13.256 Mn Kg green leaf from the small holders. The crop purchased during the year was lower to that of the previous year, mainly due to unfavourable weather and the focus on high quality leaf. Seminars and extension service to educate the small holders were continued on a regular basis.

The concept of "small holder - direct supplier to the factory," introduced by the Company, a few years ago, is being implemented successfully. Currently the Company has over 2500 small holders who supply leaf to 09 factories.

A factory rehabilitation plan with investment proposals is being prepared to enable the factories to handle higher crop aiming at 100% factory capacity utilization.

Rubber

This is yet another very good year for Rubber Sector having contributed a profit of Rs 234.2 Mn at Estate level which is 190% of the previous year.

The 03 factories in the Kalutara District, continue to produce crepe rubber, achieving "top prices", regularly. Taking advantage of the attractive prices prevailed, the estates with no facilities for crepe manufacture, continued to sell their produce as liquid latex. Here too, the Company continues to maintain best agricultural practices through out the year.

The rubber crop harvested for the season was 2 Mn Kgs at an yield of 885 Kgs/ha as against 865 Kgs in the previous year. This position could have been further improved if not for the strike/go slow in December 2006.

Rubber prices continued to improve during the year under review. The highest ever prices for rubber was recorded in June 2006. The Company's sale average was Rs 220/73 as against Rs 155/53 recorded for the same period last season which is equivalent to 42% increase.

Capital investment in rubber replanting, during the year was Rs 11 Mn. Subsidy is available from the Rubber Development Department.

Review of Operations *Contd...*

Coconut

Production for the season was 968,000 nuts as against 1,000,000 nuts recorded for the previous season. This is equivalent to a drop of 3%, which is mainly due to poor distribution of rainfall in the previous year.

The NSA remained at the same levels that of previous season.

Oil Palm

Crop harvested for the season is 5.9 Mn Kgs FFB as against 5.1 Mn Kgs last season recording an increase of 15%. There had been instances where the Company crop was not accepted by the only Oil Palm Processing Factory in the country, due to machinery breakdown etc..

The Company's own Processing Mill, a JV company started operations in January this year. Sale price per kilo of FFB received for March 2007 was Rs 16/90 as against Rs 5/- received in December 2006. A fair amount of revenue is expected from this crop in the current year.

It is also expected to increase the present extent under Oil Palm.

Cinnamon

The mature cinnamon extent of the Company at 92.98 Ha. is an increase of 9% to that of the previous year. The Company has recorded a yield of 158 Kg/ha. The increased production is mainly due to undertaking an additional round of harvesting and implementing best agricultural practices.

The Company during the year has invested Rs 2.5 Mn, with a view to expand the area under Cinnamon further. The Plantation Executives attended a seminar on Cinnamon cultivation and harvesting techniques, organized by Spices Allied Products Producers & Traders Association (SAPPTA).

Environment

With a sense of responsibility, aiming to safe guard and improve the environment in our estates, we have installed a Effluent Treatment Plant in the crepe rubber factory of Pallegoda estate with an investment of Rs 6 Mn.

We have also undertaken a programme to consolidate the existing forestry cover by the introduction of suitable varieties of tropical forestry plants and valuable timber plants. At present, the Company has 347.43 Ha. under the cover of forestry.

New Technology

The Company invested mainly on HACCP certification for tea factories and waste management in the rubber factories during the year. Due to high cost of funds, the investment on the introduction of new technology is curtailed and undertaken on a phased programme. Due to high wage cost the Company will be investing on mechanization of harvesting and factory operations, during the year under review.

Human Resource

We value our human resources as the most valuable asset for sustainable growth. Hence we focus progress through developing this valuable asset by implementing of various training and development programmes from worker level to management level.

Many programmes were conducted in house in the year under review to develop skills and knowledge of employees to facilitate organizational effectiveness in the Company. With the technological advances, training plays important function in the Company to improve productivity and be competitive in the industry.

The programmes conducted during the year under review are given below,

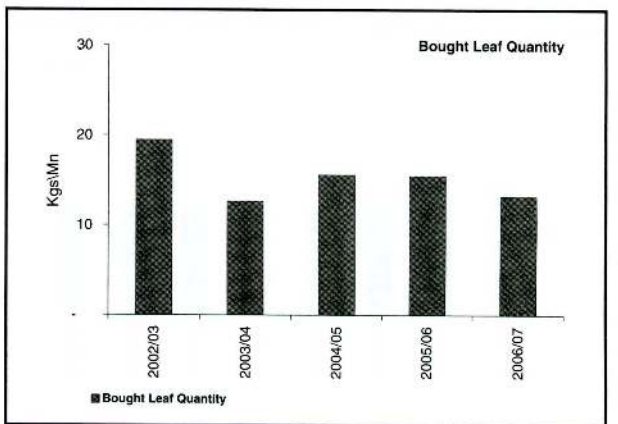
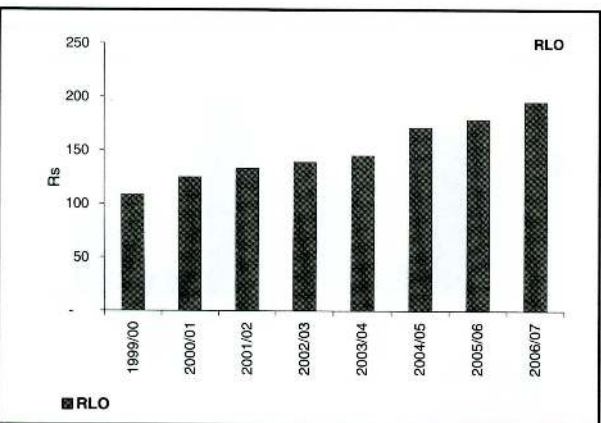
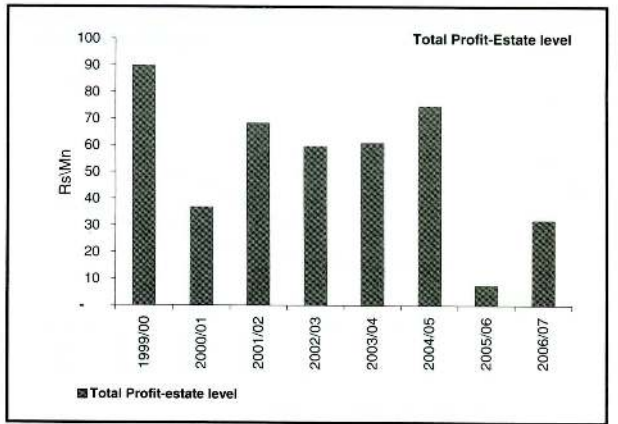
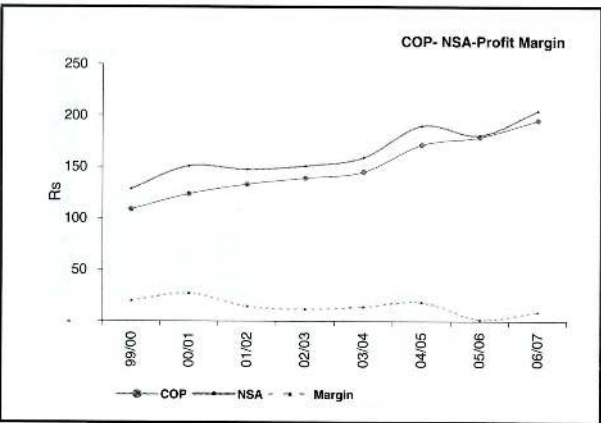
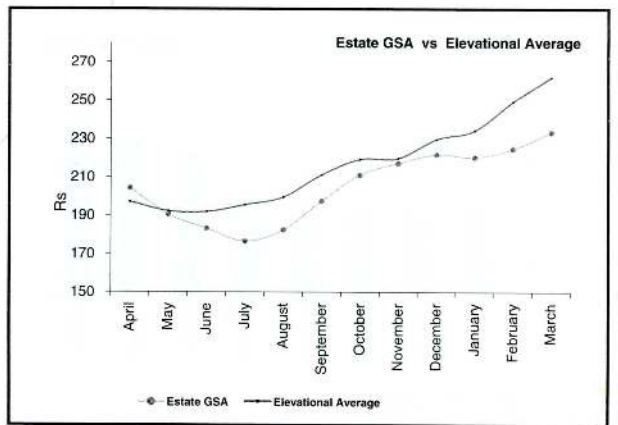
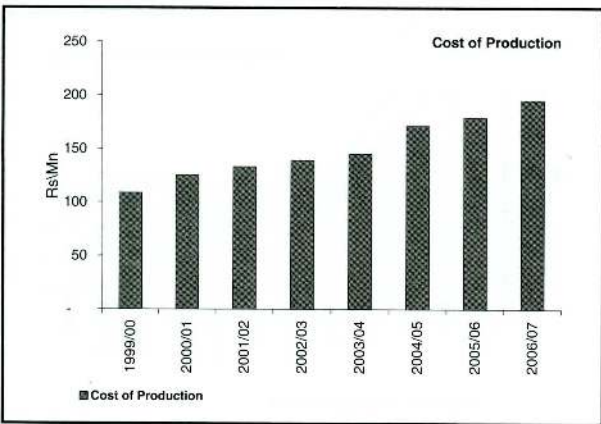
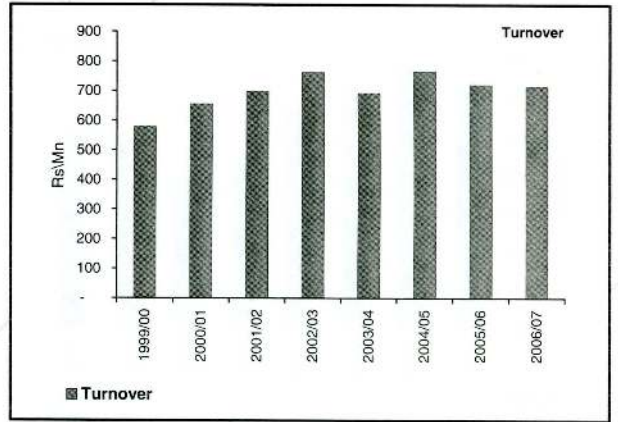
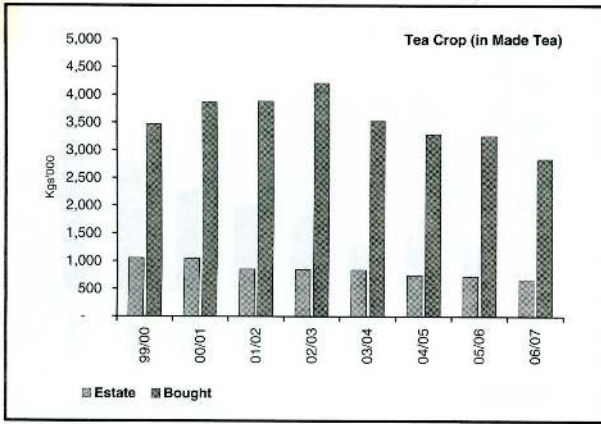
1. Shear harvesting technology
2. Coconut pickers training at Coconut Research Institute
3. Best practices in the coconut industry
4. Scientific processing of cinnamon
5. Best management practices of rubber
6. Scientific tea manufacture and trial manufacture
7. Tea tasting session by brokers
8. Health and safety for factory workers
9. Improvement of product quality through good manufacture practices
10. Best practices in cinnamon industry

Real Estate Development

The Colombo Matara super highway runs through many of our estates. The following exit points are located in close proximity to our estates. The land within a radius of 15 Kms will be the most suitable land for real estate development.

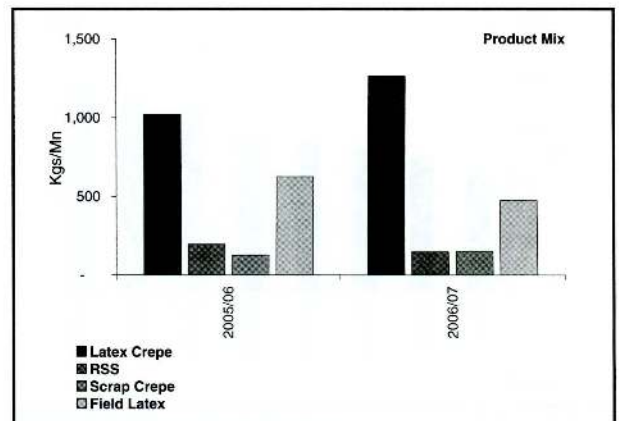
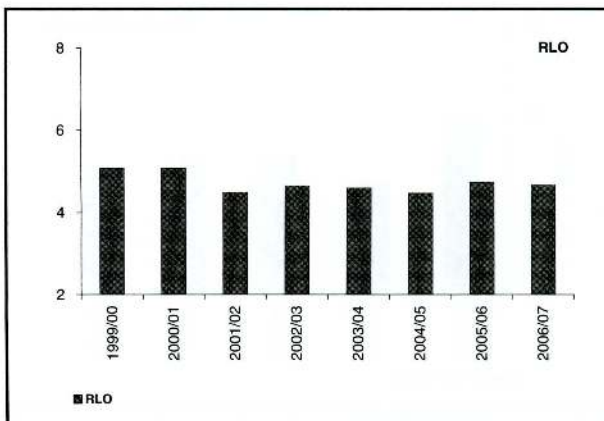
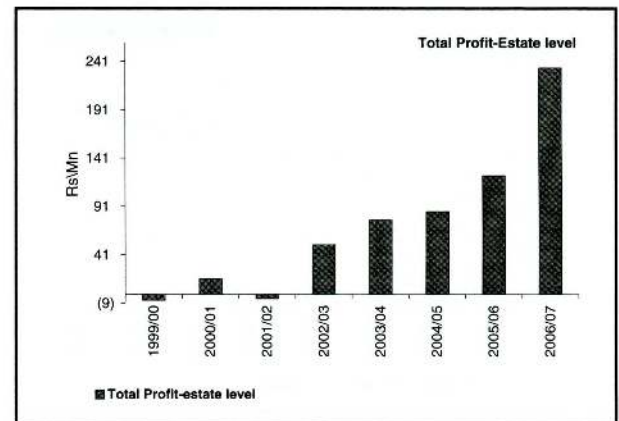
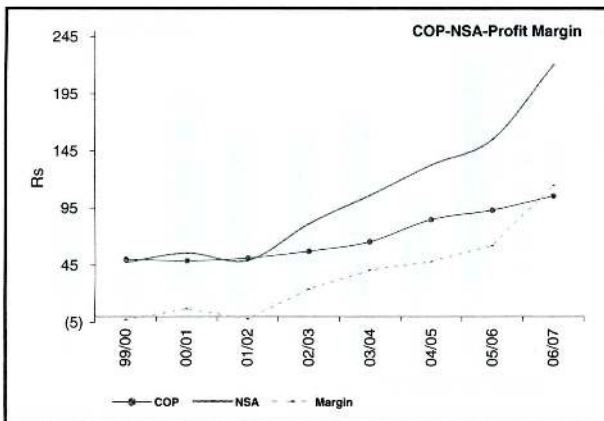
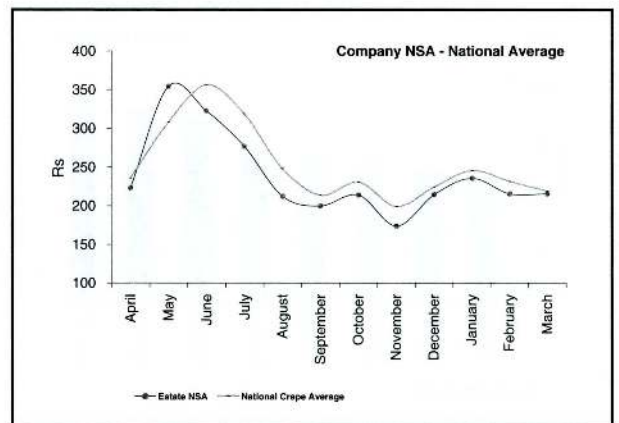
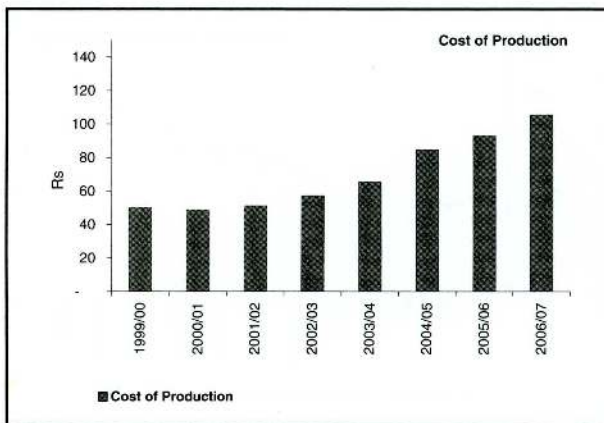
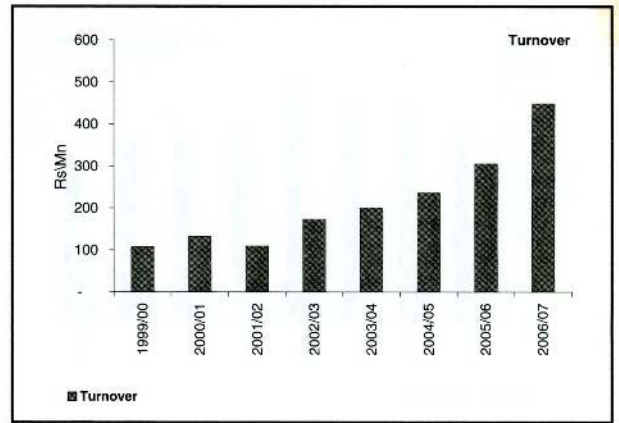
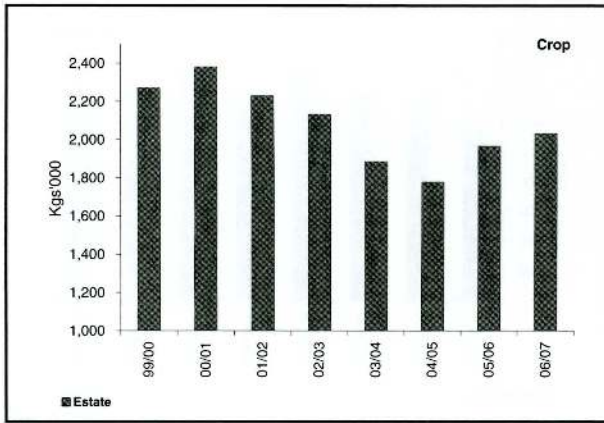
District	Estate	Exit Point
Matara	Akuressa	Kokamaduwa
Galle	Baddegama	Nayapamulla
	Citrus	Pinnaduwa
	Walpita	Nayapamulla
Kalutara	Eladuwa	Dodangoda
	Miriswatte	Lewanduwa
	Pallegoda	Lewanduwa
	Sirikandura	Lewanduwa
	Yatadola	Dodangoda

Segmental Analysis TEA

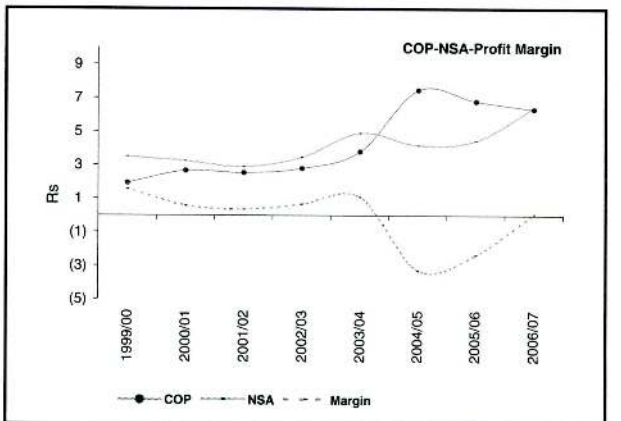
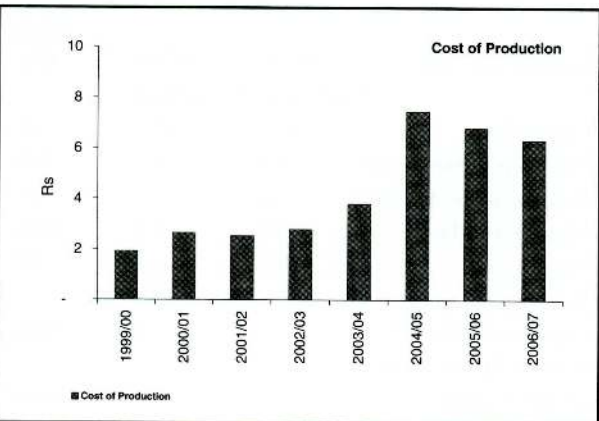
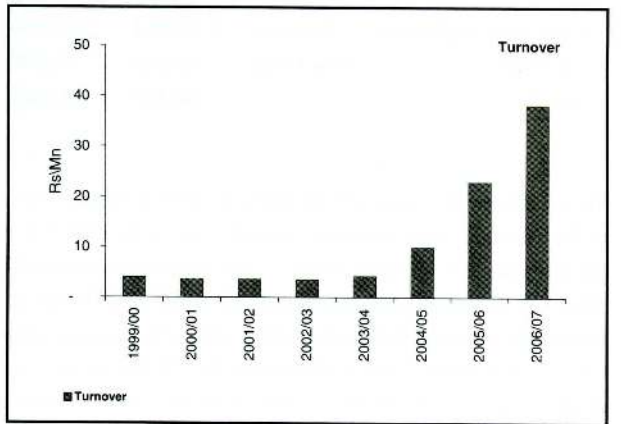
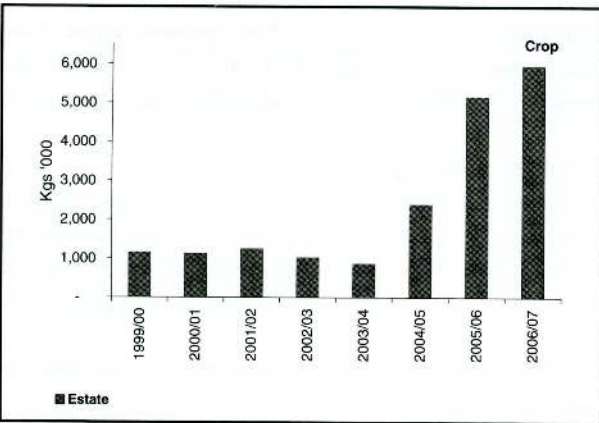
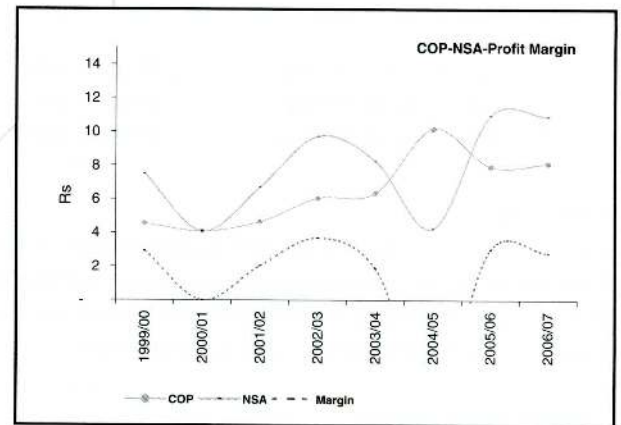
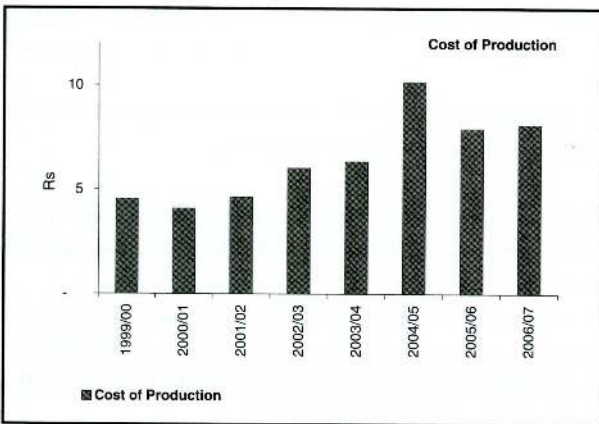
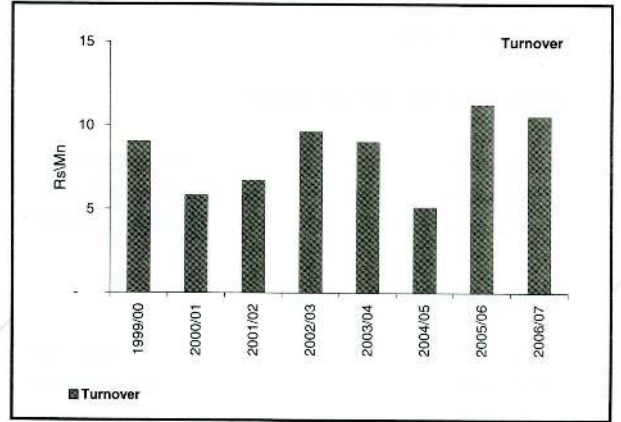
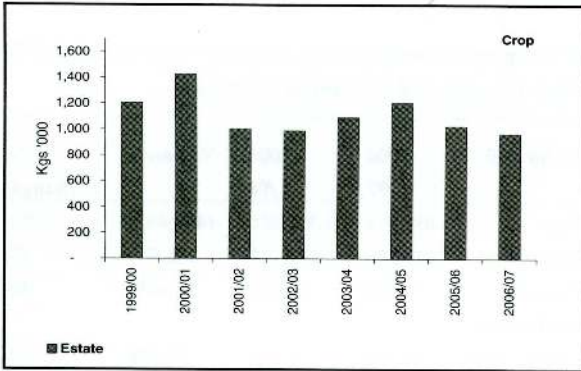


Segmental Analysis *Contd...*

RUBBER



Segmental Analysis *Contd...* COCONUT/OIL PALM



Financial Review

Financial Calendar

Interim Quarterly Reports 2006/07

1st Quarter	15 th August 2006
2nd Quarter	15 th November 2006
3rd Quarter	23 rd February 2007

Annual Reports

2004/2005	1 st June 2005
2005/2006	6 th June 2006
2006/2007	5 th June 2007

Meetings

12 th Annual General Meeting	28 th June 2005
13 th Annual General Meeting	29 th June 2006
14 th Annual General Meeting	29 th June 2007

Introduction

The following provides information supplementary to the Company's results of operations and financial position, and should be read in conjunction with the audited Financial Statements and notes to the Financial Statements contained in this report.

Results of Operations

		2007	2006
Operating Highlights	Revenue	1,363,014	1,676,556
(Rs 000's)	Gross Profit	186,246	44,403
	Net Profit	256,921	(41,202)

The results for the financial year 2006/07 shows a Profit after tax of Rs.256.92 Mn. compared to a loss after tax of Rs.41.20 Mn. in the previous year. The turn around of the company from negative results to that of an attractive profit was mainly due to the sub lease of six estates in the Uva Region, a substantial increase in the sale average of low grown tea during the 2nd half of the year, attractive prices in the Rubber sector, commencement of AEN Oil Palm Factory and effective cost control measures implemented at the right time to mitigate the cost escalation due to the wage increase.

Revenue

The Company derived revenue primarily from the Sale of Tea, Rubber, Coconut, and Oil Palm & Cinnamon

In Rs. 000	2006 /07	2005 /06	Variance	% Change
Tea	858,914	1,327,406	(468,492)	(35)
Rubber	449,156	306,217	142,939	47
Coconut	10,562	11,257	(695)	(6)
Oil Palm & Other Crops	44,382	26,646	17,736	67
Sale of Rubber Trees	-	5,030	(5,030)	(100)
Total	1,363,014	1,676,556	(313,542)	(19)

Tea

The decrease in revenue by 35% (Rs. 468 Mn) compared to that of the previous year primarily attributable to:

- Sub lease of Six Estates in the Uva Region in June 2006. These six estates have generated 46% of Revenue from Tea (616 Mn) in the previous year.
- A reduction in the total volume of tea produced by 42% (3.3 Mn Kg). However the negative impact has been mitigated by increasing the sale average by Rs. 18.75 in the Low Grown Tea Sector during 2nd half of the year.

Rubber

Revenue increased by 47% (Rs.143 Mn) compared to that of the previous year was mainly attributed to an increase in the Net Sale Average by Rs.64.81 due to improved quality of the end product.

Oil Palm & Other Crops

Revenue increased by 67% (Rs.18 Mn) compared to previous year was mainly due to increase in Net Sale Average of Oil Palm by Rs.1.98 as result of commencement of AEN palm oil factory and further 15% (0.8 Mn Kgs) increase in the volume of crop harvested.

Cost, Expenditure and Other Income as a % of Revenue is presented below:-

	2007	2006	% Change in absolute terms
Revenue (Rs 000)	1,363,014	1,676,556	(19)
	% of Revenue	% of Revenue	
Cost of Sales	86.3	97.4	28
Other Operating Income	20.1	3.7	340
Administration Expenses	2.0	1.9	11
Management Fees	6.0	1.2	(299)
Finance Cost	6.8	6.6	17
Amortisation of Negative Goodwill	-	1.1	(100)
Share of Profit/(Loss) of Joint Venture	0.1	-	(100)
Taxation	-	0.2	100

Cost of Sales

Cost of Goods sold decreased by 28% (Rs.455 Mn) compared to the previous year. This was mainly due to Sub Lease of Six Estates in the Uva Region in June 2006.

Other Operating Income

Increase of Rs.212 Mn. was due to Rs 232 mn gain on Relinquishment of Leasehold Rights during the year.

Administration Expenses

11% Decrease over the previous year mainly due to restructuring the head office operations thereby reducing wage related costs.

Finance Cost

Decreased by Rs.19 Mn. This was largely due to repayments of the borrowings during the year.

Capital Expenditure

In Rs. 000	2007	2006
Field Development		
Tea	550	1,001
Rubber	22,748	6,373
Oil Palm	19,549	22,217
Other	11,614	26,829
Sub Total	54,461	56,420
Buildings	9,410	5,869
Plant & Machinery	1,176	605
Others	4,368	8,557
Sub Total	14,954	15,031
Grand Total	69,416	71,451

Segmental Information	2007		2006	
	In Rs. '000	Revenue	Cost of Sales	Gross Profit
Tea	858,914	861,202	(2,288)	(68,618)
Rubber	449,156	245,818	203,339	117,374
Coconut	10,562	10,082	480	1,789
Oil Palm & Other Crops	44,382	59,666	(15,284)	(11,172)
Sale of Rubber Trees	-	-	-	5,030
Total	1,363,014	1,176,768	186,246	44,403

Liquidity and Capital Resources

As at 31st March 2007, the Net Working Capital was a negative Rs.246 Mn. compared to a negative Rs.761 Mn in the previous year.

In Rs.'000	2007	2006
Current Assets	259,426	287,686
Current Liabilities	505,576	1,048,820
Working Capital	(246,150)	(761,134)
Current Assets Ratio	0.51	0.27

Quarterly Results for the year ended 31st March 2007

In Rs. '000	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Turnover	409,325	276,339	333,513	343,837	1,363,014
Cost of Sales	(376,980)	(225,798)	(280,859)	(293,131)	(1,176,768)
Gross Profit	32,345	50,541	52,654	50,706	186,246
Other Operating Income	237,037	10,946	12,075	14,509	274,567
Operating Profit	215,863	43,922	46,358	45,190	351,333
Profit After Tax	187,917	19,544	23,428	26,032	256,921
Earning per Share (Rs.)	7.91	0.82	0.99	1.10	10.82

Cash and Cash equivalents increased by Rs. 194 Mn.

In Rs.'000	2007	2006
Net Cash from/(used) in Operating Activities	92,042	(59,853)
Net Cash from / (used) in Investing Activities	8,442	885
Net Cash from Financing Activities	93,832	(58,660)
Net Increase/(Decrease) in Cash & Cash Equivalents	194,316	(117,628)

The company utilized internally generated cash and borrowings to meet revenue and capital expenditure requirements.

In Rs.'000	2007	2006
Net Profit/(Loss) for the year	256,921	(41,202)
Total Capital Employed	1,077,548	1,244,151
Return on Capital Employed (%)	23.84	(3.31)

Corporate Governance

Our policy towards corporate governance is to adopt best practices and maintain high standards of business ethics and integrity in all our activities. This section of the Annual Report describes how NPL has applied the principles underlying the Code on Corporate Governance.

BOARD OF DIRECTORS

The Board continues to meet every other month. Its principal focus is the overall strategic direction, development and control of the Company. Key matters, such as approval of the Company's strategic plans and annual operating plan and budget, and monitoring the Company's operating and financial performance, are responsibilities of the Board. These plans are sent to all directors, key senior executives and managers involved in the management of the Company's principal operations, together with information on the authorities delegated by the Board.

The Board comprises mostly non-executive Directors. They are all independent of the management of NPL. Between them, the Non-Executive Directors bring expertise and independent judgment at a senior level of business operations and strategy.

Guidelines are in place concerning the content, presentation and delivery of papers to Directors for each Board meeting so that the Directors have enough information to be properly briefed.

STRATEGIC DIRECTION AND CORPORATE STRUCTURE

The Company strongly pursues the direction identified and laid down in its Strategic Plan taking into account the Current Business and Political Environment. The Company has recently benefited from initiatives such as Information Technology, Human Resources and Sourcing.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, any system can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the Company's systems of internal financial control are:-

- ♦ Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorized use of the assets.

- ♦ Experienced and suitably qualified staff are responsible for important business functions. There are rigorous recruitment policies and annual appraisal procedures which assess performance against agreed objectives and identify necessary training to maintain and enhance standards of performance.
- ♦ Forecasts and budgets are prepared which allow management to monitor the key business and financial activities and risks and the progress towards financial objectives set for the year and the medium term, monthly management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information, significant variances from budget are investigated as appropriate.
- ♦ All investment projects are subject to formal authorization procedures. The Board considers major investment projects, with other projects being approved by the Management Committee within delegated authorities approved and reviewed by the Board.
- ♦ The Management Committee and Internal Audit Division reviews reports from management, from the internal systems auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed.
- ♦ Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

RELATIONSHIP WITH SHAREHOLDERS

It is our policy for all Directors to attend the AGM, if at all possible. Whilst, this may not always be achievable, in normal circumstances this means the Chairman and Directors are available to answer questions.

Established procedures ensure the timely release of share price sensitive information and the publication of financial results and regulatory financial statements.

BEST BUSINESS PRACTICES

To reinforce our commitment to our policy to achieve best practice in our standards of business integrity NPL has, over the year, communicated its Best Business Practices across the Company.

It now better reflects NPL's growing operations and the increasing expectations in the areas of corporate governance and business practice standards. The Company recognizes the importance of our joint venture partnerships and we work with our partners in the creation of added value whilst working within high standards of business practice.

Corporate Governance *Contd...*

COMMITTEES

The Management Committee chaired by the Managing Director and comprising Senior Executives of the Company develops the Company strategy, for Board approval and oversees its implementation. It also finalizes, before Board approval, annual operating and capital expenditure plans and budgets, review operational activities and agrees and monitors Company wide policies, where these are not reserved to the Board. Its terms of reference, include reviewing NPL's performance against strategic plans, internal controls and published financial reports for statutory compliance and against standards of best practice, and recommending to the Board appropriate course of action.

Audit committee headed by a Non-Executive Director of Richard Peiris & Co. Ltd reviews internal financial statements and compliance returns to ensure that control procedures are in place.

The Human Resource Development Committee reviews the performance of all Senior Managers, discuss their career and succession plans and also formulates HR policies within the Company.

DISCLOSURE OF INFORMATION AND COMPLIANCE

The Board through the Legal Division and the Finance Division makes every endeavour to ensure that all the business complies with all laws and regulations.

The Board of Directors requires that in all possible aspects, 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. Maximum information is provided to shareholders and full disclosure is made subject only to any sensitive information, which could directly impact the business of the Company.

SECRETARY TO THE BOARD

Richard Pieris Group Services (Private) Limited, who act as Secretaries to the Company are qualified as Secretaries as per the provisions of the Companies Act No. 17 of 1982.

The Secretary 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.

Business Risks

We recognize that

- ♦ At a time when the business environment in which we operate is **changing** rapidly, embedding "Risk Management" into an organization is the best way to gain a competitive edge and enhance shareholder value.
- ♦ Like all businesses do, Risks too **change** with time and needs to be managed.
- ♦ If Risk Management is to succeed a behavioural **change** is necessary throughout the organization.

While at board level these risks and how they are handled are considered from a strategic point of view, the management takes a more tactical approach by identifying and evaluating risks and agreeing on mitigating and management methods.

Risk aware behaviour has been created throughout the organization to bring value to the business and to the shareholders. Our risk management goes beyond reducing risk exposure, risk taking is an acceptable strategy where ever there is an opportunity to improve profitability.

Risk Factors

Our business is subject to many risks and uncertainties , which may affect our performance. Some of those risks and uncertainties identified by the company are as follows.

Market Risks

- ♦ Loss of reputation/ market share due to not supplying quality teas consistently.
- ♦ Drastic effect of price decline on large volume crops such as Tea, Rubber.
- ♦ Over production in the global market.
- ♦ Global /Regional conflicts.

Operational Risks

- ♦ Non compliance with environmental standards.
- ♦ Variations in weather conditions (e.g. drought and excess rain) affecting the produce and revenue of the Company.
- ♦ Poor Soil conditions.
- ♦ Loss of Bought Leaf suppliers to competitors i.e. due to startup of new Bought Leaf Private Factories.
- ♦ Lack of trained workers.
- ♦ Trade Union actions i.e. Labour strikes
- ♦ Politicisation of labour relations.
i.e. influence on wages and labour practices by the State.

Financial Risks.

- ♦ Broker defaulting payment on teas sold
- ♦ Increase in wage rate in the plantation sector
- ♦ Increase in overdraft loan/ interest rates and lack of funds
- ♦ Exchange rate influence on selling prices of Tea, Rubber.

Information Risks

- ♦ Data corruption at estate level as well as at Head Office level.

Corporate Social Responsibility

We at Namunukula Plantations Ltd believe corporate Social Responsibility play a key role in our business on job and wealth creation. Hence our CSR is generally understood to be the way Company achieves, balance or integration of economic, environmental and social imperatives, while at the same time addressing the shareholder and stakeholder expectations. As such from progressive perspective our CSR activities usually focusing on new opportunities as a way to respond to internal economic and environmental demands in the market place.

We also believe that this focus provides a clear competitive edge and stimulate corporate innovation. Hence we strongly believe that CSR is seen as the business contribution to sustainable development, which we feel that development that meets the needs of the present without compromising the ability of the future generation to meet their own needs. Our CSR activities addresses aspects of our behaviour (policies & practices) with respect to key elements as (health & safety), environmental protection, human resource management practices, corporate governance, community development and also consumer protection, labour protection, supplier relations and business ethics and stake holder rights.

In the season 2006/2007 Namunukula Plantations Ltd implemented several CSR projects covering environment, community, education and health.

Health

1. Health camp was held at Walpita Estate in collaboration with Galle Teaching Hospital.
2. Eye Camp was held at Eladuwa Estate and needy was provided with spectacles.
3. Anti Natal/Poly clinics were held in all our Estates to advise pregnant mothers in collaboration with government hospitals.
4. Health & safety measures were adopted in order to compete for the National Safety Award.
5. Being pioneer member of employees network on disability is working towards providing employment to disable people.

Environment

1. Effluent treatment plant was commissioned on Pallegoda Estate in order to mitigate pollution from rubber effluent.
2. Forestry management policy and compliance is adopted in our Plantations in line with National Environment Policy of Sri Lanka.

Education

1. Information Technology Centres in Pallegoda & Hulandawa Estate provided Information Communication Technology education to unemployed village youth to gain useful experience to qualify for employment.
2. Scholarships were granted to employee children under worker children scholarship scheme who gained entrance to University education in year 2006/2007.

Community

1. Shramadana campaigns were conducted
2. Religious festival were celebrated and places of religious initiated, maintained and developed.
3. Creches were upgraded to provide shelter for village population too.
4. Sports activities were undertaken across the Estates in New Year and otherwise with participation of village community.
5. Bought leaf Suppliers were exposed to training through Industry experts on Agricultural know how.

Corporate Social Responsibility *Contd...*



Computer Centre



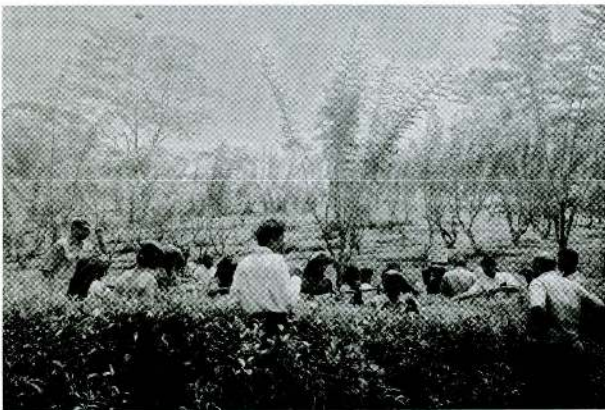
Trained Peelers



New Year Festival



Child Care Centre



Bought Leaf Suppliers



Workshop for staff and workers



Health Camp



Religious Event

Directors' Report

Directors' Report

The Directors of Namunukula Plantations Limited hereby present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2007.

Principal Activities

The Principal activities of the Company are the cultivation, manufacture and sale of Tea, Rubber, Coconut, Oil Palm and other minor crops. No major change in these activities have taken place during the year.

These activities are carried out on 24 estates leased from the Government of Sri Lanka for a period of 53 years commencing 22nd June, 1992. Due to amalgamation of smaller units and sub lease of six estates no of estates now being managed are 12 and 2 independent factories. The Company is managed by RPC Plantation Management Services (Pvt) Ltd.

Review of Performance

The review of the Company performance during the year and the important events that occurred during the year up to the date of this Report are given in the Review of Operations and the Chairman Review exhibited in Page 7.

Results

The Turnover of the Company for the year was Rs.1, 363,013,668 (04/05-Rs 1,676,556,561) and the Net Profit after taxation stands at Rs.256, 921,020/- (05/06- Rs 41,202,163/- loss). The Company is not liable to Income tax in view of the carried forward tax losses.

Profit & Reserves

For the year ended 31st March	2007 Rs'000	2006 Rs'000
Profit/(Loss) for the year after deducting all expenses, known liabilities and depreciation amounts to	256,921	(41,202)
From this the provision for taxation is deducted	NIL	NIL
Making a Profit/ (Loss) after Tax of	256,921	(41,202)
To this the previous year's balance is added	(69,919)	(28,717)
Making a total available for appropriation of	205,963	(69,919)
Appropriations	NIL	NIL
Leaving a balance to be carried forward	205,963	(69,919)
Other Reserves	NIL	NIL

Dividends

In view of the current liquidity position of the Company, the Board of Directors does not propose any dividend for the year ended 31st March 2007.

Taxation

The Company is not liable to tax during the year due to carried forward tax losses.

Fixed Assets

Information relating to the movement of Fixed Assets are given under Notes 9 to12 of the Financial Statements.

Donation

Donations made during the year amounted to Rs 290,000 /- (2005/06 - Rs.222,500/-)

Statutory Payment

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date.

Research and Development

The company continues to make active use of Research and Development, making use of the TRI, RRI and in house knowledge base to enhance and update current agricultural practices and manufacturing techniques.

Environment Protection

The Company has not undertaken any activities which have caused or likely to cause detriment to the environment.

Corporate Governance

The Directors fully support the concept of the Combined Code on Corporate Governance.

The policies adopted by the company are given under the Section " Corporate Governance".

Substantial Shareholdings

An analysis of Shareholders including the names of twenty Major Shareholders of the Company as at 31st March, 2007 is given under "Investor Information ".

Directorate

The names of the Directors of the Company are given under " Profile of Directors". In terms of section 92 of the Articles of Association, Dr. S Yaddhegige and Mr J H P Ratnayake will retire and being eligible offer themselves for re-election.

Directors' Report *Contd...*

Directors' Interest

Directors' interest in contracts of the Company are disclosed in Note 26 to the Accounts and have been declared at the Meeting of the Board of Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require adjustment or disclosure in the accounts.

Contingent Liabilities

Capital Commitments and Contingent Liabilities as at the Balance Sheet date are disclosed under Note 27 in the Financial Statements

After reviewing the financial position and the cashflow of the Company the Directors believe that the Company has adequate resources and financial facilities to continue in operation for the foreseeable future. For this reason they have continued to adopt the going concern basis in the preparation of financial statements.

Earnings and Net Assets per Share

Earnings, Net Assets per Share and Market Value per Share are disclosed under " Investor Information ".

Auditors

The accounts for the year have been audited by Messers. Ernst & Young, (Chartered Accountants) who offer themselves for reappointment.

Annual General Meeting Resolutions

The resolutions to be proposed at the Annual General Meeting to be held on 29th June 2007, appear in the Notice of Annual General Meeting sent to the shareholders.

By Order of the Board

Richard Pieris Group Services (Private) Limited
Secretaries

310, High Level Road
Nawinna
Maharagama

29th May 2007

Statement of Directors' Responsibility

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities, as set out in their report, is made with a view to distinguish the respective responsibilities of the Directors and the Auditors, in relation to the financial statements.

The Directors are required by the Companies Act No 17 of 1982, 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 the financial year. The Directors are required to prepare these financial statements on the going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors consider that in preparing the financial statements in pages 25 to 49 the Company has used appropriate accounting policies, consistently applied, and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act No. 17 of 1982.

The Directors have general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

On Behalf of the Board

(Sgd.)
J M A Ratnayeke,
Director

(Sgd.)
L N de S Wijeratne
Director

Colombo
29th May 2007

Audit Report



■ Chartered Accountants
201 De Saram Place
P. O. Box 101
Colombo 10
Sri Lanka

■ Telephone : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
E-Mail : eysl@lk.ey.com

AUDITORS' REPORT TO THE MEMBERS OF NAMUNUKULA PLANTATIONS LIMITED

We have audited the Balance Sheet of Namunukula Plantations Ltd., as at March 31, 2007 and the related Statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes exhibited on pages 25 to 49.

Respective Responsibilities of Directors & Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. 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.

Opinion

In our opinion, so far as appears from our examination, the Estates and the Head Office of the Company maintained proper books of account for the year ended March 31, 2007, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Cash Flows and Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No: 17 of 1982 and give a true and fair view of the Company's state of affairs as at March 31, 2007, and its profit and Cash Flows for the year then ended.

Directors' Interest in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended March 31, 2007 except as stated in Note 26 to these financial statements.

Colombo
21st May, 2007

■ Partners : A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray FCA FCMA
Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
A S M Ismail FCA FCMA H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA
Ms. L C G Nanayakkara FCA FCMA

Income Statement

Year Ended 31st March 2007

	Note	2007 Rs.	2006 Rs.
REVENUE	3	1,363,013,668	1,676,556,561
COST OF SALES		(1,176,767,777)	(1,632,153,272)
GROSS PROFIT		186,245,891	44,403,289
OTHER INCOME	4	274,567,177	62,402,161
ADMINISTRATION EXPENSES		(27,917,184)	(31,425,036)
MANAGEMENT FEE	4.a	(81,563,058)	(20,464,237)
FINANCE COST	5	(92,631,392)	(111,183,139)
SHARE OF PROFIT/ (LOSS) OF JOINTVENTURE		(1,780,414)	-
AMORTISATION OF NEGATIVE GOODWILL		-	18,957,168
PROFIT/(LOSS) BEFORE TAXATION	6	256,921,020	(37,309,794)
INCOME TAX EXPENSES	7	-	(3,892,369)
NET PROFIT/(LOSS) FOR THE YEAR		<u>256,921,020</u>	<u>(41,202,163)</u>
BASIC EARNINGS / (LOSS) PER SHARE	8	10.81	(1.73)

The Accounting Policies and notes on Pages 29 through 49 form an integral part of the Financial Statements.

Colombo
21st May, 2007

Balance Sheet

As At 31st March 2007

ASSETS	Notes	2007 Rs.	2006 Rs.
Non current assets			
Leasehold Property	9	142,780,441	243,345,775
Immovable estates assets on finance lease (other than leasehold property)	10	181,353,139	237,844,053
Tangible assets other than immature/mature plantations	11	169,930,017	273,990,333
Immature/mature plantations	12	913,828,246	1,038,574,459
Long Term Investment - (Unquoted)	13	18,179,726	16,417,100
Net Receivable in Finance Lease after one year	14	70,789,365	-
		<u>1,496,860,934</u>	<u>1,810,171,720</u>
Current assets			
Inventories	15	130,211,765	169,660,497
Trade and other receivables	16	97,868,960	99,303,467
ESC Recoverables		5,196,760	-
Net Receivable in Finance Lease within one year	14	822,676	-
Amounts due from related companies	17	22,561,727	6,000,007
Cash and bank balances		2,764,341	12,721,896
		<u>259,426,229</u>	<u>287,685,867</u>
TOTAL ASSETS		<u>1,756,287,163</u>	<u>2,097,857,587</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	237,500,010	237,500,010
Share Premium		112,500,000	112,500,000
Retained Profit/(Loss)		205,962,887	(69,919,669)
TOTAL EQUITY		<u>555,962,897</u>	<u>280,080,341</u>
Non Current Liabilities & Deferred Income			
Interest Bearing Loans & Borrowings	19	271,051,331	175,814,124
Retirement Benefit Obligations	20	112,671,850	205,479,512
Deferred Income	21	59,552,272	133,247,880
Net liability to the lessor payable after one year	22	251,472,790	254,414,841
		<u>694,748,243</u>	<u>768,956,357</u>
Current Liabilities			
Trade & Other Payables	23	136,310,101	203,581,462
Net liability to Lessor payable within one year	22	2,942,050	2,828,894
Interest Bearing Loans & Borrowings	19	250,533,879	788,256,711
Amounts due to related companies	24	115,789,993	54,153,822
		<u>505,576,023</u>	<u>1,048,820,889</u>
TOTAL EQUITY AND LIABILITIES		<u>1,756,287,163</u>	<u>2,097,857,587</u>

The board of directors is responsible for the preparation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors of Namunukula Plantations Ltd.

DIRECTOR

MANAGING AGENT

(Sgd.) J M A Ratnayake.

(Sgd.) R L Kumararatne.

(Sgd.) L N de S Wijeratne.

(Sgd.) P D Samarasinghe.

The Accounting Policies and notes on Pages 29 through 49 form an integral part of the Financial Statements.

Colombo

21st May, 2007

Cash Flow Statement

Year Ended 31st March 2007

	Notes	2007 Rs.	2006 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit / (Loss) before Taxation		256,921,020	(37,309,794)
ADJUSTMENTS FOR			
Depreciation / Amortisation	6	56,728,730	62,046,921
Amortisation of Negative Goodwill	20.2	-	(18,957,168)
Share of profit/(Loss) of Jointventure		1,780,414	
Provision for Defined Benefit Plans	20	37,430,916	24,390,512
Amortisation of Grants	20.1	(2,945,049)	(3,137,230)
Finance Cost	5	92,631,392	111,183,139
Gain of Relinquishment of Leasehold Land	4	(232,425,780)	-
Gain on Government Acquisition of Estates' Land	4	(25,607,528)	(44,979,059)
Profit on disposal of Property, Plant & Equipment	4	-	(678,284)
Operating Profit before Working Capital changes		184,514,115	92,559,037
(Increase)/Decrease in amounts due from Related Companies		(16,561,720)	(2,500,000)
(Increase)/Decrease in Trade & Other Receivables		(2,805,730)	10,835,745
(Increase)/Decrease in Inventories		39,448,732	(19,026,507)
Increase/(Decrease) in amounts due to Related Companies		61,636,171	10,991,474
Increase/(Decrease) in Trade & Other Payables		(73,520,130)	(34,394,068)
Cash Generated from Operations		192,711,438	58,465,681
Defined Benefit Plan Cost Paid	20	(21,888,004)	(15,128,274)
Finance Cost Paid		(78,781,163)	(95,057,758)
(Tax Paid) / Refund		-	(8,132,605)
Net Cash from / (used) Operating Activities		92,042,271	(59,852,956)
CASH FLOWS FROM INVESTING ACTIVITIES			
Grant Received	20.1	2,249,613	13,356,781
Proceeds from sale of Property, Plant & Equipment		-	1,653,277
Proceed of Relinquishment of Leasehold Land		50,000,000	
Proceeds from Government Acquisition of Estates' Lands		25,607,528	57,326,199
Field Development Expenditure	12	(54,461,029)	(56,420,362)
Long Term Investments		(3,543,020)	(2,500,000)
Purchase of Property, Plant & Equipment		(11,411,433)	(12,531,229)
Net Cash from / (used) in Investing Activities		8,441,659	884,666
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of Commercial Papers		-	8,610,840
Payment of Finance Lease rentals		(8,929,889)	(9,018,728)
Payment of Government lease rentals		(15,158,315)	(18,845,472)
Proceeds from borrowings		259,998,750	392,156,536
Payment of loans		(142,078,912)	(431,562,892)
Net Cash from / (used) Financing Activities		93,831,634	(58,659,716)
Net Increase/(Decrease) in Cash & Cash Equivalents		194,315,564	(117,628,006)
Cash & Cash Equivalents at the beginning of the year	Note A	(300,286,056)	(182,658,050)
Cash & Cash Equivalents at the end of the year	Note B	(105,970,492)	(300,286,056)
NOTES			
A. Cash & Cash Equivalents at the beginning of the year			
Cash & Bank Balances		12,721,896	11,776,029
Bank Overdrafts		(313,007,952)	(194,434,079)
		(300,286,056)	(182,658,050)
B. Cash & Cash Equivalents at the end of the year			
Cash & Bank Balances		2,764,341	12,721,896
Bank Overdrafts		(108,734,833)	(313,007,952)
		(105,970,492)	(300,286,056)

The Accounting Policies and notes on Pages 29 through 49 form an integral part of the Financial Statements.

Colombo
21st May, 2007

Statement of Changes in Equity

Year Ended 31st March 2007

	Share Capital	Share Premium	Accumulated Profit/(Loss)	Total
	Rs	Rs	Rs	Rs
Balance as at 31st March 2005	237,500,010	112,500,000	(28,717,506)	321,282,504
Net Profit/ (Loss) for the year	-	-	(41,202,163)	(41,202,163)
Balance as at 31st March 2006	237,500,010	112,500,000	(69,919,669)	280,080,341
Negative goodwill adjustment	-	-	18,961,536	18,961,536
Balance as at 31st March 2006 after Goodwill adjustment	237,500,010	112,500,000	(50,958,133)	299,041,877
Net Profit/Loss for the year	-	-	256,921,020	256,921,020
Balance as at 31st March 2007	237,500,010	112,500,000	205,962,887	555,962,897

The Accounting Policies and notes on Pages 29 through 49 form an integral part of the Financial Statements.

Colombo
21st May, 2007

Notes to the Financial Statements

Year Ended 31st March 2007

1. CORPORATE INFORMATION

2.1.4 Comparative Information

1.1 Domicile and Legal Form

Namunukula Plantations Ltd. is a limited liability Company 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 or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987. The registered office of the Company is located at 310; High-level Road, Nawinna, Maharagama and Plantations are situated in the planting districts of Kalutara, Galle and Matara.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2.1.5 Segmental Reporting

Segmental information has been disclosed in Notes 3.1 & 3.2 to the Financial Statements in respect of the identifiable operating segments of the Company on a consolidated basis.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of Black Tea, Rubber, Coconut, Oil Palm and other crops.

2.1.6 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as following:

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is RPC Plantation Management Services (Pvt) Ltd. In the opinion of the directors, the company's ultimate parent undertaking and controlling party is Richard Pieris & Co. Ltd., which is incorporated in Sri Lanka.

The Company has adopted the following new SLAS's during the year

- SLAS 3 (revised) - Presentation of Financial Statements
- SLAS 5 (revised) - Inventories
- SLAS 10 (revised) - Accounting Policies, Changes in Accounting Estimates
- SLAS 12 (revised) - Events after the Balance Sheet Date
- SLAS 14 (revised) - Income Taxes
- SLAS 18 (revised) - Property, Plant and Equipment
- SLAS 19 (revised) - Leases
- SLAS 21 (revised) - The Effects of Changes in Foreign Exchange Rates
- SLAS 25 (revised) - Business Combinations
- SLAS 30 (revised) - Related Party Disclosures
- SLAS 34 (revised) - Earnings per Share
- SLAS 41 (revised) - Impairments of Assets

1.4 Date of Authorization for Issue

The financial statements of Namunukula plantations Ltd for the year ended 31st March 2007 were authorized for issue in accordance with a resolution of the Board of Directors on 21st May 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The financial statements presented in Sri Lankan Rupees have been prepared on a historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts.

There was no material effect to the financial statements on the adoption of the above revised standards except for effect on SLAS 25 which is disclosed below.

2.1.2 Statement of Compliance

The balance sheet, statement of income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31st March 2007 and for the year then ended, comply with Sri Lanka Accounting Standards.

Due to change in SLAS 25 the unamortized negative goodwill balance of Rs.18,961,536/- remained at the end of the last year derecognized with a corresponding adjustment to the opening balance of the retained earnings/ (losses). Adjustment to the financial statement is reflected in the equity statement and note 21.2 to the Financial Statements. As per revised SLAS 25, the carrying amount of negative goodwill at the beginning of the annual period beginning on or after 01st June 2005 shall be recognized at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings.

2.1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

Notes to the Financial Statements *Contd...*

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

For the purpose of applying the company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Inventory valuation - Produce stock

The company has valued the unsold produce stock as at the balance sheet date based on most recent selling prices available subsequent to the year end.

The key assumptions concerning the future and other key sources of estimation uncertainty at the 31st March 2007 balance sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Defined Benefit Plans

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net retiring benefit liability as at 31st March 2007 is Rs.112,671,850/= (2006 Rs.205,479,512). Further details are given in Note 20.

2.2.1 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used for the computation are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure reported

in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

As at the end of the year a deferred tax assets amount of Rs.105,532,445/- This has not been recognized in the financial statements as at the year end.

Notes to the Financial Statements *Contd...*

2.2.2 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset. The amount of borrowing costs eligible for capitalisation is determined in accordance with SLAS 20-Borrowing Costs - Allowed Alternative Treatment. The capitalisation rate of 12% (2006 - 12.37%) percent was used.

Borrowing Costs amounting to Rs 13,024,412 /=(previous year Rs 27,550,831/=) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalized as part of the cost of the immature plantations.

2.2.3 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

As at the balance sheet date, company do not have any intangible assets with finite lives.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets that are not yet available for sale are tested for impairments at each financial year end, even if there is no indication that the asset is impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.3 VALUATION OF ASSETS AND THEIR MEASUREMENT BASES

2.3.1 Inventories

Inventories other than harvested crop are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business after allowing for cost of realisation and/ or cost of conversion from their existing state to saleable condition.

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

Input Materials	At average cost.
Growing Crop-Nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.
Harvested Crop	Valued at estimated selling prices or since realised prices.
Consumables & Spares	At actual cost

2.3.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables.

Notes to the Financial Statements *Contd...*

Other receivables and dues from related parties are recognised at cost less provision for bad and doubtful receivables.

2.3.3 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.

For the purpose of Cash Flow Statement, Cash and Cash Equivalent consists of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short-term maturities i.e. three months or less from the date of acquisitions are also treated as Cash Equivalents.

Interests paid and received are classified as operating Cash Flows.

The Cash Flow Statement is reported based on the indirect method.

2.3.4 Property, Plant and Equipment

a) Cost

Property, Plant & Equipment is recorded at cost less accumulated depreciation and less any impairment in value.

b) Cost and Valuation

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less depreciation.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense.

In these circumstances the increase is recognised as income to the extent of the previous written down value. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a

previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits or loss on retirement or disposal of the asset.

c) Depreciation

The provision for depreciation is calculated 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 lives by equal instalments as follows are:

Buildings	Over 40 years
Plant & machinery	Over 13 years
Furniture & fittings	Over 10 years
Vehicles	Over 05 years
Equipment	Over 08 years
Computers	Over 04 years
Computer Software	Over 03 years

Replanting and New Planting

Tea	Over 30 years
Rubber	Over 20 years
Coconut	Over 20 years
Oil Palm	Over 20 years
Cinnamon	Over 20 years

The leasehold rights are being amortised in equal amounts over the following periods.

Leasehold Property	Over 53 years
Mature Plantations	Over 30 years
Buildings	Over 25 years
Machinery	Over 15 years
Improvements to Land	Over 30 years

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

2.3.5 Immature and Mature Plantations

The cost of Replanting and New Planting are classified as immature plantations up to the time of harvesting the crop.

Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective Replanting and New Planting, and capitalised on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

Notes to the Financial Statements *Contd...*

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful life period.

2.3.6 Infilling Cost

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with Sri Lanka Accounting Standard No. 32 and depreciated over the useful life at rates applicable to mature plantations.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

2.3.7 Leases

Property, plant and equipment on finance leases, (which effectively transfer to the company substantially the entire risks and benefits incidental to ownership of the leased item) are capitalized at their cash price and depreciated/amortized over the period the company is expected to benefit from the use of the leased assets. The corresponding principal amount payable to the lessor is shown as a liability. The finance charges allocated to future periods are separately disclosed under Notes. 19.2 and 22.

The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

2.3.8 Leasehold Property

Leasehold property comprising of land use rights obtained on a long term basis, is stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 - Leases in line with Ruling of the Urgent Issues Task Force of The Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter.

2.3.9 Investment in Joint Venture

The company has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more

parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The company recognises its interest in the joint venture using the equity method.

Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the company's share of net assets of the associate. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the company and the joint venture are eliminated to the extent of the interest in the joint venture.

The reporting dates of the joint venture and the company are identical and the joint venture's accounting policies conform to those used by the company for like transactions and events in similar circumstances

2.4 LIABILITIES AND PROVISIONS

2.4.1 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.4.2 Retirement Benefit Costs

(a) Defined Benefit Plans - Gratuity

The retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983 to eligible employees. This item is grouped under Retirement Benefit Obligations in the balance sheet. Provision of Gratuity on all employees is on an actuarial basis, using the projected unit credit (PUC) method as recommended by SLAS 16. A professionally

Notes to the Financial Statements Contd...

qualified actuary from a firm Messrs. Actuarial & Management Consultants (Pvt) Ltd. carried out the actuarial valuation, as at 31st March 2007. The Company expects to carry out actuarial valuations once in every two years. The liability is not externally funded. The key assumptions used by the actuary include the following:

- a) Rate of Interest 10% p.a.
- b) Rate of Salary Increase- Workers -Tea 11% every Two years
 - Rubber 7% every Two years
 - Staff Employees - Long-term increment rate of 20% every three years.

In addition, an annual increase in salaries of staff employees at the rate of 2.50% per annum and an annual increase of 7.50% per annum in the cost of living allowance.

- c) Retirement Age - All categories of Employees 60 years (Male & female)

d) The Company will continue as a going concern.

The actuarial present value of the accrued benefits as at 31st March 2007 is Rs. 106,346,168/=.

(b) Defined Contribution Plans - EPF & ETF

Employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments to Employees' Provident Fund and Employees' Trust Fund respectively.

2.5 DEFERRED INCOME

2.5.1 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item it is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset (or -are

deferred in the balance sheet and credited to the income statement over the useful life of the asset.)

2.5.2 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 collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognised 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 recognised 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 recognised 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 carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not

Notes to the Financial Statements *Contd...*

reversed for subsequent increases in its recoverable amount.

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

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 March either individually or at the cash generating unit level, as appropriate. However, company has not recorded any intangible assets as at the balance sheet date.

(b) For the purpose of presentation of Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the enterprises performance, hence such presentation method is adopted.

2.6. INCOME STATEMENT

2.6.1. Revenue Recognition

Revenue is recognised 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 trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from sale of Goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

(b) Interest

Interest Income is recognised as the interest accrued (taking into account the effective yield on the asset) unless collectibility is in doubt.

(c) Dividends

Dividend income is recognised on a cash basis.

(d) Rental income

Rental income is recognised on an accrual basis.

(e) Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

2.6.2 Expenditure Recognition

(a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in state of efficiency has been charged to revenue in arriving at the profit for the year.

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

	2007 Rs.	2006 Rs.
4. OTHER INCOME		
Amortisation of Capital Grants	2,945,049	3,137,230
Profit on Disposal of Property, Plant & Equipment	-	678,284
Profit from Sales of Refuse Tea	8,595,296	11,604,646
Gain on Relinquishment of Leasehold Rights	232,425,780	-
Gain on Government Acquisition of Estates' Land	25,607,528	44,979,059
Others	4,993,523	2,002,942
	<u>274,567,177</u>	<u>62,402,161</u>
<p>The gain on "Relinquishment of Leasehold Rights" represents the net accounting gain on the Relinquishment of Leasehold rights of six poorly performing estates to independent third party.</p>		
4.a MANAGEMENT FEE		
Management Fee expense as per agreement	81,563,058	20,464,237
	<u>81,563,058</u>	<u>20,464,237</u>
5. FINANCE COST		
Overdraft Interest	20,138,393	27,177,067
Interest paid to related parties	13,591,003	10,309,338
Interest on Government Lease	13,850,245	16,125,381
Interest on Discounts	260,653	4,136,931
Lease Interest on Others	3,173,258	4,813,793
Term Loan Interest	53,652,082	75,195,315
Bank Charges & Debit Tax	990,170	976,145
	<u>105,655,804</u>	<u>138,733,970</u>
Less : Amount Capitalized	(13,024,412)	(27,550,831)
	<u>92,631,392</u>	<u>111,183,139</u>
6. PROFIT FROM BEFORE TAXATION IS STATED AFTER CHARGING		
Directors' Emoluments	-	-
Auditors remuneration	1,638,750	1,525,000
Depreciation / Amortisation	56,728,735	62,046,921
Defined benefit plan costs - Gratuity	37,430,915	24,390,512
Defined Contributions Plan Costs - EPF & ETF	40,238,466	54,725,272
Others - Staff Costs (Workers & Staff)	413,079,292	496,604,678

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

7. INCOME TAX EXPENSE

Economic Service Charge.

	2007 Rs.	2006 Rs.
Economic Service Charge	-	3,892,369
Current Income Tax Expense	-	-
	<u>-</u>	<u>3,892,369</u>

The Company is liable for income tax at the rate of 35% (manufacture) and agriculture is exempted since 1/4/2005. However, no provision has been made in these Financial Statements on account of income tax in view of the adjusted tax loss of the company. The carried forward tax loss of the Company as at 31st March 2007, amounts to Rs1,254,954,465 /= (provisional) (2006 Rs.1,243,471,138/=).

7.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit.

	2007 Rs.	2006 Rs.
Accounting Profit/(Loss) Before Tax	256,921,020	(37,309,794)
Aggregate Disallowed Items	114,369,091	113,361,436
Aggregate Allowable Expenses	(382,773,438)	(203,399,910)
Taxable Loss	(11,483,327)	(127,348,268)
Tax Losses brought forward	(1,243,471,138)	(1,116,122,870)
	<u>(1,254,954,465)</u>	<u>(1,243,471,138)</u>
Effective Tax Rate	35%	30%
Current Income Tax Expense	-	-

7.2 Economic Service Charge.

	2007 Rs.	2006 Rs.
Economic Service Charge	-	3,892,369
	<u>-</u>	<u>3,892,369</u>

8. EARNINGS PER SHARE

8.1 The calculation of the basic earnings per share is based on after tax profit/(loss) for the year divided by the weighted average number of ordinary shares outstanding during the period.

8.2 The following reflects the income and share data used in the earnings per share computations.

	2007 Rs.	2006 Rs.
Amounts used as the Numerator :		
Net profit/(loss) applicable to ordinary share holders for basic earnings per share	256,921,020	(41,202,163)
	<u>256,921,020</u>	<u>(41,202,163)</u>
Amounts used as the Denominator :		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	23,750,001	23,750,001
	<u>23,750,001</u>	<u>23,750,001</u>

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

9. LEASEHOLD PROPERTY

Leases have been executed for ten estates for a period of 53 years and, for the balance estates, a memorandum of record has been signed between the company and SISP/ JEDB. All of these leases are / will be retroactive to June 22nd 1992 the date of the formation of the company. The leasehold rights to the land on all of these estates have been taken into the books of the company to 22nd June 1992, immediately after the formation of the company in terms of the ruling obtained from the Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka. For this purpose the Board has decided at its meeting on 08th March 1995 that this bare land would be revalued at the value established for this land by a valuation specialist, D. R. Wickremasinghe just prior to the formation of the company.

The above mentioned leasehold right to bare land comprising of land use rights obtained on a long term basis is re-classified as leasehold property and stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 Leases, in line with revised Ruling of the Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever is shorter. The leasehold right to land is disclosed under non current assets under leasehold property. The revised UITF ruling does not permit further revaluation of Leasehold Property. The values taken into the 22nd June 1992 balance sheet and amortization of the leasehold property up to 31st March 2007 are as follows.

	Revaluation		Government Acquisition		Disposal		Accumulated Amortisation		Government Acquisition for the Year		Disposal for the Year		Amortisation for the year		Accumulated Amortisation		Balance as at		
	as at 22.06.1992	339,290,957	Rs.	for the Year	Rs.	For the year	Rs.	01.04.2005	Rs.	for the Year	Rs.	For the year	Rs.	for the year	Rs.	as at 31.03.2007	Rs.	as at 31.03.2006	Rs.
Leasehold property				(10,771,316)		(130,756,404)		85,173,866		(2,849,370)		(34,430,116)		4,239,046		54,982,796		243,345,775	
				(10,771,316)		(130,756,404)		85,173,866		(2,849,370)		(34,430,116)		4,239,046		54,982,796		243,345,775	
The unexpired period of the lease as at the Balance Sheet date is 38 years.																			
IMMOVABLE JEDB/SISP/ESTATE ASSETS ON FINANCE LEASE (OTHER THAN LEASEHOLD PROPERTY).																			
In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the SISP/ JEDB, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 balance sheet and the amortisation of immovable estate assets to 31st March 2007 are as follows.																			
Revaluation as at 22.06.92																			
Transfers																			
Disposal For the year				(4,766,378)															
Balance as at 31.03.2007				6,983,676															
Accumulated amortisation as at 01.04.2006																			
Disposal For the year				5,764,954															
Amortisation during the year				(2,565,884)															
Accumulated amortisation as at 31.03.2007				265,956															
Written down value as at 31.03.2007				3,465,026															
				3,518,650															
Written down value as at 31.03.2006																			
				5,985,100															

These assets are being amortised in equal annual amounts over the following periods:

Mature Plantations/Improvement to land	30 years
Buildings	25 years
Machinery	15 years

Note: Investment in plantation assets 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 22nd June 1992) all of which have been transferred to mature plantations as at the balance sheet date.

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

11 TANGIBLE ASSETS

OTHER THAN IMMATURE/MATURE PLANTATIONS

	Balance as at 01.04.2006 Rs.	Additions for the year Rs.	Disposal/ Adjustments during the year Rs.	Balance as at 31.03.2007 Rs.
Cost				
Buildings	136,243,398	16,679,578	(64,932,340)	87,990,636
Motor Vehicles	77,290,369	-	(18,847,967)	58,442,402
Plant & Machinery	214,891,263	1,175,876	(61,985,789)	154,081,350
Furniture & Fittings	6,379,746	5,145	(1,693,905)	4,690,986
Equipment	22,312,805	52,987	(7,936,056)	14,429,736
Computers	9,182,118	236,734	(1,543,631)	7,875,221
Computer Software	2,526,738	-	(758,022)	1,768,716
	<u>468,826,437</u>	<u>18,150,320</u>	<u>(157,697,710)</u>	<u>329,279,047</u>
	Balance as at 01.04.2006 Rs.	Charges for the year Rs.	Disposal during the year Rs.	Balance as at 31.03.2007 Rs.
Depreciation				
Buildings	15,922,725	2,098,846	(6,861,631)	11,159,940
Motor Vehicles	74,140,363	630,000	(18,847,964)	55,922,399
Plant & Machinery	112,146,143	13,674,243	(31,057,697)	94,762,689
Furniture & Fittings	4,908,406	370,687	(1,523,002)	3,756,091
Equipment	19,604,354	386,103	(7,039,931)	12,950,526
Computers	8,376,754	529,671	(1,469,221)	7,437,204
Computer Software	2,526,738	-	(758,022)	1,768,716
	<u>237,625,483</u>	<u>17,689,550</u>	<u>(67,557,468)</u>	<u>187,757,565</u>
Written Down Value	<u>231,200,954</u>			<u>141,521,482</u>
Assets Acquired on Finance Lease	Balance as at 01.04.2006 Rs.	Additions during the Year Rs.	Disposal/ Adjustments during the year Rs.	Balance as at 31.03.2007 Rs.
Cost				
Plant & Machinery	41,193,004	-	(5,960,000)	35,233,004
	<u>41,193,004</u>	<u>-</u>	<u>(5,960,000)</u>	<u>35,233,004</u>
	Balance as at 01.04.2006 Rs.	Charges for the year Rs.	Disposal during the year Rs.	Balance as at 31.03.2007 Rs.
Depreciation				
Plant & Machinery	8,613,548	1,909,749	(1,899,750)	8,623,547
	<u>8,613,548</u>	<u>1,909,749</u>	<u>(1,899,750)</u>	<u>8,623,547</u>
Written Down Value	<u>32,579,456</u>			<u>26,609,457</u>
	Balance as at 01.04.2006 Rs.	Additions during the Year Rs.	Capitalized during the Year Rs.	Balance as at 31.03.2007 Rs.
Capital Work-in-Progress	10,209,923	530,278	(8,941,123)	1,799,078
TOTAL WRITTEN DOWN VALUE	<u>273,990,333</u>			<u>169,930,017</u>

Note : The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the company (22nd June 1992) and all investments in tangible assets by the company since its formation. The assets taken over by way of estate leases are set out in notes 9 & 10.

Further, the valuation of immovable JEDB/SLSPC estate assets on finance lease (other than leasehold property) and tangible assets other than immature/mature plantations taken over as at 22nd June, 1992 is based on net book values obtained from the Sri Lanka State Plantations Corporation & Janatha Estate Development Board as at such date. These values were not made available to us by individual asset.

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

12 IMMATURE/MATURE PLANTATIONS

	Immature Plantations Rs.	Mature Plantations Rs.	Total Rs.
Cost			
At the beginning of the year	602,008,814	485,230,055	1,087,238,869
Transferred to the sub leasee	(119,420,167)	(48,766,925)	(168,187,092)
Additions	54,461,029	-	54,461,029
Transfers	(266,430,765)	266,430,765	-
At the end of the year	<u>270,618,911</u>	<u>702,893,895</u>	<u>973,512,806</u>
Depreciation			
At the beginning of the year	-	48,664,410	48,664,410
Transferred to the sub leasee	-	(10,222,423)	(10,222,423)
Charge for the year	-	21,242,573	21,242,573
At the end of the year	<u>-</u>	<u>59,684,560</u>	<u>59,684,560</u>
Written Down Value - as at 31.03.07	<u>270,618,911</u>	<u>643,209,335</u>	<u>913,828,246</u>
Written Down Value - as at 31.03.06	<u>602,008,814</u>	<u>436,565,645</u>	<u>1,038,574,459</u>

Note: These are investments in immature/mature plantations since the formation of the company. The assets (including plantation assets) taken over by way of estate leases are set out in notes 9 and 10. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the leases will be carried out under Note 10. Borrowing costs amounting to Rs13,024,412/- (previous year Rs27,550,831/-) incurred to meet expenses relating to immature plantations have been capitalised as part of the cost of immature plantations.

13. LONG TERM INVESTMENTS (UNQUOTED)

	As at 31.03.07 Rs.	As at 31.03.06 Rs.
AEN Palm Oil Processing (Pvt) Ltd.	19,960,140	16,417,100
Share of profit/(Loss) of Jointventure	(1,780,414)	-
Total Carrying Value of Investment	<u>18,179,726</u>	<u>16,417,100</u>

The above represents investment in AEN Palm Oil Processing (Pvt) Ltd. which is a company established with Elpitiya Plantations Ltd. and Agalawatta Plantations Ltd.

14. Net Receivable in finance Lease

	As at 31.03.07	As at 31.03.06
Recevable after 5 years		
Gross Assets	122,597,981	-
Less ; Unearned Income	(55,441,817)	-
	<u>67,156,164</u>	<u>-</u>
Recevable after 1 year less than 5 year		
Gross Assets	14,748,629	-
Less ; Unearned Income	(11,115,428)	-
	<u>3,633,201</u>	<u>-</u>
Recevable after 1 year		
	<u>70,789,365</u>	<u>-</u>
Recevable within 1 year		
Gross Assets	3,687,158	-
Less ; Unearned Income	(2,864,482)	-
	<u>822,676</u>	<u>-</u>
Total	<u>71,612,041</u>	<u>-</u>

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

	As at 31.03.07	As at 31.03.06
	Rs.	Rs.
15. INVENTORIES		
Spares and Consumables	16,561,741	13,537,027
Harvested Crop	111,265,455	152,774,522
Growing Crop - Nurseries	2,384,569	3,348,948
	<u>130,211,765</u>	<u>169,660,497</u>
	As at 31.03.07	As at 31.03.06
	Rs.	Rs.
16. TRADE & OTHER RECEIVABLES		
Produce Debtors	70,977,539	50,478,069
Advances & Prepayments	11,589,816	12,925,184
Staff Debtors	59,093	8,427,081
Vat Receivable	1,200,000	1,200,000
Other Debtors	14,042,512	26,273,133
	<u>97,868,960</u>	<u>99,303,467</u>
	As at 31.03.07	As at 31.03.06
	Rs.	Rs.
17. AMOUNTS DUE FROM RELATED COMPANIES		
AEN Palm Oil Processing (Pvt) Ltd.	22,056,987	6,000,007
Hamefa Kegalle (Pvt) Ltd.	504,740	-
	<u>22,561,727</u>	<u>6,000,007</u>
	As at 31.03.07	As at 31.03.06
	Rs.	Rs.
18. SHARE CAPITAL		
Authorised Share Capital		
100,000,000 ordinary shares of Rs. 10/- each and a Golden Share of Rs. 10/-.	1,000,000,010	1,000,000,010
Issued and fully paid		
23,750,000 Ordinary Shares of Rs. 10/- each and a Golden share of Rs. 10/- which has special rights, held by the Secretary to the Treasury	237,500,010	237,500,010
	<u>237,500,010</u>	<u>237,500,010</u>

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

19. INTEREST FREE EARLY LOANS & BORROWINGS

	Repayable within 1 year	Repayable after 1 year Less than 5 years	Repayable after 5 year	Total as at 31.03.07	Repayable within 1 year	Repayable after 1 year Less than 5 years	Repayable after 5 year	Total as at 31.03.06
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
19.1 Long Term Loans	62,896,062	211,808,987	54,431,097	329,136,146	34,337,980	102,219,042	63,893,366	200,450,388
19.2 Finance Leases	5,103,984	4,811,247	-	9,915,231	9,143,403	9,701,716	-	18,845,119
19.3 Short Term Loan	73,799,000	-	-	73,799,000	431,767,376	-	-	431,767,376
Bank Overdraft	108,734,833	-	-	108,734,833	313,007,952	-	-	313,007,952
	<u>250,533,879</u>	<u>216,620,234</u>	<u>54,431,097</u>	<u>521,585,210</u>	<u>788,256,711</u>	<u>111,920,758</u>	<u>63,893,366</u>	<u>964,070,835</u>
Repayable After 01 Year		271,051,331				175,814,124		

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

19.1. LONG TERM LOANS	Repayable within 1 year Rs.	Repayable after 1 year Less than 5 years Rs.	Repayable After 5 year Rs.	Total as at 31.03.07 Rs.	Total as at 31.03.06 Rs.	Rate of Interest %	Terms of Repayment
DFCC Loan (ADB Credit Line)							
Disbursement 1	1,961,820	7,847,280	2,748,449	12,557,549	14,519,369	11.35	Monthly Instalments Rs. 163,485/- commencing from 04.09.2003.
Disbursement 2	625,272	2,501,088	885,818	4,012,178	4,637,450	11.35	Monthly Instalments Rs. 52,106/- commencing from 04.09.2003.
Disbursement 3	2,811,792	11,247,168	3,983,412	18,042,372	20,854,164	11.35	Monthly Instalments Rs. 234,316/- commencing from 04.09.2003.
Disbursement 4	429,660	1,718,640	751,877	2,900,177	3,329,837	11.35	Monthly Instalments Rs. 35,805/- commencing from 26.12.2003.
Disbursement 5	841,332	3,365,328	1,472,356	5,679,016	6,520,348	11.35	Monthly Instalments Rs. 70,111/- commencing from 26.12.2003.
Disbursement 6	662,232	2,648,928	1,158,889	4,470,049	5,132,281	11.35	Monthly Instalments Rs. 55,186/- commencing from 26.12.2003.
Disbursement 7	2,325,240	9,300,960	4,069,156	15,695,356	18,020,596	11.35	Monthly Instalments Rs. 193,770/- commencing from 26.12.2003.
Disbursement 8	625,980	2,503,920	1,095,507	4,225,407	4,851,387	11.35	Monthly Instalments Rs. 52,165/- commencing from 26.12.2003.
Disbursement 9	406,800	1,627,200	711,871	2,745,871	3,152,671	11.35	Monthly Instalments Rs. 33,900/- commencing from 26.12.2003.
Disbursement 10	835,812	3,343,248	1,462,699	5,641,759	6,477,571	11.35	Monthly Instalments Rs. 69,651/- commencing from 26.12.2003.
Disbursement 11	30,996	123,984	54,281	209,261	240,259	11.35	Monthly Instalments Rs. 2,583/- commencing from 26.12.2003.
Disbursement 12	731,604	2,926,416	2,072,823	5,730,843	6,462,447	12.00	Monthly Instalments Rs. 60,967/- commencing from 28.01.2005.
Disbursement 13	2,130,636	8,522,544	6,036,744	16,689,924	18,820,560	12.00	Monthly Instalments Rs. 177,553/- commencing from 28.01.2005.
Disbursement 14	923,340	3,693,360	2,616,093	7,232,793	8,156,133	12.00	Monthly Instalments Rs. 76,945/- commencing from 28.01.2005.
Disbursement 15	932,784	3,731,136	2,642,898	7,306,818	8,239,602	12.00	Monthly Instalments Rs. 77,732/- commencing from 28.01.2005.
Disbursement 16	641,388	2,565,552	1,817,291	5,024,231	5,665,619	12.00	Monthly Instalments Rs. 53,449/- commencing from 28.01.2005.
Disbursement 17	417,060	1,668,240	1,184,962	3,270,262	3,687,322	12.00	Monthly Instalments Rs. 34,755/- commencing from 28.01.2005.
Disbursement 18	933,372	3,733,488	973,396	5,640,256	6,573,628	12.00	Monthly Instalments Rs.77,781/- commencing from 28.01.2005.
Disbursement 19	6,070,860	20,270,647	-	26,341,507	32,412,391	12.50	Monthly Instalments Rs.505,905/-commencing from 13.08.2005.
	24,337,980	93,339,127	35,738,522	153,415,629	177,753,635		
Development Finance Corporation of Ceylon	-	-	-	-	10,000,000	10.50	Monthly Instalments Rs. 833,333/- commencing from 22.04.2002.
Lanka Orix Leasing Co. Ltd (ADB Credit Line)	1,058,082	5,078,736	6,559,949	12,696,767	12,696,767	10.43	Monthly Instalments Rs. 105,807/- commencing from 30.06.2007.
Sampath Bank	37,500,000	103,125,000	-	140,625,000	-	17.06	Monthly Instalments Rs. 3,125,000/- commencing from 02.01.2007.
Lanka Orix Leasing Co. Ltd (ADB Credit Line)	-	10,266,124	12,132,626	22,398,750	-	11.49	Monthly Instalments Rs. 233,321/- commencing from 30.08.2008.
	62,896,062	211,808,987	54,431,097	329,136,146	200,450,402		

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

19.2 FINANCE LEASE	Repayable	Repayable	Total	Total
	Within 1 year Rs.	After 1 year less than 5 years Rs.	as at 31.03.07 Rs.	as at 31.03.06 Rs.
Gross Liability	5,804,216	5,187,980	10,992,196	21,516,657
Finance Charges	(700,232)	(376,733)	(1,076,965)	(2,671,538)
Net Liability	5,103,984	4,811,247	9,915,231	18,845,119

19.3 SHORT TERM LOANS				
RPC Plantation Management Services (Pvt) Ltd.	26,000,000	-	26,000,000	26,000,000
Hatton National Bank	-	-	-	50,000,000
Commercial Papers - H N B	-	-	-	100,000,000
Commercial Papers - N T B	-	-	-	108,610,840
Asia Siyaka Commodities (Pvt) Ltd	-	-	-	15,000,000
Namal Money Market Fund	-	-	-	28,156,536
Kegalle Plantations Ltd.	21,600,000	-	21,600,000	20,000,000
Maskeliya Plantations Ltd.	26,199,000	-	26,199,000	19,000,000
Richard Pieris Ltd.	-	-	-	25,000,000
RPC Management Services (Pvt) ltd.	-	-	-	40,000,000
	73,799,000	-	73,799,000	431,767,376

20. RETIREMENT BENEFIT OBLIGATIONS		As at 31.03.07 Rs.	As at 31.03.06 Rs.
Provision for Retiring Gratuity			
At the beginning of the year		205,479,512	196,217,274
Provision for the year		37,430,916	24,390,512
Payment made during the year		(21,888,004)	(15,128,274)
Transferred to the sub leasee		(108,350,574)	-
At the end of the year		112,671,850	205,479,512

According to the actuarial valuation carried out as at 31st March 2007, the liability for all employees is Rs. 106,346,168/=. If the company had provided for gratuity for workers & staff on the basis of fourteen days wages and half months salary for each completed year of service respectively, the liability would have been Rs. 153,812,471/=. Hence there is a contingent liability of Rs.41,140,621/= which would crystallise only if the company ceases to be a going concern.

21. DEFERRED INCOME		As at 31.03.07 Rs.	As at 31.03.06 Rs.
Deferred Grants and Subsidies (21.1)		59,552,272	114,286,344
Negative Goodwill (21.2)		-	18,961,536
		59,552,272	133,247,880

21.1 DEFERRED GRANTS AND SUBSIDIES			
At the beginning of the year		114,286,344	104,066,793
Grants received for the year - Monetary		2,249,613	13,356,781
Transferred to sub leasee		(54,038,636)	-
Amortisation for the year		(2,945,049)	(3,137,230)
At the end of the year		59,552,272	114,286,344

The Company has received funding from the Plantation Housing Development Trust and Asian Development Bank for the development of workers facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Further this includes the C.T.C. Machinery Subsidy which represents the funds received from Sri Lanka Tea Board in relation to the C.T.C. Project.

21.2 NEGATIVE GOODWILL		As at 31.03.07 Rs	As at 31.03.06 Rs
Cost			
Gross carrying amount b/f		-	189,571,676
Gross carrying amount c/f		-	189,571,676
Amortisation			
Accumulated amortisation b/f		-	151,652,972
Amortisation for the year		-	18,957,168
Accumulated amortisation c/f		-	170,610,140
Net carrying amount at the end of the year		-	18,961,536

Due to the changes in SLAS 25 (Revised) effective current year, the unamortised negative goodwill balance remained at the end of the last year was derecognised with a corresponding adjustment to the opening balance to the retained earnings/(loss) in line with the transitional provisions of SLAS 25 (Revised).

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

	2007	2006
	Rs	Rs.
22. NET LIABILITY TO THE LESSOR OF SLSPC / JEDB ESTATES		
Repayable after 5 years		
Gross liability	438,434,000	451,620,000
Less : finance charges	(199,954,252)	(209,698,469)
Net liability	<u>238,479,748</u>	<u>241,921,531</u>
Repayable after 1 year less than 5 years		
Gross liability	52,744,000	52,744,000
Less : finance charges	(39,750,958)	(40,250,690)
Net liability	<u>12,993,042</u>	<u>12,493,310</u>
Repayable after 1 year		
Gross liability	251,472,790	254,414,841
Less : finance charges		
Net liability	<u>13,186,000</u>	<u>13,186,000</u>
Less : finance charges	(10,243,950)	(10,357,106)
Net liability	<u>2,942,050</u>	<u>2,828,894</u>
Total	<u>254,414,840</u>	<u>257,243,735</u>

The lease of the estates have been amended, with effect from 22nd June, 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs. 13.186 Million from 22nd June 1996 to 21st June 1997. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

In accordance with the agreement between the Company and Ministry of Plantations Industries, the Secretary to the Ministry of Plantations Industries has agreed to freeze the lease rental based on the applicable lease rental of the year 1999/2000(GDP deflator 6.4%) which is determined on the extent of the Rubber cultivation of the company. The contingent rental charged in the income statement based on the above agreement which will be valid for the period from 22nd June 2002 to 21st June 2008 amounted to Rs. 5,659,472/=.

The above relief was granted to the company on the basis of following conditions.

1. The company undertakes to cap the management fee for a period of 05 years from the year commencing 01st April 2003.
2. The company undertakes to comply with all laws, by - laws, statutory provisions and other regulations of the Government of Sri Lanka.
3. The company undertakes to diversify the crops to ensure the optimum usage of land.
4. The company undertakes to invest the difference between the frozen lease rental and the actual amount payable for capital expenditure.
5. The company agrees to settle the outstanding payments according to an agreed time schedule with the Treasury.

If the company defaults the payment of lease rental or violates any of the terms and conditions of this agreement, then in such case the Secretary reserves the right to withdraw the loan and grant assistance which is provided to the company under the Plantation Development Project after holding an inquiry.

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

23. TRADE AND OTHER PAYABLES	As at 31.03.07 Rs.	As at 31.03.06 Rs.
Trade creditors	24,143,219	73,600,664
Accrued expenses	3,991,395	5,458,671
Payable to employees	31,301,509	50,338,655
Others	76,873,978	74,183,472
	<u>136,310,101</u>	<u>203,581,462</u>

24. AMOUNTS DUE TO RELATED COMPANIES	As at 31.03.07 Rs.	As at 31.03.06 Rs.
Maskeliya Tea Garden ceylon (Pvt) Ltd	162,150	-
Kegalle Plantations Ltd	4,336,160	3,749,553
Maskeliya Plantations Ltd	12,991,382	2,391,366
Richard Pieris & Co. Ltd	2,530,074	986,218
R.P.C Management Services (Pvt) Ltd	1,457,377	2,756,440
R.P.C Plantation Management Services (Pvt) Ltd	94,312,850	44,270,245
	<u>115,789,993</u>	<u>54,153,822</u>

25. SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Facility	Loan Outstanding Rs. Mn	Security Rs. Mn
Overdraft			
Bank of Ceylon	90.00	-	Floating mortgagage bond over stock in trade and movables of the company
Sampath Bank	50.00	45.73	Corporate guarantee
Long Term Loans			
DFCC Loan (ADB Credit Line)	223.30	153.42	Primary mortgage over leasehold rights of Hulandawa, Pallegoda Yatadola & Hallala estates.
Sampath Bank	150.00	140.62	Pronote.
I.O.L.C Loan (ADB Credit Line)	12.67	12.70	Pronote.
Short Term Loans			
RPC Management Services (Pvt) Ltd.	26.00	26.00	Pronote.
Maskeliya Plantations Ltd.	26.20	26.20	Pronote.
Kegalle Plantations Ltd.	21.60	21.60	Pronote.
Lease Facility			
Hatton National Bank	30.90	9.91	Absolute ownership of the leased assets.

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

26 DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY FOR THE YEAR ENDED 31ST MARCH 2007.

	Amount Charged/(Credited)	
	2007	2006
	Rs.	Rs.
1 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the Maskeliya Plantations Ltd. with which the company has had following transactions.		
Short Term Loan Received	66,000,000	59,000,000
Short Term Loan Repayment	(58,801,000)	(40,000,000)
Interest on Short Term Loan	6,939,595	2,692,405
2 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the Kegalle Plantations Ltd. with which the company has had following transactions.		
Short Term Loan Received	21,600,000	20,000,000
Short Term Loan Repayment	(20,000,000)	-
Interest on Short Term Loan	1,341,712	1,289,907
3 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the Richard Pieris & Co. Ltd. with which the company has had following transactions.		
Short Term Loan Received	(25,000,000)	25,000,000
Interest on Short Term Loan	606,507	834,931
4 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the RPC Plantation Management Services (Pvt) Ltd. with which the company has had following transactions.		
Short Term Loan Received	-	26,000,000
Interest on Short Term Loan	3,584,794	2,982,164
Management Fee	81,563,058	20,464,164
Lorry Hiring Charges	132,000	144,000
5 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the RPC Management Services (Pvt) Ltd. with which the company has had following transactions.		
Short Term Loan Received	-	40,000,000
Short Term Loan Repayment	(40,000,000)	-
Interest on Short Term Loan	1,146,849	2,509,931
6 Dr. S. Yaddhegige, Mr. P. D. Samarasinghe, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Mr. J. M. A. Ratnayake, Mr. R. L. Kumararatne, Directors of the company are also the Directors of the Asia Siyaka Commodities (Pvt) Ltd. with which the company has had following transactions.		
Short Term Loan Received	-	100,000,000
Short Term Loan Repayment	(15,000,000)	(85,000,000)
Interest on Short Term Loan	70,685	3,983,014
Brokerage Charges	6,371,579	-
Handling Charges	5,259,203	-
Tea Board Charges	132,600	-
Lot Money Charges	165,716	-
Packing Material	9,281,450	-
Fertilizer	31,144,690	-
7 Mr. J. H. P. Ratnayake is a Director of the company is also partner of the Paul Ratnayake Associate with which company has had following transactions.		
Legal Fees	448,754	413,956
Professional Fees	1,646,254	895,218
8 Dr. S. Yaddhegige, Mr. J. H. P. Ratnayake, Mr. L. N. De. S. Wijeyeratne, Directors of the company are also the Directors of the Asian Alliance Insurance Co. Ltd. with which the company has had following transactions.		
Insurance Premium	5,438,808	-

Notes to the Financial Statements *Contd...*

Year Ended 31st March 2007

27. CAPITAL COMMITMENTS

Followings are the capital commitments as at the balance sheet date.

	31.03.2007	31.03.2006
	Rs.	Rs.
Approved by the Board & Contracted for	Nil	Nil
Approved by the Board & not Contracted for	Nil	Nil
	<u> -</u>	<u> -</u>

In addition to the above, the budgeted field development programme of the company for the next year amount to Rs 278.062 Mn.

28. CONTINGENCIES

No known contingent liabilities exist as at the balance sheet date other than the matter disclosed in Note 20 & 22.

29. POST BALANCE SHEET EVENTS

There have been no material events occurring after the balance sheet date that require adjustments or disclosure in the financial statements.

30. RELATED PARTY TRANSACTIONS

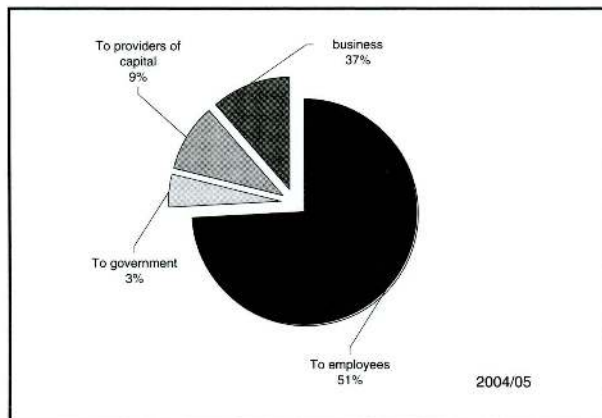
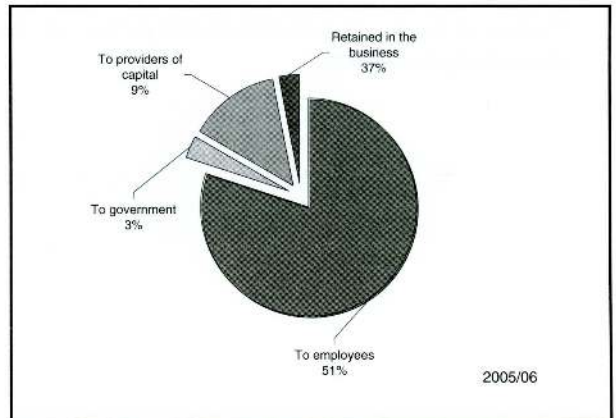
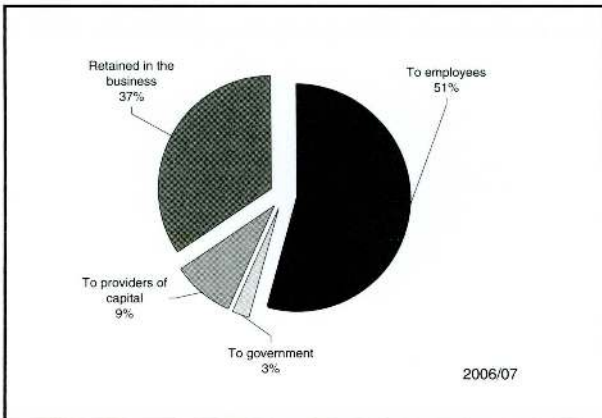
There are no related party transactions other than those disclosed in Notes 4a, 5, 17, 19.3, 24 & 26 to the Financial Statements.

31. PRICING POLICIES

Purchase of goods and services to related parties were made at normal trading terms. Management Fee payment was made at Contractual price formula.

Value Added Statement

		2006/07		2005/06		2004/05
		Rs '000		Rs '000		Rs '000
Value added						
Gross Turnover		1,363,014		1,676,557		1,555,711
Cost of materials & services purchased		730,359		1,049,042		983,352
		<u>632,655</u>		<u>627,515</u>		<u>572,359</u>
Other income		274,567		62,402		53,472
Total value added		<u>907,222</u>		<u>689,917</u>		<u>625,831</u>
Distribution of value added						
	% Share	2006/07	% Share	2005/06	% Share	2004/05
To employees (as remuneration)	54.09	490,749	79.91	551,330	74.05	463,408
To government (as taxation/lease rental)	2.65	24,042	3.29	22,686	4.77	29,876
To providers of capital	8.68	78,781	13.78	95,058	9.66	60,440
Retained in the business	34.57	313,650	3.02	20,843	11.52	72,107
Depreciation	6.25	56,729	8.99	62,045	8.73	54,642
Profit retained	28.32	256,921	(5.97)	(41,202)	2.79	17,465
	<u>100.00</u>	<u>907,222</u>	<u>100.00</u>	<u>689,917</u>	<u>100.00</u>	<u>625,831</u>
Value Added per Employee - Rs.'000		199.43		77.50		64.56
Value Added % of Turnover		66.56		41.15		40.23



Eight Year Summary of Selected Data

Year ended 31st March

Rs. '000	2000	2001	2002	2003	2004	2005	2006	2007
Financials								
Turnover	1,079,695	1,294,688	1,210,931	1,347,058	1,387,681	1,555,711	1,676,557	1,363,014
Gross Profit	117,660	147,428	49,460	45,799	99,459	88,822	44,403	186,246
Operating Profit/(Loss)	51,539	65,258	17,218	19,266	67,929	86,180	54,916	351,333
Operating Profit/Loss before Management Fee	104,025	132,635	40,124	28,664	90,277	106,449	75,380	432,896
Profit before Interest And Similar Charges	70,491	84,215	36,175	38,223	86,886	105,137	73,873	349,552
Profit and (Loss) for the year before Tax	16,624	27,242	(57,506)	(43,492)	23,080	28,366	(37,310)	256,921
Profit/(Loss) after Tax	16,624	27,242	(57,506)	(43,492)	23,080	17,465	(41,202)	256,921
Fixed Assets	1,234,921	1,381,571	1,521,469	1,623,936	1,718,544	1,814,089	1,810,172	1,496,861
Current Assets	228,220	306,911	261,509	295,958	268,592	259,862	287,686	259,426
Current Liabilities	333,802	469,037	618,548	766,758	865,329	950,733	1,048,821	505,576
Shareholders Funds	204,493	231,736	174,230	280,738	303,818	321,283	280,080	555,963
Reserves	4,493	31,736	(25,770)	(69,262)	(46,182)	(28,718)	(69,920)	205,963
Mandatorily Convertible	150,000	150,000	150,000	-	-	-	-	-
Share Capital	200,000	200,000	200,000	237,500	237,500	237,500	237,500	237,500
Ratios								
Current Ratio (times)	0.68	0.65	0.42	0.39	0.31	0.27	0.16	0.17
Gearing Ratio (times)	0.43	0.49	0.58	0.49	0.44	0.40	0.39	0.33
Debt Equity Ratio (%)	75.03	96.38	135.64	95.97	78.67	64.30	62.77	48.75
Interest Cover (times)	1.02	1.48	0.39	0.31	0.77	0.66	0.45	3.83
Equity/Asset Ratio (times)	0.14	0.14	0.10	0.15	0.15	0.15	0.13	0.32
Fixed Assets to Turnover Ratio	1.14	1.07	1.26	1.21	1.24	1.16	1.08	1.10
Market Price of a Share (Rs.)	12.50	8.00	7.00	7.25	10.25	9.75	17.00	16.00
Earning per Share (Rs.)	0.83	1.36	(2.88)	(1.94)	0.97	0.74	(1.73)	10.81
Diluted Earning per Share (Rs.)	1.00	1.53	(2.04)	(1.74)	0.97	0.74	(1.73)	10.81
Price Earnings ratio (times)	15.06	5.88	(2.43)	(3.74)	10.55	13.18	(9.80)	1.48
Production								
Tea (Kg '000)	7,761	8,331	7,739	8,030	7,951	7,242	7,908	4,586
Rubber (Kg '000)	2,272	2,382	2,231	2,131	1,898	1,780	1,969	2,035
Coconut (nuts '000)	1,207	1,426	1,006	992	1,095	1,207	1,027	968
Oil Palm (Kg '000)	1,158	1,129	1,253	1,191	878	2,396	5,163	5,947
Yield								
Tea (Kg/Ha)	1,195	1,239	1,154	1,094	1,225	945	1,156	1,099
Rubber (Kg/Ha)	756	871	890	868	874	727	865	885
NSA								
Tea (Rs/Kg)	119	134	138	141	143	178	170	188
Rubber (Rs/Kg)	48	56	49	81	108	133	156	221

Investor Information

1. Stock Exchange

The issued Ordinary Shares of Namunukula Plantations Ltd. are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st March 2007 have been submitted to the Colombo Stock Exchange.

2. Distribution of Shareholdings

No. of Shares Held	No. of Share Holders	No. of Shares	% Holding	
			2007	2006
1 - 1,000	13,346	2,262,005	9.52	9.84
1,001 - 5,000	113	302,498	1.27	2.4
5,001 - 10,000	23	191,800	0.81	1.33
10,001 - 50,000	21	556,998	2.35	2.51
50,001- 100,000	2	139,800	0.59	0.64
100,001 - 500,000	2	354,900	1.49	3.48
500,001 - 1,000,000	0	0	-	-
Greater than 1,000,001	3	19,942,000	83.97	79.79
Total Shareholding	13,510	23,750,001	100.00	100.00
Resident	13,502	21,471,801	90.41	99.90
Non Resident	8	2,278,200	9.59	0.10
Total Shareholding	13,510	23,750,001	100.00	100.00

3. Largest Shareholders as at 31st March 2007

	No. of Share Held	% Holding	
		2007	2006
RPC Plantation Management Services (Pvt) Ltd.	13,950,000	58.74	58.74
The Secretary to the Treasury	3,763,300	15.85	15.85
Mr. A.S. Sandhu	2,228,700	9.38	-
Mr. P.N. Bhatt	245,400	1.03	1.17
Premium Brands Ltd	109,500	0.46	-
The Ceylon Guardian Investment Trust Ltd.	75,000	0.32	-
Mr. H G Carimjee	64,800	0.27	0.27
Mrs K S Cooray	50,000	0.21	0.21
Mr. J. R. De Silva	50,000	0.21	-
Mr. D.A.T. Athukorala	50,000	0.21	-
Renuka City Hotels Ltd	38,900	0.16	0.16
The Secretary to the Treasury - Sundry Account	38,298	0.16	0.16
Mr K C Vignarajah	35,700	0.15	0.13
Madam. J. Kaur	33,100	0.14	-
DP Capital Management (Pvt) Ltd.	30,700	0.13	-
DPMC Financial Services (Pvt) Ltd. - Account No. 02	30,400	0.13	-
Mr K Kugananathan	27,000	0.11	0.11
Mr D F K Jayamaha	22,500	0.09	0.09
Mr. D.M.N. Dissanayake	21,600	0.09	-
Seylan Bank Ltd./ Mr. Sermal Hemarka Jayasuriya	20,000	0.08	-
Mr. A.K.D. Edirappuli	20,000	0.08	-

4. Golden Shareholder

The Golden Share of Rs 10/- is currently held by the Secretary to the Treasury and should be owned wither directly by the Government or by a 100% Government owned Company.

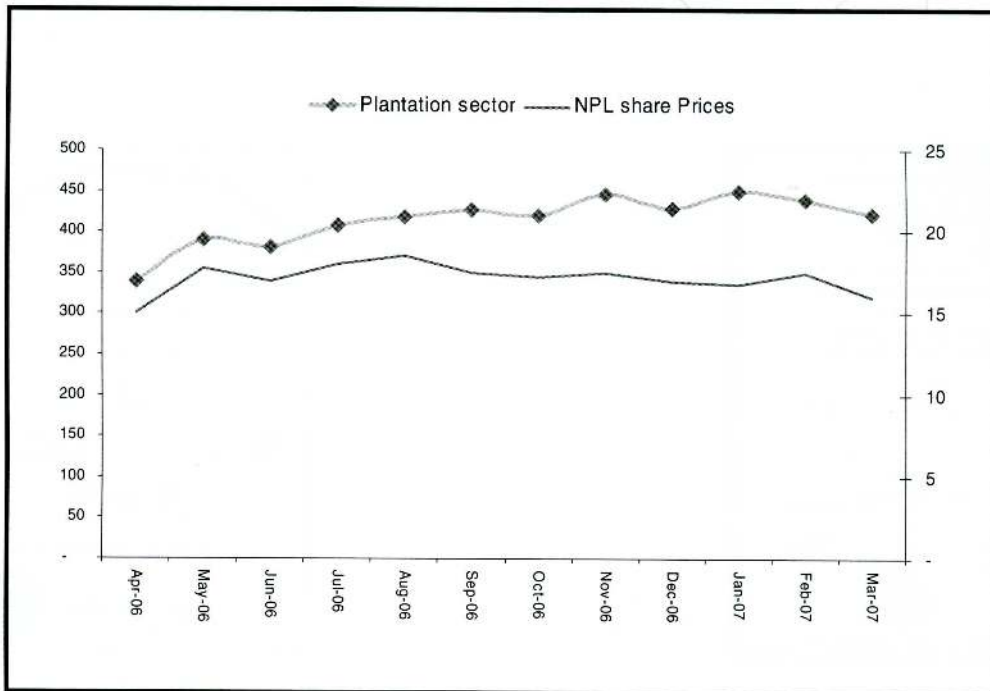
5. Public Holding

The percentage of shares held by the public is 16.03% of the issued Share Capital of the Company.

Investor Information *Contd...*

6. Market Value per Share		2007	2006
		Rs	Rs
Highest	4 th August 2006	20.50	22.50
Lowest	6 th April 2006 18 th May 2006 20 th June 2006 27 th March 2007	14.00	7.00
At the year end		16.00	17.00
As on 21 st May		13.00	18.00
Market Capitalisation (Rs '000)		380,000	403,750
Earnings per share (Rs)		10.81	(1.73)
Net Assets per share (Rs)		23.41	11.79

7. Exchange Rates - US\$		2007	2006
		Rs	Rs
31 st March		109.41	102.70
As on 21 st May		110.26	103.42



NPL Share information from CSE website

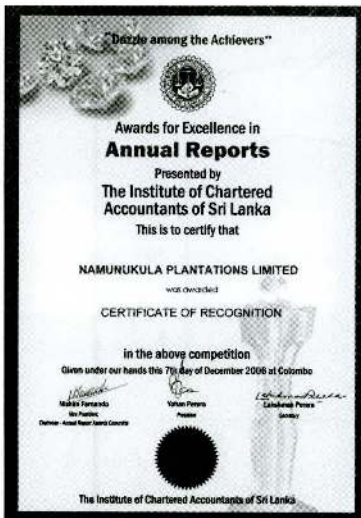
- Log on to Colombo Stock Exchange - website : www.cse.lk
- Enter company code (NAMU) in the box at the top right hand corner of CSE home page and go to Company description.

Special Achievements

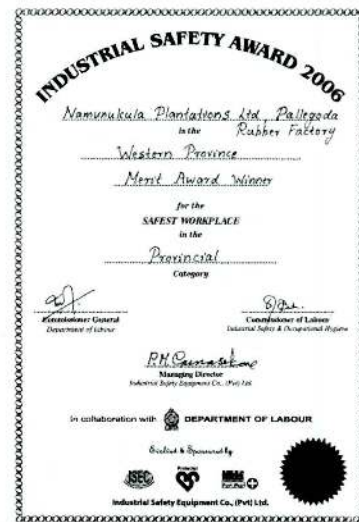
- National Business Excellence Awards - 2006**
 1st Runner - up - Agriculture & Plantations Sector conducted by the National Chamber of Commerce of Sri Lanka
- Annual Report 2005/06**
 Awarded a certificate of recognition for excellence, in Annual Reports competition conducted by the Institute of Chartered Accountants of Sri Lanka.
- Industrial Safety Awards - 2006**
 Pallegoda Rubber factory - Merit Award Winners in the Western Province
- Top Performance in Tea**
 Baddegama & Akuressa tea factories continued to maintain their Sale Average above the Elevational Average during the year under review.
- Top performance in Rubber**
 Yatadola, Eladuwa & Pallegoda Crepe Rubber factories continued to receive top prices at weekly auctions Hulandawa & Tennahena estates have received top prices for RSS
- Social Development Awards.**
 Winner - Hulandawa Estate - Competition conducted to select the outstanding Health Care Centre among the estates by PHDT - Galle.
- Sports**
 Runner Up - Inter Plantation Regional Volleyball Tournament - 2006/07 conducted by PHDT - Galle.



National Business Excellence Award - 2006



Certificate of Recognition Annual Reports 2005/06



Industrial Safety Award 2006

Hulandawa / Belmont Estate

Hulandawa estate is situated 30kms from the city of Matara, on a semi hill area at Akuessa. The Elevation of the estate ranges between 31-122 meters In late eighties the estate was planted with Tea and Rubber by Britisher E.F.Hawk. From 1945-1973 Cyril Northway then Superintendent made the estate more viable by adopting better agricultural practices. The famous Hulandawa Tea Clone presently known as H/1-58 recommended by the Tea Research Institute was introduced by late Cyril Northway. This was well recognized in many plantation districts as a draught resistant clone.

Until the estates were nationalized in 1975, Hulandawa estate was managed by M/S Chas.P.Hayley & Co.Ltd. Then it was managed by Sri Lanka State Plantations Corporation till it was privatized in 1992.Till 1997, BC Plantation Management Services (Pvt) Ltd. managed Hulandawa estate under the Company name

of Namunukula Plantations Ltd. Keells Plantation Management Services (Pvt) Ltd. managed Hulandawa estate till 2005 and RPC Plantation Management Services (Pvt) Ltd took over there after. Hulandawa has two tea factories named "Hulandawa" and "Belmont". Belmont Factory manufactures 100% bought leaf Crop. In the year 2006/07 Hulandawa has earned Rs.10 Mn on Tea, and Rs.15 Mn on other Crops such as Rubber , Oil Palm and Cinnamon.

Hulandawa being a multicrop estate has an extent of 465 Ha, out of which 106 Ha is Tea, 125 Ha Rubber, 130 Ha Oil Palm and 18 Ha Cinnamon.

It produces 750,000kg of Tea, 130,000kg of Rubber, 700,000kg of Oil Palm and 3000kg of Cinnamon annually.

PAST SUPERINTENDENTS

Period	Name
1900-1925	Mr. E.F.Hawk
1925-1930	Mr.Freddie Northway
1930-1945	Mr.A.C.Horndon
1945-1973	Mr.Cyril Northway
1974-1977	Mr.R.M. Ratnayaka
1977-1982	Mr.Lalith Perera
1982-1989	Mr.Devan S.Warusavitarana
1989	Mr.O.A.S.Karunanayaka
1989-1994	Mr.Bandula T.Dias
1994-1998	Mr.S.P.Opanayaka
1998-2005	Mr.S.M.T. de Silva
2006 up to now	



Lalin Tennakoon
Asst. Superintendent

Udeni Wanigathunge
Superintendent
Noolaham Foundation.

Cheytiya Dias
Asst. Superintendent

Definitions

Financial

Basic Earnings per Share

Profit after Tax divided by the weighted average number of ordinary shares outstanding during the period.

Diluted Earning Per Share

Profit after Tax before Convertible Debenture interest divided by the weighted average number of ordinary shares outstanding during the period and debentures to be converted to ordinary shares.

Negative Goodwill

The excess of the fair values of assets acquired by way of Finance Leases over the discounted Lease Rentals payable during the lease period.

Net Assets

Sum of Non Current Assets and Current Assets less Non Current and Current Liabilities and Deferred Income.

Net Assets Per Share

Net Assets at the end of period divided by the number of Ordinary Shares Issued.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the Company.

Shareholders' Funds

Funds attributable to Shareholders and comprising of Share Capital, Reserves and Retained Profit.

SLAS

Sri Lanka Accounting Standards.

UITF

Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka.

Net Sale Average (NSA)

This is the average sale price obtained (Over a period of time) after deducting Brokerage Fees and Cost of Gratis from Gross Sale Average (GSA).

Cost of Production (COP)

Cost of producing a kilo/unit of Tea/Rubber/Coconut/ Oil Palm at estate level.

Current Ratio

Current Assets divided by Current Liabilities

Gearing Ration

Long Term interest bearing Borrowings / Liabilities as a percentage of Total Capital (Shareholders' funds plus Long Term Interest Borrowing/Liabilities excluding net liability to lessor).

Interest Cover Ratio

Profit before Tax plus interest charges divided by interest charge including interest capitalized.

Equity /Assets Ratio

Shareholders' Funds divided by Non Current Assets plus Current Assets.

Return on Capital Employed

Profit before Interest and Tax as a percentage of total Capital Employed. (Shareholders' Funds Plus Long Term Interest bearing Borrowings excluding net liability to lessor)

Contingent Liabilities

Conditions or situations at the Balance Sheet date, the financial effect of which are to be determined by future events which may or may not occur.

Debt Equity Ratio

Total Long Term and Short Term Interest bearing borrowings as a percentage of shareholders' Funds excluding net liability to lessor.

Price Earnings

Market price of a share divided by Earnings per Share.

Market Capitalization

Number of shares in issue multiplied by the market value of each share at the year end.

Value Add

The quantum of Wealth generated by the activities of the Company and its application.

Yield (YPH)

Average yearly output of produce from hectare of plantation.

Infilling

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

Mature Plantation

The area of land developed with a perennial crop, which has been brought into bearing ready for commercial harvesting. A perennial crop is a crop with a useful economic life which extends over more than one accounting period.

Replanting

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the exiting trees/bushes and replanting with new tr

Historical Note

Pursuant to the Government's programme to privatize ownership of Plantations, 51% of the issued share capital of the Company was purchased in June 1997 by Keells Plantation Management Services (Pvt) Limited, a joint venture Company between John Keells Holdings Limited, Commonwealth Development Corporation, Tea Plantation Investment Trust and Regent Ceylon Planters Limited.

KPMS also invented Rs.100 Mn. in debenture.

In October 1998, 10% of the issued share capital consisting of 2,000,000 ordinary shares was gifted to the employees. Over 11,800 eligible employees qualified for these shares.

In December 1998, 20% of the issued share capital consisting of 4,000,000 ordinary shares was offered to the public at a rate of Rs.15/- per share.

On 13th September 2005, RPC Managements Services (Pvt) Ltd purchased Keells Plantation Management Services (Pvt) Ltd who holds 58.74% of the issued share certificate of NPL.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth (14th) Annual General Meeting of Namunukula Plantations Limited will be held at the Registered Office, No. 310, High Level Road, Nawinna, Maharagama on Friday, 29th June 2007 at 5.00 p.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2007 with the Report of the Auditors thereon.
2. To re elect Dr. Sena Yaddehige who retires in terms of Article 92 at the Annual General Meeting, a Director
3. To re elect Mr. James Henry Paul Ratnayake who retires in terms of Article 92 at the Annual General Meeting, a Director
4. To re -appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine contributions to charities
6. To consider any other business of which due notice has been given.

By Order of the Board

(Sgd.)

Richard Pieris Group Services (Private) Limited
Secretaries

No. 310, High Level Road, Nawinna, Maharagama

27th May 2007

Note:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
- b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report
- c) The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

I/We* (in block letters)
of
being a member / members of the **NAMUNUKULA PLANTATIONS LIMITED** , hereby appoint
.....
of.....

whom failing DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing RAVINDRA LALITH KUMARARATNE whom failing LALIT NIHAL DE SILVA WIJEYERATNE whom failing PRAVIR DHANOUSH SAMARASINGHE whom failing JUDE MICHAEL ALOYSIUS RATNAYEKE* as my/our proxy to represent me/us and to vote on my/our behalf at the FOURTEENTH ANNUAL GENERAL MEETING of the Company to be held on 29th June 2007 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

	In favour	Against
1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31 st March 2007 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re elect Dr. Sena Yaddehige, who retires in terms of Article 92 at the Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re elect Mr. James Henry Paul Ratnayeke, who retires in terms of Article 92 at the Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2007

.....Signature of shareholder

- Notes:**
- (i) Please delete the inappropriate words
 - (ii) A proxy need not be a member of the Company.
 - (iii) Instruction as to completion appear on the reverse of this form.

Instructions as to Completion of Proxy form

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 5. 00 p. m. on Wendsday, 27th June 2007.

In perfecting the Form of Proxy, please ensure that all details are legible.

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.

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

Corporate Information

- Name of the Company - Namunukula Plantations Limited
- Legal Form - A Quoted Public Company with Limited Liability Incorporated in Sri Lanka
- Date of Incorporation - 22nd June 1992
- Company Registration No. - N(PBS/CGB) 139
- Head/Registered Office - 310, High Level Road, Nawinna, Maharagama
- E-mail Address - npl.rpk@arpico.com
- Web Site - www.arpico.com
- Holding Company & Management - RPC Plantation Management Services (Pvt) Limited
310, High Level Road, Nawinna, Maharagama
- Ultimate Parent Enterprise - Richard Pieris & Company Limited
310, High Level Road, Nawinna, Maharagama
- Directors - Dr. S Yaddhige (Chairman)
J H P Ratnayeke
R L Kumararatne
L N de S Wijeyeratne
P D Samarasinghe
J M A Ratnayeke
- Stock Exchange Listing - The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka
- Senior Management - R.L. Kumararatne - Chief Executive Officer
J.M.A. Ratnayeke - Executive Director
Abeynanda Dias - Director Operations
C. Pietersz - Chief Financial Officer
K. Kularatnam - Sector Financial Controller
Prof. K. Gunasekara - Consultant
R.D. Jayasinghe - General Manager Forestry
T.A.R.S. Thalagala - Engineer
N B Seneviratne - Deputy General Manager
P de S A Gunasekara - Deputy General Manager
H M A A Wijayaratne - Human Resource Manager
D. Sivaraaj - Senior Manager
D.C. Hettiarachchi - Accountant
D.H. Bandara - Systems Administrator
W.W.R.N. Fernando - Manager Administration
- Secretaries - Richard Pieris Group Services (Private) Limited
310, High Level Road, Nawinna, Maharagama
- Auditors - M/s Ernst & Young
Chartered Accountants,
201, De Saram Place, Colombo 10
- Bankers - Bank of Ceylon, Corporate Branch & Regional Branches
People's Bank, Union Place Branch & Pelawatte Branch
Hatton National Bank, City Branch, Colombo 1
Development Finance Corporation of Ceylon
Nations Trust Bank
Sampath Bank

