

**LATEX PRICES
INCREASED TO
UNPRECEDENTED
LEVELS...**

**...BUT,
OURS IS A
ROBUST
STRATEGY.**



Founded in 1976, Dipped Products PLC (DPL) is one of the world's most widely recognised and respected glove manufacturing and marketing companies. Decades of steady growth have been built on an extensive and growing range of industrial, general-purpose and medical gloves, valued worldwide for exceptional quality and durability. The Company today consists of seven manufacturing facilities in Sri Lanka, a medical glove manufacturing subsidiary in Thailand and a marketing company in Italy. DPL is a member of Hayleys Group, one of Sri Lanka's acknowledged blue chip conglomerates.

“DPL strives to be the preferred global hand-protection provider. We are committed to the continual improvement of our business processes and systems. We shall comply with environmental and social obligations, meet the aspirations of our employees, suppliers and shareholders and build relationships of trust.”

Our mission, stated above, underlines DPL's commitment to the success of its key stakeholders; shareholders, employees, customers, business partners and our communities. Our task is to serve and manage these stakeholder groups for the greatest mutual benefit. At DPL, we are thus more than a company, more than our products, more than our markets, more than our facilities. We are more than our employees, more than our brands, more than one group of stakeholders or another. We are more than our scientific and innovative capability. All these form one single, extensive, global value chain.

This total commitment has a formidable and all-encompassing dimension. We believe in ethical business conduct. It is the cornerstone of our well-engrained business philosophy. We believe in, and have embedded, sustainable practices that contribute to comprehensive mutual value. Ethical business is central to the value we create to our customers. It shows in our environmental and social stewardship. It is, quite simply, fundamental to enhancing value to shareholders, employees, customers, business partners and the communities in which we operate.

Latex prices increased to unprecedented levels during the year.

Latex accounts for 55% of the raw material content in rubber gloves. However, the resulting increase in the cost of production could not be passed on to the customers in full and as a result, product margins came under pressure.

On the positive side, the increase in the rubber prices assisted the plantation sector to perform extremely well and its profits in fact more than off-set the drop in profitability from the glove sector, enabling the Company to post acceptable results, as reported herein.

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Chairman's Message

DPL's past year performance under tough conditions has clearly shown its resilient ability to rise above continually emerging market and environmental challenges

Dear Shareholder,

On behalf of the Board of Directors, I take pleasure in presenting the Annual Report of your Company for the year ended March 31, 2011.

Directorate

Mr. N B Weerasekera tendered his resignation from the Board and as member of the Audit Committee with effect from October 31, 2010 following the disposal of DPL shares held by DMH Capital Limited. We thank him for his valuable advice and guidance during his association with DPL and wish him well for the future.

Dr. K I Mahesha Ranasoma was appointed as an Executive Director with effect from August 2, 2010 and assumed responsibilities as Managing Director from April 1, 2011.

Mr. K D D Perera, a prominent entrepreneur and investor, and Mr. M Bottino, Joint Managing Director of ICOGUANTI S.p.A., have been appointed to the Board with effect from November 1, 2010.

We look forward to a valuable contribution from them in the deliberations of the Company in the years ahead.

Mr. J A G Anandarajah relinquished his position as Managing Director of the Company from March 31, 2011. He served DPL with dedication and commitment over a period of 31 years. We thank him for the valuable contribution during his long association with DPL and wish him well in the new responsibilities he has been entrusted.

Chairman's Message

Corporate Results

The consolidated turnover of the Group increased by 26 per cent during the year to Rs. 14,869 million from Rs. 11,824 million in 2009/10, while the profit before tax increased marginally from Rs. 738 million to Rs. 748 million. Hand Protection contribution to the profit reduced to Rs. 374 million from Rs. 763 million. Plantation sector registered a profit of Rs. 374 million reversing the last year's negative contribution of Rs. 26 million.

The profit attributable to the Shareholders of the Company dropped by 7 per cent to Rs. 447 million from Rs. 481 million in the previous year.

Despite the rise in turnover, profit from glove manufacturing operations in both Sri Lanka and Thailand were affected by sharp increases in rubber prices.

Dipped Products (Thailand) Ltd. (DPTL) continued to remain profitable in spite of the severe increase in its cost of production, caused by rising rubber prices, which eroded margins.

ICOGUANTI S.p.A., the Italian-based marketing company, made a worthy contribution to the Hand Protection sector despite difficult market conditions.

In April 2010, DPL Plantations (Pvt) Ltd. acquired one-third of ownership of Hayleys Plantation Services (Pvt) Ltd. which has a 75 per cent stake in Talawakelle Tea Estates PLC. Furthermore, Kelani Valley Plantations PLC acquired the balance of 60 per cent of its former associate, Mabroc Teas (Pvt) Ltd. in December 2010, adding a fully-controlled tea marketing arm to its portfolio.

The Plantation sector registered significantly better profit due to the resurgence of the rubber market. This was driven by production shortfalls resulting from adverse weather conditions in major producing countries, and further intensified by increased demand from the rapidly expanding global motor vehicle industry. However, erratic weather patterns which disrupted regular harvesting programmes impacted negatively on crop outputs, preventing maximum benefit from a robust market.

Dividend

DPL Plantations (Pvt) Ltd. declared an interim dividend of Rs. 0.60 per share, whilst Grossart (Pvt) Ltd., Venigros (Pvt) Ltd. and Neoprex (Pvt) Ltd. paid Rs. 5.00 per share each. Kelani Valley Plantations PLC paid a dividend of Rs. 4.00 per share and ICOGUANTI S.p.A. distributed Euro 350,000 as dividend for the financial year 2009.

Chairman's Message

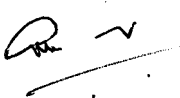
Your Company declared an interim dividend of Rs. 1.50 per share in March 2011 out of tax exempt/withholding tax paid at source dividends received from manufacturing subsidiaries in Sri Lanka. Your Directors now propose a final dividend of Rs. 1.50 per share, representing a total dividend payout of Rs. 3.00 per share.

Prospects

DPL's past year performance under tough conditions has clearly shown its resilient ability to rise above continually emerging market and environmental challenges. The key challenge in relation to the high price of rubber is coupled with new, testing dimensions in price volatility. Under the circumstances, DPL's Hand Protection sector is aiming to consolidate its manufacturing operations through the coming year with particular focus on embedding lean manufacturing processes into regular operations. The sector is also looking to increase the range of its glove products as well as add complementary products in order to deliver further value to its customers.

The Group has confirmed its commitment to a continued interest and involvement in the Plantation sector with its investment in Talawakelle Tea Estates PLC and Mabroc Teas (Pvt) Ltd. These investments will no doubt significantly add to the performance of the Plantation sector in the current year and beyond. The resurgence of commodity prices in the recent past augurs well for this sector.

I wish to thank all employees for their determined and unstinted efforts in a year of uniquely demanding challenges, our business partners for their unfailing support and my colleagues on the Board for their valuable input and guidance.



A M Pandithage

Chairman

May 11, 2011

Managing Director's Review

Overall, the contribution of the Hand Protection sector to PBT declined from Rs. 763 million to Rs. 374 million, while Plantations increased its contribution to Rs. 374 million from a loss of Rs. 26 million in the previous year

Performance

Higher contributions from plantations, coupled with internal measures to counter rising raw material costs, have helped DPL to post healthy revenue growth in 2010/11 and maintain profitability in a year of contracting margins in its Hand Protection sector.

DPL's turnover grew by Rs. 3 billion or 26 per cent to Rs. 14.9 billion in the 12 months ending March 31, 2011, while cost of sales increased by 31 per cent, largely as a result of unprecedented increases in the price of rubber.

The most significant factor in the year was the sharp and continuous rise in rubber prices, amounting to almost 150 per cent by March 2011 from levels at the beginning of the year 2009/10, with over 77 per cent of the rise occurring during the year 2010/11.

The consequent narrowing of margins in our rubber glove manufacturing operations in Sri Lanka and Thailand was compensated to some extent by the impact of the same factor on the fortunes of DPL's Plantation sector interests, enabling the Group to achieve a pre-tax profit of Rs. 748 million, up 1 per cent from the previous year.

DPL Group's performance remained robust in the context of the challenges that prevailed in particular in the Hand Protection sector, where DPL had to perform a fine balancing act to maintain equilibrium between profitability and the longer term imperative of retaining customers.

Consolidated profit after tax from the Group's two core business segments, at Rs. 586 million, reflected a growth of 4 per cent.

Overall, the contribution of the Hand Protection sector to PBT declined from Rs. 763 million to Rs. 374 million, while Plantations increased its contribution to Rs. 374 million from a loss of Rs. 26 million in the previous year.

Managing Director's Review

Hand Protection

The Hand Protection sector increased turnover by 25 per cent to Rs. 11.7 billion (after consolidation adjustments) with revenue from glove manufacturing operations improving 32 per cent to Rs. 8.8 billion. Turnover from DPL's Sri Lankan manufacturing operations was up 34 per cent to Rs. 6.8 billion, while Dipped Products Thailand, the Group's medical glove manufacturing operation, increased turnover by 26 per cent to Rs. 2 billion. Sales of ICOGUANTI S.p.A., DPL's Italian marketing company rose 8 per cent to Rs. 3.4 billion.

The Hand Protection sector's contribution to pre- and post-tax profits declined in the 12 months reviewed, despite the significant increases in turnover. This was principally a result of escalating costs of production attributable to record rubber prices. Sri Lankan glove manufacturing operations posted a profit of Rs. 205 million, down 50 per cent over 2009/10. Dipped Products Thailand Ltd. (DPTL) recorded a profit of Rs. 15 million against Rs. 101 million and ICOGUANTI S.p.A. recorded a profit of Rs. 171 million against Rs. 258 million.

Escalation of glove prices driven by rubber prices led to increased demand for thinner versions of unsupported gloves, resulting in lower profitability. In addition, there was a noticeable shift of demand from natural rubber gloves to synthetic products, as synthetic rubber price rises during the year were comparatively less severe.

Taking advantage of increasing market preference for Nitrile latex products, production capability for Nitriles was enhanced at Venigros and Grossart.

The knitted coated glove manufacturing facility of Texnil was converted to use biomass-based heat energy and was also relocated near the Venigros production facility, to bring about savings in cost and greater operational efficiencies.

Apart from the rapid rise in latex costs, Sri Lankan operations were also affected by a shortage of latex arising from prolonged adverse weather conditions that prevailed in the country in the latter parts of the year. The local supply shortages were addressed through imports in order to ensure uninterrupted manufacturing operations and fulfil customer orders.

Fortifying all efforts during the year under review is the firm consolidation of our Lean Manufacturing Project, now called DOS (DPL Operating Systems). The DOS programme has been restructured during the year to be coordinated by a dedicated team of personnel (DOS Cell) and implemented through a formal structure comprising a Group DOS Steering Team at the

Managing Director's Review

apex, flowing down to Factory DOS Steering Teams, Process DOS Teams and Area DOS Teams. DOS projects made a significant contribution to DPL's performance during the year.

Dipped Products Thailand (DPTL) embarked on a capacity expansion project to increase its capacity by approximately 50 per cent, at a project cost of Baht 140,000,000. This includes the cost of three new dipping lines and ancillary infrastructure to support the new dipping lines. With the expansion, DPTL has also gained flexibility in capacity for production of Nitrile disposable gloves.

In addition to the adverse affects of high rubber prices, DPTL also faced further challenges in a shortage of manpower and severe floods during the year. Thailand experienced an acute shortage of labour with most Thai nationals preferring to work in the small rubber plantations, giving them a lucrative income (in view of high rubber prices) compared to working in factories. As a result, DPTL needed to resort to employment of workers from Myanmar and Cambodia.

ICOGUANTI S.p.A., the Italian-based marketing company, made a noteworthy contribution to the Hand Protection sector despite the adverse affects of a weak Euro and difficult market conditions. During the year, the Company invested to purchase its corporate head office premises, adding space to accommodate additional staff envisaged to expand its marketing operations.

Plantations

In the Plantation sector, turnover from the Group's subsidiary Kelani Valley Plantations PLC (KVPL) grew by Rs. 1 billion or 36 per cent to Rs. 3.9 billion. KVPL ended the year with a pre-tax profit of Rs. 356 million, while Talawakelle Tea Estates PLC (TTEL), which became an associate of DPL in the year under review, contributed Rs. 23 million to profit before tax.

During the year under review, KVPL also acquired the balance 60 per cent of its former associate, Mabroc Teas (Pvt) Ltd., thus strengthening its marketing ability.

International tea markets, gathering momentum in the last quarter of 2009, continued to remain strong in 2010. Price increases were sustained by a global shortfall of around 70 million kg at the beginning of the year. Notwithstanding an increase in production during the year, primarily in the low-grown sector, prices continued to be firm apart from intermittent seasonal fluctuations.

Managing Director's Review

Sri Lankan production of 329 million kg for the year under review, exceeded the previous best crop of 318 million kg in 2008. The Low-grown sector accounted for approximately 60 per cent of national production, with the balance represented by High-growns and Mediums. In sharp contrast to the Low-grown and Medium sectors, which demonstrated significant production increases against previous years, the High-grown sector, whilst improving on the 2009 performance, failed to exceed notable past outputs.

With the bulk of KVPL output being centred in the High-grown sector, both price and production improvements were insufficient to adequately cushion increased input costs. The 2010 national High-grown average increased over 2009, a level significantly depressed by the 2009 recession, to Rs. 337/- per kg. The Low-grown average, which suffered less in 2009, increased moderately to Rs. 393/- per kg.

The Colombo Auction Average of Rs. 370/- per kg for the year under review represents a marginal gain of 2.82 per cent over 2009. Total national revenue generated from tea exports touched the US\$ 1.5 billion mark for the first time, with increased production compensating for the very moderate price increase.

In the year under review, the Company's tea production exceeded 2009 outputs by 23 per cent.

Rubber production, overall, declined in the face of unprecedented adverse weather conditions in major producing countries in South-East Asia. World rubber prices, however, commencing at around US\$ 3 per kg in January continued to improve through the period under review, closing above US\$ 5 per kg by year end.

In Sri Lanka, Latex Crepe and RSS No. 1 moved from Rs. 321/- per kg and Rs. 339/- per kg in January, to an all-time high of Rs. 569/- per kg and Rs. 511/- per kg, respectively, by December 2010. However, the extreme weather conditions experienced during the year prevented producers from taking full advantage of a buoyant market.

Kelani Valley Green Tea, adversely affected by very poor demand in 2009, benefitted from a resurgent tea market in 2010 and recorded a profit of Rs. 3 million. The overall improvement in black tea prices during the year and the prudent management of the Company's up-country manufacturing flexibility assisted in the recovery from the previous year's slump. On the other hand, the irregular demand for high quality green tea from Sri Lanka, inhibited the Company's ability to exploit the full potential of its production capacity.

Managing Director's Review

The Nuwara-Eliya Instant Tea plant, beginning largely as a research and development project, recorded a profit of Rs. 5 million. Whilst this result augurs well for its future potential, the Company's marketing initiatives continue to be hampered by the limited demand for a high quality product, in what is normally perceived as a beverage of convenience.

Kalupahana Power Company recorded a post-tax profit of Rs. 9 million, having benefitted singularly from the extreme wet weather conditions which, otherwise, impacted adversely on the Company's core crops.

The major proportion of KVPL's capital expenditure was allocated to the re-planting of core crops, in the furtherance of the Company's policy of continued renewal of its crop asset base. Investment was also made in replacement of factory machinery and obsolete vehicles as well as in improvements to water supply and the estate road network.

KVPL's environmental initiatives continued to move forward, with the focus in the year under review on waste management and control, emphasising the importance of ensuring the purity of water sources, the conservation of natural vegetation and the cleanliness of human habitats within the plantations.

Looking Forward

The year ahead is likely to be as challenging as the one gone by. Rubber prices have continued their upward march with intermittent downward movements thus showing price volatility. Industry experts expect this trend to continue at least until mid-way in the current year, while some expect the strong market to prevail even longer.

On top of robust rubber prices, oil prices too are climbing and are unlikely to ease in the short term. Already the cost of electricity and thermal energy has gone up and will probably move further upwards in the months ahead.

The debt crisis in the Euro zone and the widening trade deficit in the US do not add confidence on the exchange rate front. Premiums on forward exchange bookings, particularly for the US Dollar, are no more attractive.

The preference for Nitrile gloves is likely here to stay, unless demand outstrips supply and pushes Nitrile latex prices up substantially.

Managing Director's Review

The Hand Protection sector will expand its product range by adding complementary products and continuing to introduce innovative products to the market. It will also enhance its logistics capacity via appropriate logistics platforms. Several investments are planned to enhance the productivity and safety of factory operations, and further actions are under way to strengthen human resources in order to support the medium- to long-term growth plan.

Consolidating the performance of DPTL is an area of emphasis in the near term. For SL operations, focus on Lean Manufacturing remains a high priority. In ICOGUANTI S.p.A., the prime drive is to penetrate further into the Italian market.

Increasing manufacturing flexibility in both natural and synthetic latex products will continue to be given priority. DPL's ability to be flexible in both products is strategically important and hence investments are planned through the next few years to gear up manufacturing capability appropriately. Our industrial glove range, inclusive of seamless knitted coated gloves, is expected to regain sales as the global economy recovers, driving growth in industrial hand protection.

Meanwhile the development of new high value added products has been accelerated, with some new products already either introduced or in the final stages of commercialisation. They include very promising items in the knitted coated range, in which some customers have expressed serious interest. Our new product development process will be pursued far more vigorously. A new product brochure has been compiled and will soon be released to customers, introducing them to the broadened DPL product range and providing new and updated technical information.

In the Plantation sector, although the rubber market continues to be robust and tea prices reasonably stable, the impending workers' wage increase is certain to impact on plantation profit margins in 2011. In this context, expectations regarding the contribution from this sector need to be tempered by input cost escalations arising from higher wages, increasing energy costs and other material cost increases.

KVPL, with its acquisition during the year of the balance of 60 per cent of its former associate, Mabroc Teas (Pvt) Ltd. added a fully-controlled marketing arm to its portfolio. This initiative is expected to add significantly to KVPL's performance.

Managing Director's Review

The rubber market has been pushed to its present levels by production shortfalls in major producer countries and an increased demand driven largely by the automobile industry, particularly in India and China. This is a rare and unprecedented convergence of unlikely circumstances, and any expectation of this position being sustained at these levels for any length of time would be unduly optimistic. Historically, with time, all commodity markets adjust to supply, demand and pricing dynamics. In this context, locally, it is important to consider the likely impact of the impending workers' wage increase on future production expenses, whilst the recently imposed enhancement in the energy tariff adds a further burden to an industry already weighed down by rising input costs. The combined impact of these factors is likely to erode, to a large extent, the benefits that may be derived from improved commodity prices.

In the above background, and given the resilience shown by DPL in the past, the Group is confident that internal measures to drive lean manufacturing processes, reduce waste and enhance its marketing activities both in Hand Protection and Plantation sectors will enable profitable growth whilst maintaining the fine balance between profit and customer retention.

Appreciation

My sincere thanks go to Mr. J A G Anandarajah who relinquished duties as the Managing Director of DPL effective March 31, 2011 for his invaluable contribution to the progress and growth of DPL's Hand Protection and Plantation sectors. Mr. Anandarajah has been assigned with the new roles of Managing Director for DPL Plantations effective April 1, 2011 in addition to being the Managing Director for Mabroc and Alumex companies.



Dr. K I M Ranasoma
Managing Director
May 11, 2011

Review of Our Value Drivers

Value rests on both tangible and intangible factors. Some of these are readily quantifiable, others less so. They are all, however, both identifiable and critical in any comprehensive view of sustainable business success. We create, sustain and extend value by focusing on a number of key value drivers: market position and brand image; customer and other relationships; product range and quality; production resources and product development capability and environment and community

Market Position and Brand Image

The year 2010/11 was challenging to our Hand Protection Business due to unprecedented price escalation of natural rubber. The resultant price increases of natural rubber gloves met with strong market resistance, and led to severe narrowing of margins for our manufacturing operations in Sri Lanka and in Thailand. The pressures were, however, partly compensated by the favourable impacts on DPL's Plantation sector. This enabled the Company to achieve overall growth in revenue as well as profitability over the previous year. Price value ratios are never simple or easy to define, and change according to a host of conditions. Market turmoil has allowed a few low cost players to gain foothold. Against this backdrop, few customers chose to move to lower-priced competition. Nevertheless, our ability to attract new customers to our value propositions added to overall sales and revenue growth during the year.

DPL's Hand Protection business now has a substantial and growing presence in Europe and the Americas, and serves customers in 68 countries. We achieved this by building on our reputation as a reliable supplier of high quality products, and one dedicated to service excellence.



We now have nearly 5 per cent of global market share in natural and synthetic latex-based domestic and industrial gloves.

Review of Our Value Drivers

Customer and Other Relationships

DPL prides itself in providing unmatched customer service. Genuine feedback from our customers is essential to maintain service leadership and has provided valuable insights of customer expectations.

Every year we ask our customers, questions regarding our products, services and competitiveness. Customer satisfaction score improved versus last year, whereas competitiveness declined as expected. This resulted in an overall 70 per cent satisfaction quotient versus 73 per cent in the previous year.

Customer Churn

Won 09/ Lost 05

Product Range and Quality

DPL's Hand Protection sector serves all three major glove market segments: household, industrial and medical.

The household or consumer range runs from general purpose household gloves to heavy-duty gloves for DIY and outdoor use. They are available in our own Palmrite brand and under many reputable international labels.

The industrial range provides protection against mechanical, chemical, electrical and microbiological hazards encountered in diverse work environments.

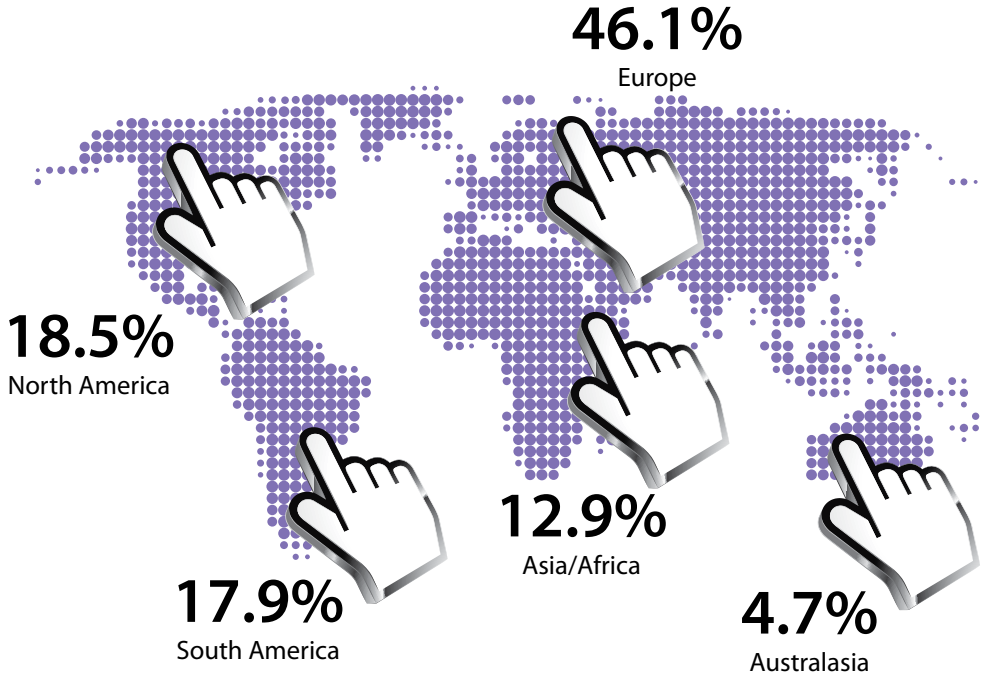
Customer Loyalty

20% of our customers
have been with us over 15 years

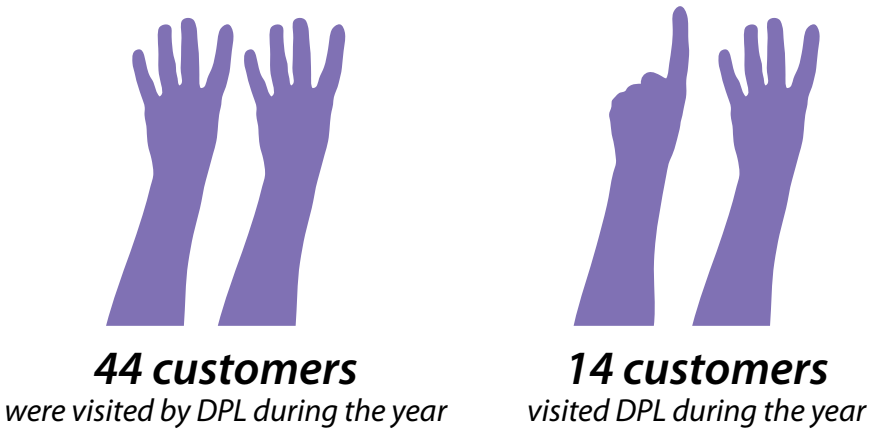
10% of our customers
have been with us over 20 years

Review of Our Value Drivers

Export Volume by Region



Customer Visits



Review of Our Value Drivers

Our medical range, produced in Thailand, consists of natural as well as synthetic latex-based examination gloves. In the short time since market entry, DPL has established a fast-growing presence in the sector, which we are supporting with further investments.

<i>Glove Category</i>	<i>Styles</i>	<i>Versions</i>
<i>Unsupported</i>	57	171
<i>Supported - Seamless</i>	18	22
<i>Supported - Cut and Sewn</i>	15	23
<i>Electrical Insulation</i>	4	24
<i>Medical Examination</i>	4	8

DPL recognises that world-renowned brand values depend squarely on exceptional product quality. This reputation is achieved and extended by continuous attention to total quality management and external certifications, both for systems of quality assurance of our manufacturing facilities and for the products.

Hand Protection Certifications:

In an era of depleting natural resources, we are committed towards manufacturing our products in a manner so as to minimise the impact on the environment. All our manufacturing facilities in Sri Lanka employ an Environmental Management System that is certified to ISO 14001:2004 international standard. Furthermore, we have embodied 'Cleaner Protection' principles to reduce, reuse and recycle waste generated from the manufacturing process.

A noteworthy achievement during the year was the accreditation of our Laboratory to ISO 17025:2005 standard by the Sri Lanka Accreditation Board, which endorses our commitment towards testing our product to internationally recognised standards and thereby provide the confidence to the customer that the product consistently meets quality and performance requirements.

As the European Union is a significant market for our products, we have obtained certification to PPE (Personal Protective Equipment) Directive 89/686/EEC Article 11B in respect of the Category 3 products, which pose

Review of Our Value Drivers

the highest level of risk to the user as defined under the PPE Directive. This certification provides the customer with the confidence that DPL has in place as a Quality Management System to ensure that the products are manufactured consistently to achieve the performance rating conferred by a notified body at the 'initial type testing'.

To improve customer support, we have increased the number of chemical tested from 40 to 84 on our pristine quality Nitrile flock line glove. We have also tested several of our gloves successfully for compliance to German BFRXXI food handling regulations as confirmation of the products being 'food safe'.

Systems Certifications



ISO 9001:2008
Certification
from SLSI



ISO 14001:2004
Certification
from SLSI



Retail Supplier
Certification
from SGS



ISO 13485:2003
Certification
for Medical Products



ISO 17025:2005
from the Sri Lanka
Accreditation Board

Product Certifications



CE Certifications
under European
Directive



RAL Certification
from German Institute
for Quality Assurance
& Certification

Quality Assurance in Our Plantations:

Kelani Valley Plantations PLC is a HACCP and ISO 22000:2005 certified company, and we have continued to audit and retain all product and process purity and hygiene standards already in place. Since 2007, we have held food safety management certificates for all of our 13 black tea factories. In the year under review, surveillance audits have been carried out to ensure conformity with certification standards and the certifications themselves have been revalidated, including global G.A.P. accreditations.

The Company's products are periodically tested by accredited laboratories for minimum-permitted residual levels of agrochemicals, heavy metals and microbiological content, to ensure conformance with relevant international standards.

Preliminary work for compliance with Rain Forest Alliance certification, which commenced in 2009, has been completed during the year, along with the relevant training of responsible plantation personnel. The accreditation process should be finalised in the current year. This certification, which encompasses sustainable agricultural standards covering environmental conservation and community management dimensions, will help consolidate

Review of Our Value Drivers

our already-established ethical positioning. It is also a prized producer conformance, soon to be mandated by the giant Unilever, as a primary requirement in its product purchase portfolio, and other major tea buyers have declared their intention of following suit.

The Panawatte and Dewalakande factories have received the Forest Stewardship Council chain of custody certification for sole crepe and latex crepe production. All these quality, product and process certifications add value to the Company's major product lines, particularly within the highest value markets and consumer sectors, where the preference for goods manufactured in accordance with ethical and hygiene parameters is both strong and accelerating.

Production Resources and Product Development Capability

As value-chain managers, we configure and re-configure our business around changing materials, production and market dynamics. In this, we are determined to capture operationally efficient and cost-effective production systems.

While demand for natural rubber gloves softened, those for Nitrile products rose noticeably through the year. Responding to the shifting trend, DPL made a number of timely and precise investments to enhance production capability and flexibility. Additional production flexibility was introduced at our Venigros and Grossart factories. We adapted a plant in Hanwella to enhance flock-lined natural rubber glove production, for which demand continued to grow. We also commissioned three new production lines in Thailand during the year.

In total, DPL's Hand Protection sector invested over Rs. 500 million in capacity enhancements. This commitment ensures that we are continuously meeting and catering to growing demand in hand protection markets.

In the Plantation sector capital investment, the Company invested Rs. 146 million in replanting 198 ha of rubber and in the maintenance of immature areas. A further Rs. 65 million was allocated to tea replanting and immature area management. Combined with expenditure to rehabilitate access roads within plantations, purchase new equipment for factories and offices, replace obsolete vehicles and improve estate water supply and other community infrastructure, total investment during the year amounted to Rs. 292 million. A total of Rs. 55 million was received in grants from various donor agencies including the state.

Review of Our Value Drivers

Capacity
635



Year	●	●
2007	573	505
2008	573	535
2009	635	493
2010	635	471
2011	635	545



Capacity & Production Index
Hand Protection - Sri Lanka
(Base - 1991 Capacity)

Production
545

Review of Our Value Drivers

DPL has continuously embedded lean manufacturing processes into daily operations, thus advancing overall productivity. Operational cost reduction; particularly in energy management is another area of continuing focus. We converted our Texnil operations from furnace oil to biomass-based heat energy, and relocated the facility to Weliveriya in order to achieve greater operational efficiencies. Similarly, in Thailand, we have successfully recovered heat from existing heaters for the expanded plants, thus avoiding addition of new heaters.

Continuing investments in research and development (R&D) during the year yielded several new products for our industrial glove range as well as new versions of existing products to match various customer needs and opportunities. Our ability to provide innovative and practical solutions in hand protection originates from a well-equipped R&D facility and highly qualified and competent staff. Together, this resource forms an exemplary future-facing capability.

Table: Functional Distribution of Executives

<i>Function</i>	<i>Number of Executives</i>	<i>Function</i>	<i>Number of Executives</i>
<i>General Management</i>	<i>42</i>	<i>Finance</i>	<i>26</i>
<i>Production</i>	<i>80</i>	<i>Sales and Marketing</i>	<i>28</i>
<i>R&D</i>	<i>15</i>	<i>Information Technology</i>	<i>11</i>
<i>Engineering</i>	<i>34</i>	<i>Plantations</i>	<i>56</i>

Environment and Community

The Group's activities have both direct and indirect effects on the environment. It is our resolute policy to minimise any adverse effects and promote co-operation and compliance with all relevant authorities and regulatory standards. Wherever possible, we use these as benchmarks for additional improvement.

With several new initiatives, DPL's Plantation sector has reaffirmed its commitment to environmental protection, earlier signified by embracing the CEA Water Mandate and other recognised relevant conservation policies. The compliance needs of Rain Forest Alliance certification, such as segregated

Review of Our Value Drivers

We have **15**  executives in R&D

34  in engineering, **80**  in production and

28  in marketing

collection and disposal of waste on all tea estates, contributed significantly to improvements in internal environmental management. Eight hectares of marginal tea-growing land on the Annfield Estate has been planted with fuel and timber species. All rubber-washing bays in the tea cum rubber estates were equipped with soakage pits, ensuring filtration of harmful sediment from water before it reaches natural waterways.

Our environmental care and biodiversity conservation and management initiatives are now attracting the voluntary engagement of other socially responsible organisations. With these relationships now key components in our management strategies and work programmes, we are confident of making a significant and qualitative contribution to environmental protection drives island-wide.

Review of Our Value Drivers

Looking at Waste Management

This is an all-encompassing focus. All glove manufacturing factory locations are equipped with wastewater management systems operating well above statutory requirements. Clean production techniques have also been adopted across all manufacturing facilities in order to minimise waste.

Our Plantations, directly and indirectly, generate a variety of waste material. As a policy, the Company will not permit release of any organic or inorganic solid or other similar material into natural water catchments, and prohibits the burning of waste products. All waste materials are collected separately - such as biodegradables, glass, plastic, hazardous waste and hospital waste. 2 metric tons of empty chemical plastic cans were recycled in collaboration with Seer Plastic Industries, Kalutara. To make sure nothing and nobody is left out, we have introduced a comprehensive 'Cleaner Production' standard, with a 'Group Cleaner Production' team and associated teams working at all factory locations.



CORPORATE SOCIAL RESPONSIBILITY

GROWING VALUE FROM FIRSTLIGHT

Grower responsibility is a value-chain issue. It is thus a natural area for our attention and direct input. We take nearly 6 per cent of Sri Lanka's total rubber production, the majority from some 3,000 smallholder farmers usually with less than two hectares of land. We have long been integrated with this supply base, with relationships running back for over 30 years.

This is where Firstlight comes in, as a means of directly influencing grower well-being, lifting their current life and business quality, and improving their future prospects. Currently covering 30 per cent of these smallholders, Firstlight is a radical investment in people, their skills and livelihoods. It ensures a fair price for their produce, and it adds needed technical assistance, including better implements. The results include education and empowerment, so growers are able to maximise incomes through best practices in planting and field management.

The initiative is winning international recognition and the products are winning growing customer appreciation. Through Firstlight, we have developed and branded 'Traidcraft' fair trade rubber gloves, probably the first such in the world, which are already in the European market.

Review of Our Value Drivers

Home for Every Plantation Worker

Our policy of plantation community development is a key component of our management strategy. The objective is reinforced by a unique, multi-dimensional initiative, 'A Home for Every Plantation Worker', launched in 2006. Designed to lift the quality of life of our people in all aspects, the strategy was featured as a benchmark in the booklet, "Globally Positioning Sri Lanka's Best", released by the Global Compact Sri Lanka Network, at the UNGC International Network Conference in Mexico in 2007. Addressing concerns relating to living environments, health and nutrition, community capacity building and youth empowerment, the programme continued its substantial progress through the year.



Metrics of Joint Achievement

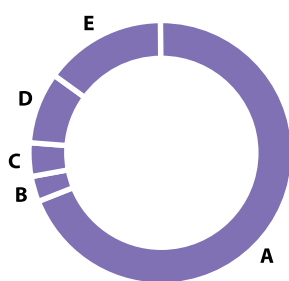
At DPL, we recognise that stakeholder value is synergetic. Every participant in our value chain - from the smallest producers to the largest customers, from employees and managers to shareholders and suppliers - gains from the value we deliver to other participants and gains from the expanding total value created.

Review of Our Value Drivers

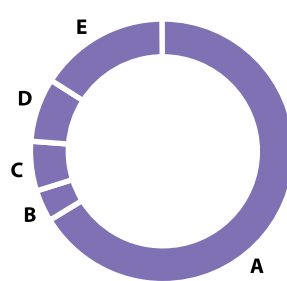


Our Value Addition Over the past decade
exceeds 30 billion

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1,464	1,573	1,880	2,354	2,529	3,308	3,815	4,064	4,085	4,457



2011



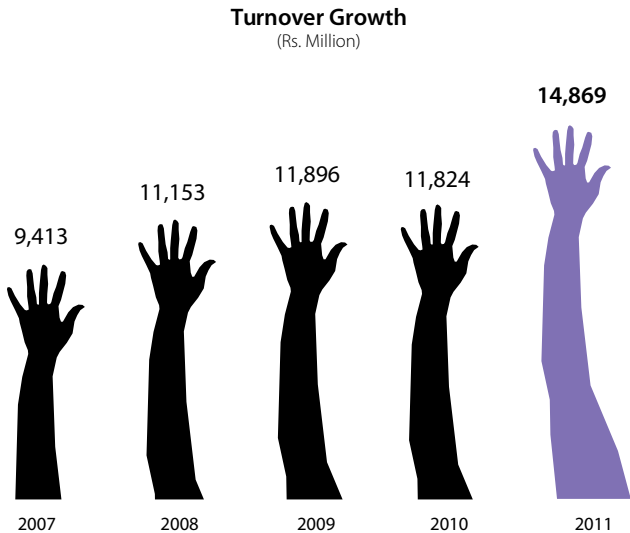
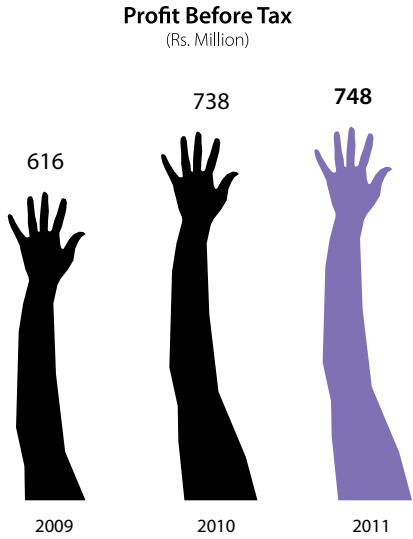
2010

	2011 %	2010 %
A - To employees as remuneration	69	66
B - To Government of Sri Lanka & overseas as taxes	3	4
C - To shareholders as dividends	4	6
D - To lenders of capital	9	8
E - Retained in the business	15	16

	2011 Rs. '000	2010 Rs. '000
To employees as remuneration	3,054,441	2,688,508
To Government of Sri Lanka & overseas as taxes	142,197	180,837
To Shareholders as dividends	179,585	224,480
To Lenders of capital	389,818	322,394
Retained in the business	691,369	668,756
	4,457,410	4,084,975

Review of Our Value Drivers

This inclusive understanding is why we pay so much attention to each of our value drivers, to every relevant element in DPL's comprehensive internal and external environment. Every member of our value chain helps create our total result; everyone shares in what is achieved. The figures speak for themselves.



Review of Our Value Drivers

Our operating and market conditions are undoubtedly testing. We continue to meet current and emerging demands with tenacity, with resolution, and with globally-experienced professionalism. Not least, we draw on our ability in value chain management, and the backing of enormously increased flexibility in our production resources.

Central to our confidence, we know and work with our customers with mutually rewarding relationships. We also understand our core brand values, and know the persuasive reach and influence these have in our global markets. We know our focus on quality and service is not negotiable. These qualities are among DPL's all encompassing corporate and brand values. They are not for compromise. Reliability in quality and service are powerful competitive advantages. We seek an unmatched reputation in both.

Directors' Report & Financial Statements

IN THIS SECTION

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Highlights

	2011 Rs. '000	2010 Rs. '000	Change %
Group turnover	14,869,245	11,823,707	26
Group profit before tax	748,110	737,609	1
Tax on Group profits	162,527	173,332	(6)
Group profit after tax	585,583	564,277	4
Profit attributable to ordinary shareholders	446,614	480,886	(7)
Gross dividend	179,585	224,480	(20)
Group net assets	3,547,202	3,310,363	7
Net foreign exchange earnings	5,251,110	4,250,239	24
Group value addition	4,457,409	4,084,975	9
Market capitalisation	6,949,922	6,210,632	12

Per Share (Rs.)			
Earnings	7.46	8.03	(7)
Dividend	3.00	3.75	(20)
Market price (year end)	116.10	103.75	12
Net assets (year end)	59.26	55.30	7

Employment (Persons)			
Hand protection	1,339	1,305	3
Plantations	14,218	14,331	(1)

FINANCIAL CALENDAR 2010/11

Interim Reports

Quarter ended June 30, 2010	August 2, 2010
Quarter ended September 30, 2010	October 28, 2010
Quarter ended December 31, 2010	February 1, 2011
Quarter ended March 31, 2011	May 11, 2011
Interim dividend - 2010/11 paid	March 30, 2011
Annual Report - 2010/11	June 2, 2011
Thirty-fifth Annual General Meeting	June 28, 2011
Final dividend proposed	June 28, 2011
Final dividend payable	July 6, 2011

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

The Directors of Dipped Products PLC present their Report together with the audited Financial Statements of the Company and of the Group for the year ended March 31, 2011.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE YEAR

The principal activities of the Group and its management team are shown on pages 88 and 92 in this Report. The Chairman's Statement and the Managing Director's Review describe the Group's affairs and mention important events of the year. The results for the year are set out in the Income Statements on page 44.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 44 to 80.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on the Financial Statements is given on page 43.

ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 50 to 60. There were no changes in the accounting policies adopted.

INTEREST REGISTER

Directors' Interest in Transactions: Directors of the Company and its subsidiaries have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007. Note 42 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' Remuneration: The Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors of the Company for the year ended March 31, 2011 is Rs. 17,009,093/- (2010 - Rs. 18,567,677/-) which includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non-Executive Directors for the year ended March 31, 2011 is Rs. 1,283,334/- (2010 - Rs. 1,000,000/-) determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Remuneration paid to the Directors of the subsidiary companies for financial year ended March 31, 2011 is Rs. 29,430,967/- (2010 - Rs. 29,370,284/-).

Details of Directors' Shareholdings as defined in Colombo Stock Exchange Listing Rules:

No of Shares	Company	
	As at March 31, 2011	As at April 1, 2010
Mr. J A G Anandarajah	219,474	219,474
Mr. G K Seneviratne	5,000	-
Mr. N Y Fernando	10,288	10,288
Mr. K A L S Fernando	56,264	56,264
Mr. L G S Gunawardana	26	26
Dr. K I M Ranasoma	300	-
Mr. K D D Perera	1,000	1,000

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

DONATIONS

The donations made by the Company and the Group are disclosed in Note 18 on page 62.

The total amount of donations was Rs. 128,657/- (2010 - Rs. 551,837/-). This has not exceeded the amount of Rs. 250,000/- approved by the shareholders at the last Annual General Meeting.

No donations were made for political purposes.

DIRECTORATE

The names of the Directors who served during the year are given on page 90 in this Report.

Mr. N B Weerasekera tendered his resignation from the Board and as member of the Audit Committee w.e.f. October 31, 2010.

Dr. K I M Ranasoma was appointed as an Executive Director on August 2, 2010, and assumed responsibilities as Managing Director w.e.f. April 1, 2011. Mr. K D D Perera and Mr. M Bottino, Joint Managing Director of ICOGUANTI S.p.A were appointed to the Board on November 1, 2010. In terms of the Articles of Associations of the Company. Shareholders will be requested to re-elect them at the Annual General Meeting.

Mr. G K Seniviratne and Mr. N Y Fernando retire by rotation and being eligible, offer themselves for re-election.

Mr. J A G Anandarajah who served as Managing Director relinquished his position w.e.f. March 31, 2011, and continues as Non-Executive Director.

The Directors of the subsidiaries are given on pages 88 and 89.

AUDITORS

The Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., was paid Rs. 640,000/- (2010 - Rs. 585,000/-) and Rs. 4,426,000/- (2010 - Rs. 4,046,500/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 145,275/- (2010 - Rs. 198,750/-) and Rs. 625,039/- (2010 - Rs. 1,045,305/-), by the Company and the Group, for non-audit related work, which consisted mainly of tax consultancy services.

The Financial Statements of Hanwella Rubber Products Ltd., for the year have been audited by Messrs B R De Silva and Company, and was paid Rs. 190,000/- (2010 - Rs. 160,000/-) as audit fee and Rs. 27,500/- (2010 - Rs. 25,000/-) for non-audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Rs. 3,933,966/- (2010 - Rs. 3,335,686/-), and Rs. 246,330/- (2010 - Rs. 259,308/-) were paid as audit fees by ICOGUANTI S.p.A. and Dipped Products (Thailand) Ltd., respectively.

As far as the Directors are aware, the Auditors of the Company and of the subsidiaries do not have any relationships (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group companies.

A resolution proposing Messrs Ernst & Young, Chartered Accountants to be appointed as Auditors of the Company for financial year 2011/2012 and authorising Directors to determine their remuneration will be submitted at the Annual General Meeting.

TURNOVER

The gross turnover of the Group during the year was Rs. 14,869,245,178/- (2010 - Rs. 11,823,706,727/-). The Group turnover from international trade in Hand Protection sector amounted to Rs. 11,700,035,988/- (2010 - Rs. 9,377,334,774/-). Further information on Group turnover is detailed in Note 14 to the Financial Statements.

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

RESERVES

The total Group reserves as at March 31, 2011 amount to Rs. 2,948,587,268/- (2010 - Rs. 2,711,747,533/-) comprising capital reserves of Rs. 233,498,568/- (2010 - Rs. 228,504,682/-) and revenue reserves of Rs. 2,715,088,699/- (2010 - Rs. 2,483,242,851/-).

PROFITS

	2011 Rs. '000	2010 Rs. '000
After making provisions for all known liabilities and depreciation on property, plant & equipment the profit earned by the Group before taxation was	748,110	737,609
And taxation on Group profits amounting to were deducted	(162,527)	(173,332)
The Group was left with a profit of	585,583	564,277
And the amount attributable to non-controlling interest of	(138,969)	(83,391)
And the balance of the previous year net of final dividend and appropriations were adjusted	1,621,667	1,372,900
The profit before appropriation was	2,068,281	1,853,786

APPROPRIATIONS

	2011 Rs. '000	2010 Rs. '000
Your Directors have made appropriations as follows:		
Interim dividend - Rs. 1.50 per share (2010 - Rs. 1.50)	89,792	89,792
Proposed final dividend of Rs. Rs. 1.50 per share (2010 - Rs. 2.25 per share)	89,793	134,688
Total appropriations	179,585	224,480

DIVIDENDS

The Board of Directors has recommended a payment of a final dividend of Rs. 1.50 per share payable on July 6, 2011 to the shareholders of the issued ordinary shares of the Company as at close of business on June 28, 2011.

The total dividend distribution of Rs. 3.00 per share to shareholders comprise dividends received by the Company and therefore would not be liable to 10% dividend tax.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the dividend proposed. A solvency certificate has been sought from the Auditors of the Company.

STATUTORY PAYMENTS

The Directors are satisfied that all statutory payments in relation to Employees and the Government have been made up to date.

TAXATION

The Company has entered into an agreement with the Board of Investment of Sri Lanka and has been granted a 10-year tax holiday as 'Thrust Industries' up to March 31, 2009 and after completion of tax exemption period Company is liable to income tax at a concessionary rate of 15% for a further period of ten years on its business activity. Other income of the Company is liable to taxation at the rate of 35%.

CAPITAL EXPENDITURE

Group expenditure on property, plant & equipment during the year amounted to Rs. 1,027,782,000/- (2010 - Rs. 799,080,053/-). The movement in property, plant & equipment during the year is set out in Note 22 to the Financial Statements.

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

MARKET VALUE OF PROPERTIES

The value of land owned by the Group is stated at cost or valuation. Information on valuation of land are explained in Note 9 to the Financial Statements.

EVENTS AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustment to or disclosure in, other than those disclosed in Note 43 to the Financial Statements.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including review of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

STOCK MARKET INFORMATION

Information relating to earnings, dividend, net assets per share and share trading are given on pages 82 to 87.

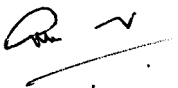
MAJOR SHAREHOLDINGS

The twenty major shareholders as at March 31, 2011 are given on page 86 in this Report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office, No. 400, Deans Road, Colombo 10, on June 28, 2011 at 3.00 p.m. The Notice of the Annual General Meeting appears on page 95.

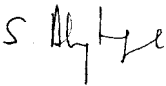
For and on behalf of the Board,



A M Pandithage
Chairman



Dr. K I M Ranasoma
Managing Director



Hayleys Group Services (Private) Limited
Secretaries

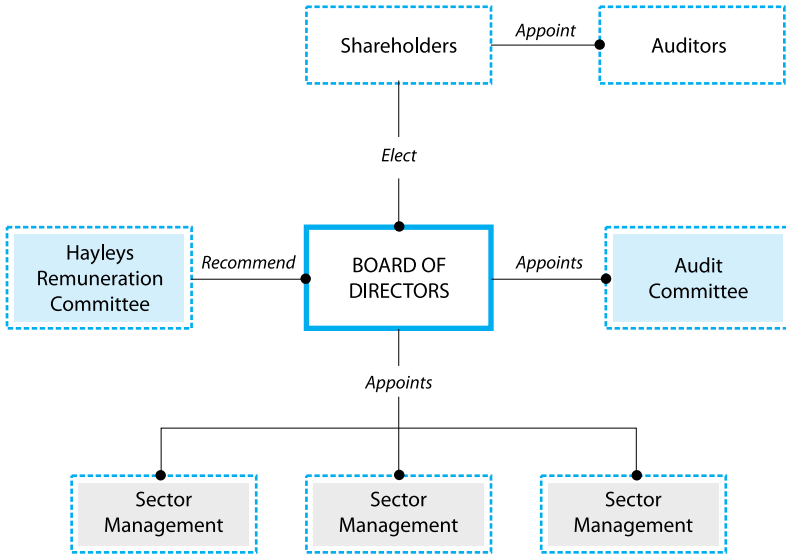
400, Deans Road,
Colombo 10
May 11, 2011

Corporate Governance

Dipped Products PLC (DPL) continues to be committed to conducting the Company’s business ethically and in accordance with high standards of good Corporate Governance.

The Company is a member of the Hayleys Group. Principal Businesses of the Company are shown on the Inner Back Cover.

DPL Governance Guidelines provide Directors and management with framework of their respective responsibilities. These Guidelines, which will be updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review. The DPL Governance Guidelines is depicted in the following diagram:



We set out below the Corporate Governance practices adopted and practised by DPL against the background of the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Rules set out in Section 7 of the Colombo Stock Exchange’s Listing Rules.

BOARD OF DIRECTORS

The Board of Directors is responsible for setting up the Governance framework within the Company.

COMPOSITION AND ATTENDANCE AT MEETINGS

As at the end of the year under review, the Board consisted of twelve Directors; six Non-Executive Directors and six Executive Directors. These Directors are named below and their profiles are available on pages 90 and 91 of this Report. Details of Directors’ shareholding in DPL and directorates in other related companies are given on pages 29 and 88 respectively.

Corporate Governance

The Board meets quarterly as a matter of routine. Ad hoc meetings are held as and when necessary. During the year under review the Board met on four occasions. The attendance at these meetings was:

Name of Director	Attendance
A M Pandithage - <i>Chairman</i>	4/4
Dr. K I M Ranasoma (<i>Managing Director from April 1, 2011</i>) <i>Appointed August 2, 2010</i>	3/3
J A G Anandarajah* (<i>Managing Director till March 31, 2011</i>)	4/4
G K Seneviratne*	4/4
N Y Fernando	4/4
N B Weerasekera** - <i>Resigned - October 31, 2010</i>	3/3
R Seevaratnam**	3/4
Faiz Mohideen**	3/4
K A L S Fernando	4/4
L G S Gunawardena	3/4
S C Ganegoda*	4/4
K D D Perera* - <i>Appointed - November 1, 2010</i>	0/1
M Bottino - <i>Appointed - November 1, 2010</i>	1/1

* - *Non-Executive*

** - *Independent Non-Executive*

RESPONSIBILITIES OF THE BOARD

The Board is responsible to:

- (a) enhance shareholder value.
- (b) formulate and communicate business policy and strategy to assure sustained growth, and monitor its implementation.
- (c) approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.
- (d) ensure Executive Directors have the skills/knowledge to implement strategy effectively, with proper succession arrangements in focus.
- (e) ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.
- (f) set and communicate values/standards, with adequate attention being paid to accounting policies/practices.
- (g) ensure effective information, control, risk management and audit systems are in place.
- (h) ensure compliance with laws and ethical standards established.
- (i) approve annual budgets and monitor performance against these.
- (j) adopt annual and interim results before these are published.

INTER ALIA, DIRECTORS:

- (a) must bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- (b) must stay abreast of developments in management practice, the world and domestic economy and other matters relevant to the Company.
- (c) may convey concerns to the Chairman, or if that is not appropriate to a Non-Executive Director, or if that is not appropriate to the DPL Director designated as Independent Director if and when a need arises.
- (d) may, where necessary and with the concurrence of the Chairman or the DPL Independent Director, consult and consider inputs from 'experts' in relevant areas.
- (e) should declare their interests in contracts under discussion at a Board meeting, and refrain from participating in such discussion.
- (f) possessing 'price-sensitive' information concerning the Company should not trade in the Company's shares until such information has been adequately disseminated in the market.

COMPANY SECRETARY

The services and advice of the Company Secretary are made available to Directors as and when necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. A major focus of attention recently has been the Companies Act No. 07 of 2007, with its wide ranging implications, pursuant to which the Company adopted a new set of Articles of Association.

CHAIRMAN'S ROLE

The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

BOARD BALANCE

The composition of the Executive and Non-Executive Directors (the latter are more than one-third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that two Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.

Non-Executive Directors profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision-making.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive Authority is vested in the Managing Director of the Company. The distinction between the position of the Chairman and Officers wielding executive powers in the Company ensures the balance of power and authority.

FINANCIAL ACUMEN

The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Chairman of the Audit Committee.

SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance and such other reports and documents as are necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

APPOINTMENTS TO THE BOARD

The Board as a whole decides on the appointment of Directors.

RE-ELECTION OF DIRECTORS

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting (AGM), and seek reappointment by the shareholders at that meeting.

The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/reappointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

REMUNERATION PROCEDURE

The Remuneration Committee of the holding company (Hayleys PLC) acts as the Remuneration Committee of the Company.

Remuneration Committee of Hayleys PLC consists of

L K B Godamunne (<i>Chairman</i>)	- Independent Non-Executive
J D Bandaranayake (<i>Resigned w.e.f. January 20, 2011</i>)	- Independent Non-Executive
A M Senarathne	- Independent Non-Executive
T L F Jayasekera	- Independent Non-Executive
K D D Perera	- Non-Executive

The Remuneration Committee recommends the remuneration payable to Managing Director and Executive Directors and sets guidelines for the remuneration of the management staff within the Company. The Board makes the final determination after consideration of such recommendation and performance of the senior management staff.

DISCLOSURE OF REMUNERATION

The total of Directors' remuneration is reported in Note 18 to the Financial Statements.

Directors are able to access programmes arranged by the Hayleys Group Human Resource Development Division when appropriate, to provide update on matters relevant to business management and economic affairs.

MANAGEMENT STRUCTURE

DPL Group comprises Dipped Products PLC and subsidiary companies. The Group is effectively divided into two divisions to achieve the strategic objectives. The Hand Protection division includes the production operation of Dipped Products PLC, eight subsidiary companies and the Italian marketing Company ICOGUANTI S.p.A. The division is managed as four functional units each supervised by an Executive Director. The Plantation division is managed by the Managing Director of DPL Plantations (Pvt) Ltd. (Holding Company) and the Managing Director and a Director of Kelani Valley Plantations PLC who are also Directors of DPL Plantations (Pvt) Ltd.

The authority is exercised within the ethical framework and business practices established by the Board, which demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large. These are further described elsewhere in this Report.

The Group Structure and the Management Team is given in page 88 and 92.

The Executive Directors, General Managers and Key Managers of both divisions meet separately on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration. Minutes are kept of decision made and major issues.

The Managing Directors of Dipped Products PLC, DPL Plantations (Pvt) Ltd. and Kelani Valley Plantations PLC, attend the monthly meetings of the Group Management Committee of Hayleys PLC and report on progress and important issues.

RELATIONS WITH SHAREHOLDERS

The Notice of Meeting is included in the Annual Report. The notice contains the agenda for the AGM as well as instructions on voting for shareholders, including appointment of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 07 of 2007 has been met.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year.

MAJOR TRANSACTIONS

There have been no transactions during the year under review which fall within the definition of 'Major Transactions' in terms of the Companies Act.

COMMUNICATION WITH SHAREHOLDERS

Shareholders are provided with quarterly Financial Statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Managing Director or the Group's Secretarial Department as appropriate.

PRICE SENSITIVE INFORMATION

Due care is exercised with respect to share price sensitive information.

SHAREHOLDER VALUE AND RETURN

The Board constantly strives to enhance the shareholder value and provides a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend rate to the shareholders whilst allowing for capital requirements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them make more informed decisions.

The Statement of Directors' Responsibilities for the Financial Statements is given on page 41 of this Report.

Management Report

The Managing Director's Review (pages 6 to 12) in this Report provides an analysis of the Group's performance during the financial year.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review. The potential risks, both internal as well as external, faced by the Company and actions instituted for mitigating the same are reported in the Managing Director's Review (pages 6 to 12) in this Report.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

Corporate Governance

Internal Control

The Directors are responsible for the Group's system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition and to ensure that accurate records are maintained and reliable financial information is generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

The important procedures in place to discharge this responsibility are as follows:

- the Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.
- the Board reviews the strategies of the divisions and constituent companies.
- annual budgeting and regular forecasting processes are in place and the Directors review performance.
- the Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanisms.
- the Group is subjected to regular internal audits and system reviews.
- the Audit Committee reviews the plans and activities of the internal audits and the management letters of External Auditors.
- the Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors' Responsibilities for the Financial Statements are described on page 41.

Audit Committee

DPL Group constituted its own Audit Committee in 2007. The Committee consists of two Non-Executive Directors of Dipped Products PLC. The meetings were attended by the Chairman, Finance Director of Hayleys PLC and the Managing Director by invitation when matters relating to the Group were taken up for discussion. The External Auditor attended the meetings when his presence was deemed necessary.

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Group and its internal and external audits.

The Committee reviewed the Financial Statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements. Significant issues discussed by the Committee at the reviews were communicated by the Managing Director to the Board of Directors for their consideration and action.

The Audit Committee helps the Group achieve a balance between conformance and performance.

Members of the Audit Committee	Attendance
R Seevaratnam - <i>Chairman of the Committee</i>	4/4
N B Weerasekara (<i>Resigned - October 31, 2010</i>)	3/3
F Mohideen	3/4

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence and performance.

The Audit Committee Report appears on Page 42 of this Annual Report.

IT Governance

We continue to give attention to bringing the DPL's IT systems in line with its strategies and objectives. Dedicated staff are deployed to support this.

The DPL's investment in IT resources covers resources operated and managed centrally and resources deployed in various factories. The former includes an ERP system and internet and e-mail services catering to most parts of the business.

Corporate Governance

IT Value and Alignment

Investments in IT projects and systems are made after consideration is given to their suitability for the related projects. Further aspects such as cost savings, timely information and the balance between cost of investment and present and future scale of operations are also taken into account when these decisions are taken.

IT Risk Management

Risks associated with Information Technology are assessed in the process of Risk Management. Use of licensed software (with Microsoft Corporation), closer monitoring of internet usage (for compliance with the IT Use Policy) and mail server operations and the use of anti-virus and firewall software, are some of the practices in place.

Level of compliance with the CSE's Listing Rules Section 7, Rules on Corporate Governance are given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Compliant	Six out of twelve Directors are Non-Executive Directors.
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Compliant	Two out of six Non-Executive Directors are independent.
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted the declaration.
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 90.
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, if specified criteria for independence is not met.	Compliant	Given in page 35 under the heading of Board Balance.
7.10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Please refer page 90.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Exchange	Compliant	A brief résumé provided to the Exchange.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Remuneration Committee of the holding company (Hayleys PLC) acts as a Remuneration Committee of the Company.
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	As above
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	As above and stated in this Report.

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out;		
		(a) Names of Directors comprising the Remuneration Committee	Compliant	As above
		(b) Statement of Remuneration Policy	Compliant	As above
		(c) Aggregate remuneration paid to Executive & Non-Executive Directors	Compliant	Please refer the page 29.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are stated on page 42.
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Audit Committee consists of Independent Non-Executive Directors.
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	Chief Executive Officer and Chief Financial Officer attend by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant.
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the Listing Rules	Compliant	The terms of reference of the Audit Committee adopted by the Board.
		(a) Names of Directors comprising the Audit Committee	Compliant	Please refer page 42.
		(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 42.
		(c) The Annual Report shall contain a Report the Audit Committee setting out of the manner of compliance of the functions	Compliant	Please refer Audit Committee Report on page 42.

Statement of Directors' Responsibilities

The Directors are responsible, under Section 150 (1), 151 (1), 152 (1), 153 (1) and 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Group and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

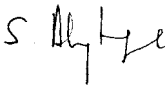
As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividends paid and now proposed, being satisfied based on information available to it, that the Company would satisfy the solvency test after such distributions in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained in respect of dividends paid and sought in respect of the dividend now proposed, Certificates of Solvency from its Auditors.

The External Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., were reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 43 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid or where relevant provided for.

By order of the Board,



Hayleys Group Services (Private) Limited
Secretaries

No. 400, Deans Road
Colombo 10
May 11, 2011

Audit Committee Report

COMPOSITION AND ROLE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises two Non-Executive Directors. The Chairman, Finance Director of Hayleys PLC and the Managing Director attend meetings of the Committee by invitation. The Chairman of the Audit Committee is a senior Chartered Accountant.

N B Weerasekera resigned from the Audit Committee from October 31, 2010.

The role of the Committee, which has specific terms of reference, is described in the Corporate Governance Report on page 38.

The names of the members and brief profiles of each member are given on page 90 and inner back cover of this Report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Kelani Valley Plantations PLC the other quoted company in the Group, that has independent Non-Executive Directors, constituted its own Audit Committee to review their activities. Their terms of reference will be similar to the terms of the DPL Group Audit Committee and reports from this Committee will be forwarded to the DPL Group Audit Committee.

MEETINGS

The Audit Committee met 4 times during the year. The attendance of the members at these meetings is as follows:

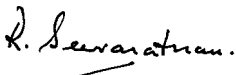
R Seevaratnam (Chairman)	4/4
N B Weerasekera (Resigned - October 31, 2010)	3/3
F Mohideen	3/4

ACTIVITIES

The Committee carried out the following activities during the year:

- The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the process and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from Heads of Finance. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.
- The Committee reviewed the process to assess the effectiveness of the internal controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of the Financial Statements. The internal audit function of local manufacturing companies is carried out by an independent firm of chartered accountants. Procedures relating to continuous monitoring and reporting of key control elements in Group companies were brought to the notice of the Internal Auditors and the Hayleys Group Management Audit & Systems Review Department in order to formulate the action plans for the ensuing year.
- The Committee obtained and reviewed statements on major business risks, mitigatory action taken or contemplated.
- The Committee reviewed reports tabled by Group companies certifying their compliance with relevant revenue regulations.
- The Committee held meetings with the External Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., to review the scope of the audit and the Audit Management Letters of Group companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed. Remedial action was recommended wherever necessary.
- The Committee reviewed the nature and value of non-audit work the External Auditors had undertaken, to ensure that it did not compromise their independence.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young Chartered Accountants, be appointed as Auditors for the financial year ending March 31, 2012.



R Seevaratnam

Chairman

Audit Committee

May 06, 2011

Independent Auditor's Report



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DIPPED PRODUCTS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Dipped Products PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at March 31, 2011 which comprise the balance sheet as at March 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 44 to 80 of the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG FORD, RHODES, THORNTON & CO.
Chartered Accountants

Colombo

May 11, 2011

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

A.N. Fernando FCA	M.R. Mihular FCA	Ms. M.P. Perera FCA
P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.W.J.C. Perera FCA	Ms. S. Joseph ACA	Ms. S.M.B. Jayasekara ACA
W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA	G.A.U. Karunaratne ACA

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

Income Statements

<i>For the year ended March 31,</i>	Notes	Consolidated		Company	
		2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Turnover	14	14,869,245	11,823,707	1,449,344	1,104,355
Cost of sales		(12,392,742)	(9,463,069)	(1,168,680)	(805,982)
Gross profit		2,476,503	2,360,638	280,664	298,373
Other income	15	62,716	28,419	12,586	3,312
Administrative expenses		(1,238,315)	(1,084,733)	(280,463)	(227,073)
Distribution expenses		(363,011)	(440,331)	43	(11,227)
Other expenses	16	(11,121)	(13,188)	(3,295)	(3,834)
Net finance (cost)/income	17	(169,620)	(115,100)	137,632	309,884
Share of profit/(loss) of associate (net of tax)		(9,042)	1,904	-	-
Profit before tax	18	748,110	737,609	147,167	369,435
Income tax expense	19	(162,527)	(173,332)	(16,602)	(11,295)
Profit for the year		585,583	564,277	130,565	358,140
Attributable to:					
Equity holders of the Company		446,614	480,886	130,565	358,140
Non-controlling interest		138,969	83,391	-	-
Profit for the year		585,583	564,277	130,565	358,140
Basic earnings per share (Rs.)	20	7.46	8.03	2.18	5.98
Diluted earnings per share (Rs.)	20	7.46	8.03	2.18	5.98
Dividends per share (Rs.)	21	3.00	3.75	3.00	3.75

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 50 to 80 form an integral part of these Financial Statements.

Balance Sheets

As at March 31,	Notes	Consolidated		Company	
		2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Assets					
Non-Current Assets					
Property, plant & equipment	22	5,713,251	4,899,811	345,313	319,952
Intangible assets	23	48,993	15,684	-	-
Investments in subsidiaries	24	-	-	1,843,280	1,594,280
Investments in equity accounted investees	24	308,879	92,201	-	-
Other long-term investments	24	197,010	197,010	194,457	194,457
Deferred tax asset	25	17,922	24,016	17,922	24,016
		6,286,055	5,228,722	2,400,972	2,132,705
Current Assets					
Inventories	26	2,733,672	2,079,549	331,527	348,486
Trade and other receivables	27	3,707,808	3,266,921	295,510	341,156
Amounts due from subsidiaries	28	-	-	438,919	263,013
Short-term investments		8,893	-	-	-
Short-term deposits		323,316	227,037	-	-
Cash and cash equivalents		208,531	184,591	25,485	52,684
		6,982,220	5,758,098	1,091,441	1,005,339
Total Assets		13,268,275	10,986,820	3,492,413	3,138,044
Equity and Liabilities					
Equity attributable to equity holders of the Company					
Stated capital	29	598,615	598,615	598,615	598,615
Capital reserves		233,499	228,505	133,788	133,788
Revenue reserves		2,715,088	2,483,243	1,081,566	1,175,482
		3,547,202	3,310,363	1,813,969	1,907,885
Non-controlling interest		831,677	758,047	-	-
Total Equity		4,378,879	4,068,410	1,813,969	1,907,885
Liabilities					
Non-Current Liabilities					
Deferred tax liability	25	162,540	135,956	-	-
Defined benefit obligations	30	1,160,230	976,967	217,411	182,257
Agents' indemnity fund	31	41,328	41,270	-	-
Interest bearing borrowings	32	1,166,211	1,049,654	-	-
Deferred income	33	480,877	443,074	-	-
		3,011,186	2,646,921	217,411	182,257
Current Liabilities					
Trade and other payables	34	2,113,310	1,627,395	169,300	169,395
Interest bearing borrowings due within one year	35	3,709,798	2,609,682	977,628	567,433
Amount due to subsidiaries	36	-	-	292,795	292,739
Amount due to Hayleys PLC		26,622	9,256	11,136	9,001
Income tax payable		28,480	25,156	10,174	9,334
		5,878,210	4,271,489	1,461,033	1,047,902
Total liabilities		8,889,396	6,918,410	1,678,444	1,230,159
Total equity and liabilities		13,268,275	10,986,820	3,492,413	3,138,044

The Notes to the Financial Statements on pages 50 to 80 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.


N A R R S Nanayakkara
General Manager Finance

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

Signed for and on behalf of the Board,


A M Pandithage
Chairman


Dr. K I M Ranasoma
Managing Director

May 11, 2011

Statements of Changes in Equity

For the year ended March 31, 2011

Consolidated

	Stated Capital Rs. '000	Attributable to Equity Holders of the Company			
		Capital Reserves			Legal Reserve Rs. '000
		Capital Redemption Reserve Fund Rs. '000	Reserve on Scrip Issue Rs. '000	Reserve on Revaluation of Assets Rs. '000	
Balance as at April 1, 2009	598,615	180	25,384	139,760	8,899
Adjustment due to acquisition of own shares by ICOGUANTI S.p.A.	-	-	-	-	1,342
Adjustment due to changes in holding in Dipped Products (Thailand) Ltd.	-	-	-	-	-
Surplus on revaluation of property, plant & equipment	-	-	-	49,757	-
Exchange difference on translation of overseas entities	-	-	-	-	-
Net gains/(losses) not recognised in the Income Statement	-	-	-	49,757	1,342
Profit for the year	-	-	-	-	-
Dividends	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	3,183
Balance as at March 31, 2010	598,615	180	25,384	189,517	13,424
Adjustment due to changes in holding in Mabroc Teas (Pvt) Ltd.	-	-	-	-	-
Exchange difference on translation of overseas entities	-	-	-	-	-
Net gains/(losses) not recognised in the Income Statement	-	-	-	-	-
Profit for the year	-	-	-	-	-
Dividends	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	4,994
Transfer to general reserve	-	-	-	-	-
Balance as at March 31, 2011	598,615	180	25,384	189,517	18,418

Company

	Stated Capital Rs. '000	Capital Reserves		Revenue Reserves	Total Equity
		Capital Redemption Reserve Fund Rs. '000	Reserve on Revaluation of Assets Rs. '000	Retained Earnings Rs. '000	Rs. '000
Balance as at April 1, 2009	598,615	180	99,702	1,086,719	1,785,216
Surplus on revaluation of property, plant & equipment	-	-	33,906	-	33,906
Net gains not recognised in the Income Statement	-	-	33,906	-	33,906
Profit for the year	-	-	-	358,140	358,140
Dividends	-	-	-	(269,377)	(269,377)
Balance as at March 31, 2010	598,615	180	133,608	1,175,482	1,907,885
Profit for the year	-	-	-	130,565	130,565
Dividends	-	-	-	(224,481)	(224,481)
Balance as at March 31, 2011	598,615	180	133,608	1,081,566	1,813,969

- Reserve on Scrip Issue represents reserves capitalised by subsidiaries in lieu of bonus issue of shares.
- Reserve on Revaluation of Assets relates to the revaluation of land.
- Legal reserve represents ICOGUANTI S.p.A. reserves capitalised as per Italian Accounting Standards (Civil Code No. 2430).

The Notes to the Financial Statements on pages 50 to 80 form an integral part of these Financial Statements.

Statements of Changes in Equity

Revenue Reserves			Total	Non-controlling Interest	Total Equity
General Reserve	Retained Earnings	Exchange Fluctuation Reserve			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
625,173	1,575,818	105,321	3,079,150	785,912	3,865,062
-	(8,724)	5,738	(1,644)	(52,077)	(53,721)
-	(11,426)	557	(10,869)	10,869	-
-	-	-	49,757	-	49,757
-	-	(17,540)	(17,540)	(3,091)	(20,631)
-	(20,150)	(11,245)	19,704	(44,299)	(24,595)
-	480,886	-	480,886	83,391	564,277
-	(269,377)	-	(269,377)	(66,957)	(336,334)
-	(3,183)	-	-	-	-
625,173	1,763,994	94,076	3,310,363	758,047	4,068,410
-	(2,644)	-	(2,644)	(13,158)	(15,802)
-	-	17,350	17,350	(19,263)	(1,913)
-	(2,644)	17,350	14,706	(32,421)	(17,715)
-	446,614	-	446,614	138,969	585,583
-	(224,481)	-	(224,481)	(32,918)	(257,399)
-	(4,994)	-	-	-	-
192,186	(192,186)	-	-	-	-
817,359	1,786,303	111,426	3,547,202	831,677	4,378,879

Cash Flow Statements

<i>For the year ended March 31,</i>	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Cash Flows from Operating Activities				
Cash generated from operations (Note A)	1,268,795	1,501,483	34,119	65,224
Interest paid	(250,849)	(239,003)	(48,766)	(50,865)
Income taxes paid	(179,455)	(117,300)	(9,668)	(35)
Retiring gratuity paid	(68,728)	(118,829)	(8,786)	(42,197)
Agents' indemnity paid	(7)	-	-	-
Net cash flow from operating activities	769,756	1,026,351	(33,101)	(27,873)
Cash Flows from Investing Activities				
Purchase and construction of property, plant & equipment	(1,027,782)	(391,857)	(57,309)	(15,844)
Grants received	55,181	111,602	-	-
Proceeds from disposal of property, plant & equipment	11,888	10,314	-	2,023
Investment in group companies	(280,000)	-	(249,000)	(114,370)
Cash paid on investment in Mabroc Teas (Pvt) Ltd. (Note 24)	(212,000)	-	-	-
Net of short-term borrowings, cash & cash equivalents on acquisition of Mabroc Teas (Pvt) Ltd. (Note 24)	(196,806)	-	-	-
Interest received	19,641	26,899	1,000	916
Dividends received from non-group companies	7,073	17,681	7,073	17,681
Dividends received from subsidiary companies	-	-	122,021	310,638
Net payments to non-controlling interest	(32,918)	(120,678)	-	-
Net cash flow from investing activities	(1,655,723)	(346,039)	(176,215)	201,044
Cash Flows from Financing Activities				
Long-term loans obtained	702,521	263,445	227,500	-
Repayment of long-term loan	(537,246)	(428,750)	(117,040)	-
Capital payment on finance lease	(5,860)	(5,319)	-	-
Dividends paid	(228,078)	(257,650)	(228,078)	(257,650)
Net cash flow from financing activities	(68,663)	(428,274)	(117,618)	(257,650)
Net increase/(decrease) in cash and cash equivalents	(954,630)	252,038	(326,934)	(84,479)
Cash and cash equivalents at beginning of the year	(1,802,080)	(2,112,573)	(514,749)	(430,270)
Cash and cash equivalents at end of the year (Note B)	(2,756,710)	(1,860,535)	(841,683)	(514,749)

Cash Flow Statements

<i>For the year ended March 31,</i>	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
A. Cash Generated from Operations				
Profit before tax	748,110	737,609	147,167	369,435
Adjustments for:				
Interest cost	250,849	239,003	48,766	50,865
Share of (profit)/loss of equity accounted investees	9,042	(1,904)	-	-
Depreciation on property, plant & equipment	424,339	412,350	31,948	27,810
Gain on disposal of property, plant & equipment	(9,342)	(7,698)	-	(846)
Amortisation of grants	(17,378)	(14,719)	-	-
Surplus on acquisition	(5,996)	-	-	-
Provision/write-off/(reversal) of bad & doubtful debts	(10,456)	18,219	(5,691)	5,772
Provision for retiring gratuity	242,456	283,501	43,940	61,761
Provision for agents' indemnity fund	4,113	4,882	-	-
Provision for slow-moving/obsolete inventories	37,281	33,826	8,367	5,255
Interest and dividends income	(26,714)	(44,580)	(130,094)	(329,235)
Differences of exchange on translation of foreign entities	(95,479)	(22,496)	-	-
	1,550,825	1,637,993	144,403	190,817
(Increase)/decrease in trade and other receivables	(266,301)	(290,130)	(124,569)	88,756
(Increase)/decrease in inventories	(479,221)	(187,458)	8,592	(46,340)
Increase/(decrease) in trade and other payables	463,492	341,078	5,693	(168,009)
	(282,030)	(136,510)	(110,284)	(125,593)
	1,268,795	1,501,483	34,119	65,224
B. Analysis of Cash and Cash Equivalents at End of the Year				
Cash at bank and in hand	208,531	184,591	25,485	52,684
Short-term deposits	323,316	227,037	-	-
Short-term loans and overdraft	(3,288,557)	(2,272,163)	(867,168)	(567,433)
	(2,756,710)	(1,860,535)	(841,683)	(514,749)
Effects of exchange rate changes	-	58,455	-	-
	(2,756,710)	(1,802,080)	(841,683)	(514,749)

The Notes to the Financial Statements on pages 50 to 80 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

Dipped Products PLC and all its subsidiaries are limited liability companies incorporated and domiciled in Sri Lanka other than Dipped Products (Thailand) Ltd. and ICOGUANTI S.p.A. which are incorporated and domiciled in Thailand and Italy respectively.

Ordinary shares of Dipped Products PLC are listed on the Colombo Stock Exchange.

The Consolidated Financial Statements of Dipped Products PLC, as at and for the year ended March 31, 2011 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity accounted investees.

The registered office of the Company and the principal lines of business are given on back inner cover of this Report.

The Financial Statements of all companies in the Group other than those mentioned in Note 41 to the Financial Statements are prepared to a common financial year which ends on March, 31.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), adopted by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Financial Statements were authorised for issue by the Directors on May 11, 2011.

2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis and Accounting Policies are applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements except for the land which is stated at valuation as explained in Note 22 to the Financial Statements.

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency except for certain subsidiaries and whose functional currency is different as they operate in different economic environment. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

2.4 Use of estimates and judgments

The preparation of Financial Statements in conformity with SLAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 22 - Impairment of property, plant & equipment
- Note 23 - Measurement of goodwill and its impairment
- Note 24 - Impairment of investments in Separate Financial Statements of Parent Company
- Note 25 - Deferred Tax
- Note 30 - Measurement of the defined benefit obligation

Notes to the Financial Statements

2.5 Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting Policies of subsidiaries have been changed where necessary to ensure consistency with the Policies adopted by the Group. Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.1 Basis of consolidation

The Consolidated Financial Statements (referred to as the 'Group') comprise the Financial Statements of the Company and its subsidiaries and the Group's interest in equity accounted investees.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, which is evident when the Group controls, the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profit or capital.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The interest of the outside shareholders of the Group is disclosed separately under the heading of Non-Controlling Interest.

3.1.2 Transaction with non-controlling interest

The profit or loss and net assets of subsidiaries attributable to equity interest that are not owned by the Parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non-Controlling Interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

3.1.3 Equity accounted investees

Equity accounted investees are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds directly or indirectly between 20 per cent to 50 per cent of voting power of another entity. Equity accounted investees are accounted for using the equity method. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit and loss. Non-monetary assets and liabilities, which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction.

3.2.2 Financial Statements of foreign entities

The results and financial position of all Group entities that have a functional currency other than Sri Lankan Rupees are translated into Sri Lankan Rupees as follows:

- assets and liabilities for each Balance Sheet presented, including goodwill and fair value adjustments arising on the acquisition of a foreign entity, are translated at the closing rate at the date of the Balance Sheet;
- income and expenses are translated at the average exchange rates for the period.

All resulting exchange differences are recognised in the exchange fluctuation reserves within equity.

4. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets on the Balance Sheets are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the Balance Sheet date, whichever is shorter.

4.1 Property, plant & equipment

Items of property, plant & equipment are measured at cost or at fair value less accumulated depreciation and accumulated impairment losses.

4.1.1 Owned assets

Cost of property, plant & equipment includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

A revaluation of land is done when there is a substantial distinction between the fair value (market value) and the carrying amount of the asset and is undertaken by professionally qualified valuers.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

Gains and losses arising from disposal of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'other income' in profit and loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Notes to the Financial Statements

4.1.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards incident to ownership are transferred, are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of their fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets is accounted for in accordance with the accounting policy applicable to that asset.

4.2 Subsequent expenditure

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant & equipment are recognised in profit and loss as incurred.

4.3 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from the derecognition of property, plant & equipment are recognised in profit and loss and gains are not classified as revenue.

4.4 Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Freehold land is not depreciated. Assets held under finance lease are depreciated over the shorter of the lease term and their useful lives of equivalent-owned assets.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years
Plant & Machinery	10 years
Laboratory, Stores, Office, Canteen & Other Equipment	4 to 5 years
Furniture & Fittings	6 to 8 years
Vehicles	4 to 5 years
Leasehold Properties	over the lease period

Depreciation of an asset begins when it is available for use and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is disposed.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

4.5 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably in accordance with SLAS 37 on 'Intangible Assets'. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation and accumulated impairment losses.

4.5.1 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the Group's interest in fair value of the net assets acquired.

Goodwill is tested annually for impairment and is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net assets acquired over the cost of acquisition. Negative goodwill is recognised immediately in profit and loss.

Notes to the Financial Statements

4.5.2 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

4.5.3 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally-generated brands is recognised in profit and loss when incurred.

4.5.4 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful life for capitalised development costs is five years.

4.6 Investments

4.6.1 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and is therefore carried at its cost less any accumulated depreciation and any impairment losses.

4.6.2 Short-term investments

Short-term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in profit and loss.

4.6.3 Long-term investments

Quoted and unquoted investments in shares held on long-term basis are measured at cost less impairment losses.

In the Parent Company's Financial Statements, investments in subsidiaries and equity accounted investees are carried at cost less impairment losses under the Parent Company accounting policy for long-term investments.

Provision for fall in value is made when in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

4.7 Inventories

Inventories are measured at the lower of cost and net realisable value after making due allowances for obsolete and slow moving item. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

The general basis on which cost is determined is:

All inventory items, except manufactured inventories at weighted average directly attributable cost.

Manufactured inventories are measured at weighted average factory cost, which includes all direct expenditure and appropriate shares of production overhead based on normal operating capacity.

4.8 Trade and other receivables

Trade and other receivables are stated at their estimated realisable value. Provision has been made in the Financial Statements for bad and doubtful debts.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Notes to the Financial Statements

4.10 Impairment

The carrying amounts of the Group's assets, other than, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that it might be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. Non-current liabilities are those balances that fall due for payment later than one year from the Balance Sheet date. All known liabilities have been accounted for in preparing the Financial Statements.

5.1 Employee benefits

5.1.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit and loss when they are due.

The Group contributes 12% and 3% of emoluments to employee as Provident Fund and Trust Fund contributions respectively.

5.1.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date.

Provision has been made in the Financial Statements for retiring gratuities. This has been based on an actuarial valuation carried out on a Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No. 16 (Revised 2006) 'Retirement Benefit Costs'. The actuarial valuation was carried out by a professionally qualified firm of actuaries, as at March 31, 2011. The Company expects to carry out actuarial valuation once in every two years.

The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty. Key assumptions used in determining the defined retirement benefit obligations are given in Note 30. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Notes to the Financial Statements

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

The liability is not externally funded. This liability is computed on the following basis:

<u>Length of service (years)</u>	<u>No. of months salary for each completed year of service</u>
Up to 20	1/2
20-25	3/4
25-30	1
30-35	1 1/4
Over 35	1 1/2

5.1.3 Short-term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

5.1.4 Provision, contingent assets and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are disclosed as a Note to the Financial Statement unless the outflow of resources is remote.

Contingent assets are disclosed where inflow of economic benefit is probable.

5.2 Agents' indemnity fund

Provision has been made for amount payable to agents of ICOQUANTI S.p.A. Italy on cessation of contracts. The basis of calculation is given below:

<u>Length of contract</u>	<u>Percentage of invoice value (%)</u>
1-3 years	3.0
4-6 years	3.5
Above 6 years	4.0

6. TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

7. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

7.1 Revenue recognition

- Revenue is recognised for sale of goods when all significant risks and rewards of ownership have been transferred to the buyer.
- Revenue from rendering services is recognised in the accounting period in which the services are rendered or performed.
- Rental income is recognised in the profit and loss on a straight-line basis over the term of the lease.
- Dividend income is recognised in the profit and loss, when the Group's right to receive payment is established.
- Interest income is recognised in the profit and loss as it accrues.

Net gains/(losses) of revenue nature on the disposal of property, plant & equipment and other non-current assets including investment have been accounted for in profit and loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Notes to the Financial Statements

Other income

Other income is recognised on an accrual basis.

7.2 Expenditure

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

7.3 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

7.4 Borrowing costs

Borrowing costs related to investments in 'qualified assets' that require a substantial period for completion are capitalised with the cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

7.5 Financing income and expenses

Finance income comprises interest income on funds invested, dividend income and gain on translation of foreign currency.

Financing expenses comprise interest payable on borrowings and loss on translation of foreign currency. The interest expense component of finance lease payments is recognised in profit and loss using the effective interest rate method.

7.6 Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

8. GENERAL

8.1 Discontinuing operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Income Statement is represented as if the operation had been discontinued from the start of the comparative period.

Notes to the Financial Statements

8.2 Events after the Balance Sheet date

All material post Balance Sheet events have been considered and where appropriate for disclosures have been made in the respective notes to the Financial Statements.

9. EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

10. SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segmental information is presented in respect of the Group's business/industry and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The secondary format, geographical segments, is based on the Group's geographical spread of operations.

11. PLANTATIONS

11.1 Property, plant & equipment

11.1.1 Infilling cost

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the profit and loss in the year in which they are incurred.

11.1.2 Permanent land development cost

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

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

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

11.1.3 Limited life land development cost (Immature and mature plantations)

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

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

The expenditure incurred on perennial crop (Tea/Rubber) fields, which come into bearing during the year, has been transferred to mature plantations.

Notes to the Financial Statements

11.2 Depreciation

Depreciation is recognised in Income Statement on the straight - line basis over the estimated useful economic lives of such assets based on the cost or valuation of all property, plant & equipment. Assets are depreciated over the shorter of the lease term or their useful economic lives.

The estimated useful lives are as follows:

<u>Freehold assets</u>	<u>No. of years</u>
Buildings and roads	40
Plant and machinery	13
Hydro power plants	30
Motor vehicles	05
Equipment	08
Furniture and fittings	10
Sanitation, water and electricity supply	20
Computer accessories	04

<u>Mature plantations</u>	<u>No. of years</u>
Mature plantations - Tea	33
Mature plantations - Rubber	20

No depreciation is provided for immature plantations.

11.3 Amortisation

The leasehold rights of assets taken from JEDB/SLSPC are amortised in equal annual amounts over the following years:

<u>Leasehold right</u>	<u>No. of years</u>
Bare land	53
Mature plantations	30
Buildings	25
Machinery	15
Improvements to land	30

11.4 Inventories

The value of each category of inventory is determined on the following basis:

Input material	At actual cost on weighted average basis
Spares and consumables	At actual cost on weighted average basis
Nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads less provision for overgrown plants.
Produce stock	Manufactured up to the Balance Sheet date and sold since then until the time of preparation of the Financial Statements are valued at since realised prices. The balance stocks are valued at estimated selling price. The prices are net of all attributable expenses relating to the public auction.

Notes to the Financial Statements

11.5 Government grants

Grants related to property, plant & equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful economic life of the related property, plant & equipment as follows:

Buildings	40 years
Sanitation & water supply	20 years
Plant & equipment	13 1/3 years

Grants related to income are recognised in the profit and loss in the year in which it is receivable.

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

11.6 Retirement benefits to employees

The Defined Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983 and Indian Repatriate Act No. 34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Obligations in the Balance Sheet. Provision for gratuity on the employees of the Company is based on an actuarial valuation using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard (SLAS) 16 - 'Retirement Benefit Costs'.

The liability is not externally funded.

11.7 Revenue recognition

In keeping with the practice in Plantation Industry, revenue and profit or loss on sale of Perennial crops are recognised in the financial period of harvesting. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.

12. CASH FLOW STATEMENT

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

13. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards - 2011 applicable for financial periods beginning on or after January 01, 2012. These new Accounting Standards are prefixed both SLFRS and LKAS which correspond to the relevant IFRS and IAS. Disclosure requirement under SLAS 10.30 and 10.31 have been exempted by the ICASL and therefore all differences and impacts arising from the new standards are not presented in these Financial Statements.

The impact of the above requirements have not been quantified as exempted by the ICASL. The above standards are effective for annual periods beginning on or after January 01, 2012.

Notes to the Financial Statements

14. TURNOVER

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Dipped Products PLC.	1,449,344	1,104,355
Grossart (Pvt) Ltd.	1,648,713	1,246,464
Venigros (Pvt) Ltd.	1,710,914	1,260,310
Neoprex (Pvt) Ltd.	747,421	424,280
Texnil (Pvt) Ltd.	235,028	185,824
Dipped Products (Thailand) Ltd.	1,995,703	1,582,286
ICOQUANTI S.p.A.	3,392,850	3,153,988
Feltex (Pvt) Ltd.	38,813	24,113
Hanwella Rubber Products Ltd.	1,155,173	965,387
DPL Plantations (Pvt) Ltd.	958	993
Kelani Valley Plantations PLC	3,880,381	2,860,003
	16,255,298	12,808,003
Intra-group sales/services	(1,386,053)	(984,296)
	14,869,245	11,823,707

Segment information on turnover is given in Note 37.

15. OTHER INCOME

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Gain on disposal of property, plant & equipment	9,342	7,698	-	846
Amortisation of Government grants	17,378	14,719	-	-
Lease rental	-	-	2,586	2,466
Export development reward	30,000	6,002	10,000	-
Amortisation of surplus on acquisition	5,996	-	-	-
	62,716	28,419	12,586	3,312

16. OTHER EXPENSES

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Research expenses	11,121	13,188	3,295	3,834

17. NET FINANCE COST/(INCOME)

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Finance Cost				
Interest on finance leases	66,941	21,152	-	-
Interest on long-term borrowings	45,521	100,921	6,358	-
Interest on short-term borrowings	138,387	116,930	42,408	50,865
	250,849	239,003	48,766	50,865
Finance Income				
Interest income	(19,641)	(26,899)	(1,000)	(916)
Dividend income - Quoted investments	(7,073)	(17,681)	(7,073)	(17,681)
- Unquoted investments	-	-	(122,021)	(310,638)
Exchange gain on working capital/trading	(54,515)	(79,323)	(56,304)	(31,514)
	(81,229)	(123,903)	(186,398)	(360,749)
	169,620	115,100	(137,632)	(309,884)

Notes to the Financial Statements

18. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Depreciation of property, plant & equipment	424,339	412,350	31,948	27,810
Directors' emoluments	47,723	48,938	18,292	19,568
Auditors' remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	4,426	4,046	640	585
- Other Auditors	4,370	3,755	-	-
Fees paid to Auditors for non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	625	1,045	145	199
- Other Auditors	27	25	-	-
Bad and doubtful debts written-off/provision/ (reversal)	(10,456)	18,219	(5,691)	5,772
Provision for slow-moving/obsolete inventories	37,281	33,826	8,367	5,255
Staff costs (Note 18.1)	3,054,441	2,688,507	252,542	214,274
Legal fees	12,240	8,494	3,976	767
Donations	1,198	1,773	129	552

18.1 Staff Costs

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Defined contribution plan costs	276,235	229,699	29,823	25,740
Defined benefit plan costs	242,456	283,501	43,940	61,761
Staff costs others	2,535,750	2,175,307	178,780	126,773
	3,054,441	2,688,507	252,542	214,274
No. of employees at year end	15,557	15,636	330	342

19. INCOME TAX EXPENSE

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Income tax on current year profits	116,196	167,608	9,808	13,718
(Over)/under provision in respect of previous years	1,160	(213)	699	-
Recovery of economic service charge written-off	-	11	-	-
	117,356	167,406	10,507	13,719
Origination and reversal of temporary differences	30,218	(6,853)	6,095	(2,424)
Withholding tax on dividends	14,953	12,779	-	-
	162,527	173,332	16,602	11,295

Notes to the Financial Statements

Reconciliation of accounting profit to income tax expense

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Profit before tax	748,110	737,609	147,167	369,435
Share of (profit)/loss of associate	9,042	(1,904)	-	-
Intra-group eliminations	123,302	396,933	-	-
	880,454	1,132,638	147,167	369,435
Disallowable expenses	648,400	666,017	92,447	114,013
Tax deductible expenses	(694,396)	(803,869)	(35,322)	(68,088)
Tax exempt income	(604,788)	(338,385)	(143,038)	(328,594)
Tax loss b/f	(1,480,485)	(1,673,931)	-	-
Adjustments for tax loss b/f	21,363	212,707	-	-
Tax loss c/f	1,721,680	1,480,485	-	-
Taxable Income	492,228	675,662	61,254	86,766
Income Tax @ 35%	6,901	23,029	919	876
Income Tax @ 27.5%	47,230	75,520	-	-
Income Tax @ 15%	45,119	50,296	8,794	12,639
Income Tax @ other tax rates	16,296	17,972	-	-
Social Responsibility Levy	649	791	95	204
Income tax on current year profits	116,196	167,608	9,808	13,719

Dipped Products PLC, Grossart (Pvt) Ltd., Venigros (Pvt) Ltd., Texnil (Pvt) Ltd., Feltex (Pvt) Ltd. and Hanwella Rubber Products Ltd. have entered into an agreement with the Board of Investment of Sri Lanka (BOI) as 'Thrust Industries'.

The tax holidays granted on its business activities of these Companies are as follows:

Name of the Company	Tax holiday period	Expired/expires as at March 31,
Dipped Products PLC	10 Years	2009
Venigros (Pvt) Ltd.	10 Years	2009
Grossart (Pvt) Ltd.	10 Years	2010
Feltex (Pvt) Ltd.	05 Years	2011
Hanwella Rubber Products Ltd.	10 Years	2011
Texnil (Pvt) Ltd.	10 Years	2013

Neopex (Pvt) Ltd., Kelani Valley Green Tea (Pvt) Ltd. and Kalupahana Power Company (Pvt) Ltd. have entered into an agreement with BOI and have been granted 10, 5 and 5 years tax holiday period commencing from April 1, 1999, April 1, 2006 and April 1, 2007 respectively.

After completion of tax exemption periods the business income of above companies would be liable to income tax at concessionary rate of 15% except Feltex (Pvt) Ltd. and Kalupahana Power Company (Pvt) Ltd. which would be liable to income tax rate at 10%.

In term of Section 16 of the Inland Revenue Act No. 10 of 2006 as amended, profits from Kelani Valley Plantations PLC on Specified Profit from agriculture is eligible for 5-year tax holiday commencing from December 31, 2006.

Notes to the Financial Statements

In terms of Sections 46, 51, 52 and 59 of the Inland Revenue Act No. 10 of 2006 as amended, DPL Plantations (Pvt) Ltd. and Mabroc Teas (Pvt) Ltd. enjoyed a concessionary tax rate of 15%. Further, profits arising from export of tea bags containing of the teas with Sri Lanka origin are exempted from the income tax for 5 years commencing from April 1, 2006.

ICOGUANTI S.p.A. - Italy is liable to a corporate tax rate of 27.5% and a regional tax of 3.9% on its taxable income. Dipped Products (Thailand) Ltd., would be exempted from income tax for a period of 8 years ending December 31, 2012.

20. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Consolidated		Company	
	2011	2010	2011	2010
Net profit for the year (Rs. '000)	446,614	480,886	130,565	358,140
Weighted average number of shares (in thousands)	59,861	59,861	59,861	59,861
Basic earning per share (Rs.)	7.46	8.03	2.18	5.98

Diluted Earnings Per Share

There are no potentially dilutive ordinary shares of the Company and as a result the diluted earnings per share is the same as the basic earnings per share shown above.

21. DIVIDEND PER SHARE

	Company	
	2011 Rs. '000	2010 Rs. '000
Interim dividend - Rs. 1.50 per share (2010 - Rs. 1.50 per share)	89,792	89,792
Final dividend proposed Rs. 1.50 per share (2010 - Rs. 2.25 per share) (Note 43)	89,793	134,688
Gross dividend	179,585	224,480
Number of Shares (in thousands)	59,861	59,861
Dividend (inclusive of proposed dividend) per share Rs.	3.00	3.75

Dividends of Rs. 3.00 per share (2010 - Rs. 3.75 per share) distributed to shareholders comprise redistribution of dividends received by the Company, and are therefore not subject to the 10% tax deduction.

Notes to the Financial Statements

22. PROPERTY, PLANT & EQUIPMENT

a. Consolidated

	Land	Mature/ immature plantations	Buildings	Plant & machinery, stores & lab equipment	Furniture, fittings & other equipment	Vehicles	2011 Total	2010 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold								
Cost/Valuation								
At beginning of the year	273,223	-	1,244,855	3,282,991	264,277	215,224	5,280,570	4,876,371
On acquisition of subsidiary	-	-	-	166,069	-	13,877	179,946	-
Effect of movement in foreign exchange	4,225	-	14,700	91,794	(40)	104	110,783	70,964
Additions	7,443	-	245,583	187,145	20,044	57,755	517,970	319,516
Revalued during the year	-	-	-	-	-	-	-	49,757
Disposals	-	-	-	(2,111)	(1,590)	(11,508)	(15,209)	(36,038)
At end of the year	284,891	-	1,505,138	3,725,888	282,691	275,452	6,074,060	5,280,570
Depreciation and impairment losses								
At beginning of the year	-	-	266,423	1,736,004	196,288	137,930	2,336,645	1,994,527
On acquisition of subsidiary	-	-	-	26,775	-	12,475	39,250	-
Effect of movement in foreign exchange	-	-	3,466	42,985	(223)	271	46,499	24,993
Charge for the year	-	-	47,621	258,594	20,067	32,008	358,290	350,547
On disposals	-	-	-	(997)	(1,253)	(10,413)	(12,663)	(33,422)
At end of the year	-	-	317,510	2,063,361	214,879	172,271	2,768,021	2,336,645
Net book value at year end	284,891	-	1,187,628	1,662,527	67,812	103,181	3,306,039	2,943,925
Capital work-in-progress							345,990	47,189
Carrying amount							3,652,029	2,991,114
Leasehold								
Cost/Valuation								
At beginning of the year	373,195	2,072,729	84,600	36,495	-	9,873	2,576,892	2,380,801
Additions	-	211,726	-	-	-	6,469	218,195	197,733
Effect of movement in foreign exchange	-	-	-	-	-	717	717	458
Disposals	-	-	-	-	-	(5,024)	(5,024)	(2,100)
At end of the year	373,195	2,284,455	84,600	36,495	-	12,035	2,790,780	2,576,892
Amortisation and impairment losses								
At beginning of the year	118,601	446,937	59,354	36,495	-	6,808	668,195	608,249
Charge for the year	7,255	53,296	3,384	-	-	2,114	66,049	61,803
Effect of movement in foreign exchange	-	-	-	-	-	338	338	243
On disposals	-	-	-	-	-	(5,024)	(5,024)	(2,100)
At end of the year	125,856	500,233	62,738	36,495	-	4,236	729,558	668,195
Net book value at year end	247,339	1,784,222	21,862	-	-	7,799	2,061,222	1,908,697
Carrying amount							5,713,251	4,889,811

Notes to the Financial Statements

b. Company

	Land	Buildings	Plant & machinery stores & lab equipment	Furniture, fittings, office and other equipment	Vehicles	2011 Total	2010 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation							
At beginning of the year	151,985	101,021	351,444	63,724	24,304	692,478	654,002
Additions	-	175	6,369	3,565	40,153	50,262	28,263
Revalued during the year	-	-	-	-	-	-	33,906
Disposals	-	-	-	-	-	-	(23,693)
At end of the year	151,985	101,196	357,813	67,289	64,457	742,740	692,478
Depreciation and impairment losses							
At beginning of the year	-	57,593	256,357	50,746	11,282	375,978	370,684
Charge for the year	-	2,675	16,330	4,394	8,549	31,948	27,810
On disposals	-	-	-	-	-	-	(22,516)
At end of the year	-	60,268	272,687	55,140	19,831	407,926	375,978
Net book value at year end	151,985	40,928	85,126	12,149	44,626	334,814	316,500
Capital work-in-progress						10,499	3,452
Carrying amount						345,313	319,952

(i) The value of land which has been revalued by Independent qualified valuer is indicated below together with the last date of revaluation:

Company	Location	Revaluation date	Written up as at	
			March 31, 2011 Rs. '000	March 31, 2010 Rs. '000
Dipped Products PLC	Brahmanagama, Kottawa	March 31, 2010	80,105	80,105
Dipped Products PLC	Nedungamuwa, Weliveriya	March 31, 2010	53,204	53,204
Palma Ltd.	Gonawala, Kelaniya	March 31, 2010	27,957	27,957
Venigros (Pvt) Ltd.	Nedungamuwa, Weliveriya	March 31, 2010	33,899	33,899
			195,165	195,165

There are no tax implications or tax liabilities pertaining to revaluation of land.

(ii) Leasehold property, plant & equipment include the leasehold rights to bare land on all 27 estates of Kelani Valley Plantations PLC (KVPL), the immovable leased assets standing thereon at the inception of the Company and improvements to leasehold property since the formation of the Company. Unexpired lease period of KVPL land is 35 years.

(iii) Property, plant & equipment with a carrying amount of Rs. 2,041,268,751/- (2010 - Rs. 2,022,318,998/-) have been pledged as security to obtain banking facilities.

(iv) The cost of revalued land given above, would amount to Rs. 25,620,108/- and Rs. 18,676,416/- respectively for the Group and the Company.

Notes to the Financial Statements

23. INTANGIBLE ASSETS

Goodwill

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Cost		
At beginning of the year	58,152	58,152
Incurred during the year	33,309	-
At end of the year	91,461	58,152
Amortisation and impairment losses		
At beginning of the year	42,468	42,468
Amortisation charge for the year	-	-
At end of the year	42,468	42,468
Carrying amount	48,993	15,684

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Rs. '000
Venigros (Pvt) Ltd.	6,080
ICOGUANTI S.p.A.	9,604
Mabroc Teas (Pvt) Ltd.	33,309
	48,993

There has been no permanent impairment of intangible assets of Venigros (Pvt) Ltd. and ICOGUANTI S.p.A. that requires a provision. Methods used in estimating recoverable amount are given below:

The recoverable value was based on value in use which was determined by discounting the future cash flows generated from the continuing use of the unit. Key assumptions used are given below:

- Business Growth - Based on historical growth rate and business plan
- Inflation - Based on the current inflation rate
- Discount rate - Average market borrowing rate adjusted for risk premium
- Margin - Based on current margin and business plan

The management is of the view that a provision for impairment of goodwill is not required based on cash flow forecast as at the Balance Sheet date for the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. by Kelani Valley Plantations PLC in December, 2010.

Notes to the Financial Statements

24. INVESTMENTS

a. Investments in Subsidiaries (at cost)

Unquoted Investments

	% Holding		No. of Shares		Company Value Rs. '000	
	2011	2010	2011	2010	2011	2010
Palma Ltd.	100	100	4,000,000	4,000,000	40,000	40,000
Grossart (Pvt) Ltd.	100	100	4,200,000	4,200,000	42,000	42,000
DPL Plantations (Pvt) Ltd.	100	100	35,000,000	10,100,000	350,000	101,000
Venigros (Pvt) Ltd.	100	100	8,000,000	8,000,000	202,450	202,450
Neoprex (Pvt) Ltd.	100	100	4,000,000	4,000,000	40,000	40,000
Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000	75,000	75,000
Dipped Products (Thailand) Ltd.	99	99	3,700,290	3,700,290	1,127,958	1,127,958
ICOGUANTI S.p.A.	55	55	1,100,000	1,100,000	89,872	89,872
Feltex (Pvt) Ltd.	100	100	1,500,000	1,500,000	15,000	15,000
Hanwella Rubber Products Ltd.	70	70	6,090,000	6,090,000	31,000	31,000
					2,013,280	1,764,280
Provision for diminution in value of investments						
- Palma Ltd.					(20,000)	(20,000)
- Dipped Products (Thailand) Ltd.					(150,000)	(150,000)
					1,843,280	1,594,280

The Company invested Rs. 249 million in DPL Plantations (Pvt) Ltd., during the year.

b. Investment in Equity Accounted Investees

Investee	Investment at cost		Share of post-acquisition profit/(loss) and adjustments		Consolidated Net assets	
	2011	2010	2011	2010	2011	2010
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Mabroc Teas (Pvt) Ltd.	-	48,000	-	44,201	-	92,201
Hayleys Plantation Services (Pvt) Ltd.	280,000	-	28,879	-	308,879	-
					308,879	92,201

Investor	Investee	% Holding		2011	Consolidated No. of shares Movement	
		2011	2010		2011	2010
Kelani Valley Plantations PLC	Mabroc Teas (Pvt) Ltd.	-	40	-	(3,600,000)	3,600,000
DPL Plantations (Pvt) Ltd.	Hayleys Plantation Services (Pvt) Ltd.	33 1/3	-	6,700,000	6,700,000	-

Summarised Financial Information of Equity Accounted Investees

The following information has not been adjusted for Group Share:

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Assets and Liabilities		
Total assets	3,580,899	576,634
Total liabilities	2,654,262	359,708
Net assets	926,637	216,926
Revenue and Profit		
Turnover	3,002,624	833,186
Profit after tax	175,768	899

Notes to the Financial Statements

Kalani Vally Plantations PLC acquired 40% shares of Mabroc Teas (Pvt) Ltd. in April, 2003 and balance 60% in December, 2010. Financial Statements of Mabroc Teas (Pvt) Ltd. are included in the Consolidated Financial Statements.

The financial year of Mabroc Teas (Pvt) Ltd. ends on March 31. Its results for December 31, 2010 are included in these Financial Statements based on the audited Financial Statements up to March 31, 2010 and the Financial Statements for the period of nine months ended December 31, 2010 which was subjected to a limited review carried out by the Auditors of the Company.

	Rs. '000
Acquisition of Subsidiary - Mabroc Teas (Pvt) Ltd.	
Property, plant & equipment	142,511
Investment in equity accounted investee	15,800
Inventories	212,183
Trade & other receivables	198,561
Provision for bad and doubtful debts	(83,323)
Short-term deposits	8,893
Short-term investments	124,159
Cash and cash equivalents	8,111
Bank overdraft	(11,149)
Retirement benefit obligations	(12,580)
Short-term borrowings	(317,927)
Deferred tax liability	(2,460)
Trade & other payables	(43,386)
Tax payable	(426)
Total net assets acquired	238,967
Goodwill on acquisition	33,309
Total	272,276
Satisfied by:	
Cash consideration	212,000
Investment in equity accounted investee [Mabroc Teas (Pvt) Ltd. - Note b.i]	60,276
	272,276
Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiary	
Cash consideration	(212,000)
Net of short-term borrowings and cash and cash equivalents on acquisition of Mabroc Teas (Pvt) Ltd.	(196,806)
Net cash outflow on acquisition	(408,806)

b.i

	Rs. '000
Carrying amount at April 1, 2010	92,201
Share of loss of equity accounted investee	(31,925)
Adjustment due to acquisition of controlling interest	(60,276)
Carrying amount at March 31, 2011	-

The carrying value of goodwill represents the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. The Management is of the view that a provision impairment for the goodwill is not required as at the Balance Sheet date.

Notes to the Financial Statements

c. Other Long-Term Investments (at cost)

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Quoted Investments				
Hayleys PLC				
3,536,159 (March 31, 2010 - 3,536,159) ordinary shares	194,457	194,457	194,457	194,457
Royal Ceramic Lanka PLC				
220 (March 31, 2010 - 110) ordinary shares	3	3	-	-
Unquoted Investments				
Wellassa Rubber Company Ltd.				
255,000 (March 31, 2010 - 255,000) ordinary shares	2,550	2,550	-	-
	197,010	197,010	194,457	194,457

(i) The market value of quoted investment amounts to Rs. 1,351 million (2010 - 796 million).

(ii) Unquoted investments consist of 220,000 shares purchased by DPL Plantations (Pvt) Ltd. and 35,000 shares purchased by Hanwella Rubber Products Ltd.

25. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
A. Deferred Tax Asset				
At end of the year (Note 25.B)	17,922	24,016	17,922	24,016
B. Deferred Tax Liability				
At beginning of the year	111,940	118,793	(24,016)	(21,592)
On acquisition of subsidiary	2,460	-	-	-
Transfer (to)/from Income Statement	30,218	(6,853)	6,095	(2,424)
At end of the year	144,618	111,940	(17,922)	(24,016)
Deferred tax asset	17,922	24,016	17,922	24,016
	162,540	135,956	-	-
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Accelerated depreciation for tax purposes	330,699	285,933	8,165	(2,145)
Defined benefit obligations	(143,478)	(145,246)	(26,087)	(21,871)
Losses available for offset against future taxable income	(45,063)	(28,747)	-	-
Others	2,460	-	-	-
	144,618	111,940	(17,922)	(24,016)

Notes to the Financial Statements

26. INVENTORIES

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Raw materials & consumables	1,093,115	857,258	291,923	336,198
Finished goods	356,313	252,844	70,623	23,692
Trading stock	757,574	726,860	-	-
Work-in-progress	130,423	127,247	17,791	17,938
Produce stock	473,578	232,268	-	-
Goods-in-transit	114,490	37,612	-	11,101
	2,925,493	2,234,089	380,337	388,929
Provision for slow-moving/obsolete inventories	(191,821)	(154,540)	(48,810)	(40,443)
	2,733,672	2,079,549	331,527	348,486

Inventories pledged as security to obtain banking facilities amount to Rs. 565 million. (2010 - Rs. 333 million)

27. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Bills receivable	1,566,377	1,295,876	194,509	274,653
Trade receivables	1,628,907	1,490,970	5,892	3,989
Provision for bad and doubtful debts	(124,213)	(51,346)	(81)	(5,772)
	3,071,071	2,735,500	200,320	272,870
Pre-payments, deposits and staff advances	362,883	283,514	95,190	68,286
ESC recoverable	18,503	17,787	-	-
Advance company tax recoverable	19,620	19,620	-	-
Income tax refunds due	49,140	964	-	-
Other receivables	186,591	209,536	-	-
	3,707,808	3,266,921	295,510	341,156

28. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2011 Rs. '000	2010 Rs. '000
Fully-owned subsidiaries	236,416	152,780
Partly-owned subsidiaries	202,503	110,233
	438,919	263,013

29. STATED CAPITAL

	2011 Rs. '000	2010 Rs. '000
Issued & Fully Paid		
59,861,512 ordinary shares (March 31, 2010 - 59,861,512)	598,615	598,615

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the Financial Statements

30. DEFINED BENEFIT OBLIGATIONS

Provision for Retiring Gratuity

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
a. At beginning of the year	976,967	811,366	182,257	162,693
Amortisation of transitional liability	8,645	8,645	8,200	8,200
Effects of movements in foreign exchange	(3,045)	929	-	-
Benefit paid by the plan	(68,728)	(118,829)	(8,786)	(42,197)
Current service cost	77,942	72,539	11,515	10,800
Interest cost	99,134	90,498	22,754	29,178
On acquisition of subsidiary	12,580	-	-	-
Actuarial loss	56,735	111,819	1,471	13,583
At end of the year	1,160,230	976,967	217,411	182,257
b. Expense recognised in the Income Statement				
Amortisation of transitional liability	8,645	8,645	8,200	8,200
Current service cost	77,942	72,539	11,515	10,800
Interest cost	99,134	90,498	22,754	29,178
Actuarial loss	56,735	111,819	1,471	13,583
Administrative expenses	242,456	283,501	43,940	61,761
c. Amortisation of Transitional Liability				
Actuarial valued liability	777,973	777,973	185,053	185,053
As per Payment of Gratuity Act	741,653	741,653	144,054	144,054
Actuarial value credit	(6,905)	(6,905)	-	-
Amortised within 5 years	43,226	43,226	40,999	40,999
Amortisation to date	25,935	17,291	24,600	16,400
Amount to be amortised in the future	17,291	25,935	16,399	24,599
d. Market value of unfunded gratuity	1,177,521	1,002,902	233,810	206,856
Total present value of the obligation	1,177,521	1,002,902	233,810	206,856

SLAS 16 (Revised 2006) requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs Actuarial and Management Consultant (Pvt) Ltd. The following key assumptions were made in arriving at the above figure:

Rate of discount	11%
Salary increase	10%

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by The Institute of Actuaries, London.

Notes to the Financial Statements

The demographic assumptions underlying the valuation with respect to retirement age early withdrawals from service and retirement on medical grounds.

Retirement age:

Executive and clerical - 60 years

Manual grade - 55 years

According to the transitional provisions of SLAS 16 (Revised 2006) the Group can recognise the difference between the liability at transition and the liability that would have been recognised at the date of transition under the Group's new accounting policy over five years.

The liability as per Payment of Gratuity Act for Group and Company as at March 31, 2011 are Rs. 943,308,894/- and Rs. 197,179,677/- respectively.

31. AGENTS' INDEMNITY FUND

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
At beginning of the year	41,270	35,379
Provision for the year	4,113	4,882
Effects of movements in foreign exchange	(4,048)	1,009
	41,335	41,270
Payments during the year	(7)	-
At end of the year	41,328	41,270

32. INTEREST BEARING BORROWINGS - NON CURRENT

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Long-term loans (Note 32.1)	805,142	686,800	-	-
Finance lease obligations net of interest (Note 32.2)	361,069	362,854	-	-
	1,166,211	1,049,654	-	-

32.1 Long-Term Loans

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
At beginning of the year	1,019,360	1,157,698	-	-
Obtained during the year	702,521	263,445	227,500	-
Effect of movements in foreign exchange	35,345	26,967	-	-
Repayments during the year	(537,246)	(428,750)	(117,040)	-
	1,219,980	1,019,360	110,460	-
Repayments due within one year of reporting date (Note 35)	(414,838)	(332,560)	(110,460)	-
Repayments due after one year	805,142	686,800	-	-

Notes to the Financial Statements

Details of Term Loans

Company	Lender/rate of interest (p.a.)	March 31, 2011 Rs. '000	March 31, 2010 Rs. '000	Repayment Rs. '000
Dipped Products PLC	HSBC minimum of 3.75% or 1 month LIBOR + 2% p.a.	-	-	US\$ 83,333 x 24 monthly ending March 31, 2012
Venigros (Pvt) Ltd.	NDB Bank 6.50%	4,624	15,924	941 x 36 inst.
Kelani Valley Plantations PLC	NDB Bank 9.51%	7,518	12,025	376 x 120 inst.
	NDB Bank 9.51%	10,747	15,194	370 x 120 inst.
	NDB Bank 6.50%	6,000	10,500	375 x 48 inst.
	NDB Bank AWPLR-5.15%	-	79,000	Repayment over 2 years as per agreed schedule
	Seylan Bank AWPLR + 0.25%	18,126	22,962	403 x 120 inst.
	DFCC Bank 9.42%	56,933	68,133	933 x 90 inst.
	DFCC Bank 6.50%	13,249	17,792	379 x 84 inst.
	DFCC Bank 9.64%	62,857	74,286	952 x 84 inst.
	DFCC Bank 6.50%	17,809	22,899	424 x 84 inst.
	DFCC Bank 6.50%	6,669	8,338	139 x 84 inst.
DFCC Bank 6.50%	4,507	6,587	173 x 60 inst.	
Kalupahana Power Company (Pvt) Ltd.	NDB Bank AWDR + 4.00%	22,000	42,264	2,300 x 8 inst. 3,450 x 4 inst. 4,025 x 8 inst. 4,600 x 6 inst.
ICOQUANTI S.p.A.	BNL 6.50% (Euro 500,000)	9,236	20,458	Euro 62.5 x 8 inst.
	Alessandria Financing 1.95% (Euro 1,000,000)	134,823	-	Repayment over 2 years as per agreed schedule
Dipped Products (Thailand) Ltd.	Thai Military Bank Public Company Ltd. MLR - 1% - 2 years MLR - next 3 years (Baht 149,765,075)	124,592	255,758	Baht 150 x 8 inst. Baht 500 x 12 inst. Baht 1,500 x 12 inst. Baht 2,500 x 23 inst. Baht 3,700 x 18 inst. Baht 465 x 1 inst.
	HSBC - Thailand (Baht 54,600,000)	-	14,680	Baht 1,480 x 36 inst. Baht 1,320 x 1 inst.
	HSBC - Sri Lanka Minimum of 4.25% or 1 month LIBOR + 2% p.a. (US\$ 4,000,000)	305,452	-	US\$ 83,333 x 48 inst.
		805,142	686,800	

Analysis of Long-Term Loans by the Year of Repayment

	Consolidated 2011 Rs. '000	2010 Rs. '000
Long-term loans repayable within 1 year from the reporting date	414,838	332,560
Long-term loans repayable between 2-5 years from the reporting date	687,001	627,066
Long-term loans repayable after 5 years from the reporting date	118,141	59,734
	1,219,980	1,019,360

Notes to the Financial Statements

Security

Monthly ending 31.08.2012	Mortgage over heater at Weliveriya
Monthly ending 31.08.2013	Primary mortgage over the leasehold rights of Panawatta and Pedro Estates have been pledged and a letter of undertaking from DPL Plantations (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of Term Loan
Monthly ending 31.05.2014	
Monthly ending 30.04.2013	
Monthly ending 31.12.2011	Undertakings from the tea broker Messrs John Keells PLC to recover from the sales proceeds
Monthly ending 30.09.2015	Primary mortgage over the leasehold rights of Robgill and Fordyce Estates
Monthly ending 31.01.2017	
Monthly ending 30.11.2014	Primary mortgage over the leasehold rights of Halgolla, We-Oya, Polatagama and Ederapola Estates and letter of undertaking from DPL Plantations (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation
Monthly ending 30.06.2017	
Monthly ending 30.06.2015	
Monthly ending 31.12.2015	
Monthly ending 28.02.2014	
Quarterly ending 31.03.2013	
Monthly ending 05.06.2011	-
Monthly ending 30.06.2025	-
Monthly ending 31.10.2012	Mortgage over land, building and machinery
Monthly ending 31.03.2011	Corporate guarantee for THB 30,920,000/- from Dipped Products PLC
Monthly ending 31.07.2015	Mortgage over land, building, machinery and a corporate guarantee for US\$ 4,000,000 from Dipped Products PLC.

Notes to the Financial Statements

32.2 Finance Lease Obligations Net of Interest

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Gross Liability		
At beginning of the year	695,729	715,941
Granted during the year	6,037	-
Repayments during the year	(20,607)	(20,232)
Effect of movements in foreign currency	169	20
At end of the year	681,328	695,729
Finance cost allocated to future periods	(313,856)	(327,916)
Net liability	367,472	367,813
Due within 1 year		
Gross liability	20,989	19,598
Finance cost allocated to future periods	(14,586)	(14,639)
Net liability (Note 35)	6,403	4,959
Due within 2-5 years		
Gross liability	82,198	78,392
Finance cost allocated to future periods	(55,997)	(56,458)
Net liability	26,201	21,934
Due after 5 years		
Gross liability	578,141	597,739
Finance cost allocated to future periods	(243,273)	(256,819)
Net liability	334,868	340,920
Net liability due after 1 year	361,069	362,854

The net liability comprises carrying value of a lease obtained by Dipped Products (Thailand) Ltd. from National Finance Public Company to the value of Rs. 4,617,532 (2010 - Nil) and carrying value of a lease obtained by Kelani Valley Plantations PLC (KVPL) from JEDB/SLSPC to the value of Rs. 362,854,124/- (2010 - Rs. 367,813,861/-).

The lease rentals payable by KVPL for JEDB/SLSPC have been amended with effect from June 18, 1996 to an amount substantially higher than previous nominal lease rental of Rs. 500/- per estate per annum.

The basic rental payable under the revised basis is Rs. 19,598,000/- per annum. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent.

This lease agreement was further amended on August 1, 2002 freezing annual lease rental at Rs. 25,839,041/- for a period of six years commencing from June 18, 2002. Hence, the GDP deflator adjustment will be frozen at Rs. 6,241,041/- per annum until June 17, 2008.

However, negotiations are being carried out to extend the period under the same terms and conditions. According to the ruling, given by the Urgent Issue Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the amount stated in the Financial Statements have been adjusted to reflect the followings:

- i. Future liability on the annual lease payment of Rs. 19,598,000/- will continue until the year 2045. The Net Present Value of this liability at a 4% discounting rate (as recommended by UITF) would result in a liability of Rs. 362,854,124/-.
- ii. The Net Present Value of Rs. 362,854,124/- is represented by a gross liability of Rs. 676,131,000/- (Rs. 19,598,000/- x 34 1/2 years) and interest in suspense of Rs. 313,277,238/-.
- iii. The charge to the Income Statement during the current period is Rs. 66.8 million (2010 - Rs. 21.2 million).

Notes to the Financial Statements

33. DEFERRED INCOME

Government Grants

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Grants		
At beginning of the year	510,023	398,421
Received during the year	55,181	111,602
At end of the year	565,204	510,023
Amortisation		
At beginning of the year	66,949	52,230
Amortised during the year	17,378	14,719
At end of the year	84,327	66,949
Carrying amount	480,877	443,074

34. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Trade payables	1,195,219	1,023,773	112,741	39,500
Other payables including accrued expenses	907,846	589,780	46,314	37,901
Amount payable on investment in DPTL shares	-	-	-	78,152
Unclaimed dividends	10,245	13,842	10,245	13,842
	2,113,310	1,627,395	169,300	169,395

35. INTEREST BEARING BORROWINGS - DUE WITHIN ONE YEAR

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Finance lease obligations net of interest (Note 32.2)	6,403	4,959	-	-
Long-term loans (Note 32.1)	414,838	332,560	110,460	-
Short-term loans and bank overdraft (Unsecured)	3,288,557	2,272,163	867,168	567,433
	3,709,798	2,609,682	977,628	567,433

36. AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2011 Rs. '000	2010 Rs. '000
Fully-owned subsidiaries	200,791	193,871
Partly-owned subsidiaries	92,004	98,868
	292,795	292,739

Notes to the Financial Statements

37. SEGMENT INFORMATION

a. Geographical Segment Information

	2011 Percentage	2010 Percentage
Turnover		
Asia/Africa	6.26	5.49
South America	7.91	9.31
Australasia	1.41	2.55
Europe	53.05	49.77
North America	9.55	14.38
	78.18	81.50
Indirect exports	21.32	18.05
Sri Lanka	0.50	0.45
	100.00	100.00

b. Business Segment Information

	Hand Protection		Plantations		Inter-Segment		Total	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Turnover	11,700,036	9,377,335	3,880,381	2,860,003	(711,172)	(413,632)	14,869,245	11,823,707
Profit before tax	374,452	763,203	373,657	(25,594)	-	-	748,110	737,609
Non-cash Expenses								
Depreciation & amortisation of leased assets	411,850	268,959	12,489	143,391	-	-	424,339	412,350
Retiring gratuity	56,694	75,547	185,762	204,736	-	-	242,456	283,501
Provision for agents' indemnity fund	4,113	4,882	-	-	-	-	4,113	4,882
Capital expenditure	739,776	93,540	292,506	298,317	(4,500)	-	1,027,782	391,857
Total assets	8,353,844	7,152,981	5,089,239	4,102,092	(174,807)	(268,253)	13,268,275	10,986,826
Investments in equity accounted investee	-	-	308,879	92,401	-	-	308,879	92,401
Non-interest bearing liabilities	1,878,102	1,761,948	1,981,478	1,689,628	153,807	(192,503)	4,013,387	3,259,074
Cash Flows from								
- Operating activities	202,701	779,912	560,510	378,560	6,545	23,552	769,756	1,182,024
- Investing activities	(776,941)	(441,792)	(801,737)	119,305	(77,045)	(23,552)	(1,655,723)	346,039
- Financing activities	163,671	(196,904)	16,666	(231,370)	(249,000)	-	(68,663)	(428,274)

Notes to the Financial Statements

38. CONTINGENT LIABILITIES

The contingent liability as at March 31, 2011 on guarantees given by the Company to third parties amounted to Rs. 619,555,237/- (2010 - Rs. 259,633,004/-). Total of this sum relates to facilities obtained by subsidiaries.

39. CAPITAL EXPENDITURE COMMITMENTS

The approximate amount of capital expenditure approved by the Directors and not contracted for as at March 31, 2011 amounts to Rs. 519,209,000/- (2010 - Rs. 376,337,000/-). The approximate capital expenditure contracted for which no provision is made in the Financial Statements as at March 31, 2011 amounts to Rs. 53,768,163/- (2010 - Rs. 32,960,460/-).

40. PALMA LTD.

The Group utilises the premises and other assets of Palma Ltd., for operations of Texnil (Pvt) Ltd. In view of the suspension of commercial operations of Palma Ltd., the carrying value of the investment has been written down by Rs. 20 million, to reduce the investment to its recoverable value.

41. COMPANIES WITH DIFFERENT ACCOUNTING YEARS

Kelani Valley Plantations PLC (KVPL), Dipped Products (Thailand) Ltd. (DPTL) and ICOGUANTI S.p.A. (ICO) prepare their annual Financial Statements on calendar year basis. The Financial Statements of KVPL, DPTL and ICO drawn up to December 31, 2010 have been consolidated.

42. RELATED PARTY DISCLOSURES

Key Management Personnel (KMP) comprises the Directors of the Company. Directors' remuneration in respect of the Company and the Group for the financial year ended March 31, 2011 are given in Note 18 to the Financial Statements. The remuneration to the Managing Director is paid by the Holding Company and included within the reimbursement of services related cost below. Details of Directors and their spouses shareholdings are given in Annual Report of the Board of Directors on Page 29 Messrs A M Pandithage, Dr. K I M Ranasoma, J A G Anandarajah, S C Ganegoda and K D D Perera who are Directors of the Company are also Directors of Hayleys PLC which is the controlling entity.

Mr. A M Pandithage who is a Director of the Company is also a Director of Agility Logistics (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Puritas (Pvt) Ltd., Clarion Shipping (Pvt) Ltd., CMA-CGM Lanka (Pvt) Ltd. and NYK Line (Pvt) Ltd.

Messrs A M Pandithage and S C Ganegoda who are Directors of the Company are also Directors of Hayleys Travels & Tours (Pvt) Ltd., Haychem (Pvt) Ltd., Volanka Insurance Services (Pvt) Ltd., Hayleys Consumer Products Ltd., Hayleys Industrial Solution Ltd., Hayleys Agro Products Ltd., Logiventures (Pvt) Ltd., Maritime Agencies (Pvt) Ltd., MIT Cargo (Pvt) Ltd. and Ravi Industries Ltd.

Messrs A M Pandithage, S C Ganegoda, J A G Anandarajah and R Seevaratnam who are Directors of the Company are also Directors of Kelani Valley Plantations PLC.

Messrs A M Pandithage, S C Ganegoda and R Seevaratnam who are Directors of the Company are also Directors of Hayleys Advantis Ltd.

The Company had an agreement with Mr. J A G Anandarajah, who is a Director of the Company for leasing of residential premises at 66 B/7, Sri Maha Vihara Road, Dehiwela at a monthly rental of Rs. 2,826/-.

Notes to the Financial Statements

Mr. B A Mahipala who is a Director of Hanwella Rubber Products Ltd., is also a Director of Hanwella Estate Development (Pvt) Ltd. During the Year, Hanwella Rubber Products Ltd., has paid Rs. 187,500/- (2010 - Rs. 180,000/-) and Rs. 375,000/- (2010 - Rs. 360,000/-) to Mr. B A Mahipala and Hanwella Estate Development (Pvt) Ltd., respectively for leasing of factory land.

For the year ended March 31,

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Transactions with related parties				
Subsidiaries				
Material transfers	-	-	1,084,198	502,725
Reimbursement of services-related cost	-	-	242,313	220,806
Reimbursement of processing and other related cost	-	-	933	59,095
Current account interest	-	-	(4,489)	(3,842)
Reimbursement of export expenses	-	-	13,096	24,476
Rent	-	-	2,896	2,762
Flock purchases	-	-	(17,022)	(8,769)
Companies controlled/significantly influenced by KMP and their close family members				
Sales of scrap gloves	1,304	447	651	24
Reimbursement of services-related cost	(109,777)	(128,449)	(63,214)	(70,417)
Purchase of chemicals	(492,532)	(5)	(87,990)	(5)
Purchase of engineering items	(2,618)	(4,680)	(1,313)	(836)

Transactions with Agility Logistics (Pvt) Ltd., Civaro Lanka (Pvt) Ltd., Clarion Shipping (Pvt) Ltd., CMA-CGM Lanka (Pvt) Ltd., Hayleys Advantis Ltd., Hayleys Agro Products Ltd., Hayleys Consumer Products Ltd., Hayleys Industrial Solutions Ltd., Hayleys PLC., Hayleys Travels & Tours (Pvt) Ltd., Logiventures (Pvt) Ltd., Kelani Valley Plantations PLC, Maritime Agencies (Pvt) Ltd., MIT Cargo (Pvt) Ltd., NYK Line Lanka (Pvt) Ltd., Puritas (Pvt) Ltd., Ravi Industries Ltd., Volanka Insurance Services (Pvt) Ltd. and Haychem Ltd. are given above under details of related party transactions.

43. EVENTS AFTER THE BALANCE SHEET DATE

Proposed Dividend

Directors have proposed the payment of final dividend of Rs. 1.50 per share for the year ended March 31, 2011 which will be declared at the Annual General Meeting to be held on June 28, 2011. In accordance with Sri Lanka Accounting Standard No. 12 (Revised) on 'Events After the Balance Sheet Date', the proposed final dividend has not been recognised as a liability as at Balance Sheet date.

No other circumstances have arisen since the Balance Sheet date, which would require adjustments to, or disclosure in the Financial Statements.

Annexes

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Ten Year Summary

	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000
Trading Results					
Gross turnover	14,869,245	11,823,707	11,895,985	11,152,895	9,412,610
Profit before tax	748,110	737,609	616,437	615,969	774,530
Taxation	(162,527)	(173,332)	(113,709)	(100,627)	(106,242)
Profit after tax	585,583	564,277	502,728	515,342	668,288
Non-controlling interest and pre-acquisition profit	(138,969)	(83,391)	(139,858)	(144,220)	(111,487)
Profit attributable to equity holders of the Company	446,614	480,886	362,870	371,122	556,801
Non-Current Assets					
Property, plant & equipment	5,713,251	4,899,811	4,826,977	4,402,997	4,014,111
Investments	505,889	289,211	287,307	295,619	277,299
Other non-current assets	66,915	39,700	37,276	27,617	20,212
	6,286,055	5,228,722	5,151,560	4,726,233	4,311,622
Current Assets	6,982,220	5,548,561	5,275,073	4,871,990	4,528,946
Total Assets	13,268,275	10,777,283	10,426,633	9,598,223	8,840,568
Capital and Reserves					
Stated capital	598,615	598,615	598,615	598,615	598,615
Capital reserves	233,499	228,505	174,223	172,018	170,121
Revenue reserves	2,715,088	2,483,243	2,306,312	2,039,771	1,876,993
Shareholders' funds	3,547,202	3,310,363	3,079,150	2,810,404	2,645,729
Non-controlling Interest	831,677	758,047	785,912	710,504	593,048
Total Equity	4,378,879	4,068,410	3,865,062	3,520,908	3,238,777
Non-Current Liabilities					
Deferred tax liability	162,540	135,956	140,385	133,120	107,428
Interest bearing borrowings	1,166,211	1,049,654	1,219,073	1,360,252	1,448,435
Other non-current liabilities	1,682,435	1,461,311	1,192,936	1,021,749	840,581
	3,011,186	2,646,921	2,552,394	2,515,121	2,396,444
Current Liabilities					
Current portion of interest bearing borrowings	421,241	337,519	311,742	256,454	325,049
Other current liabilities	5,456,969	3,724,433	3,697,435	3,305,740	2,880,298
	5,878,210	4,061,952	4,009,177	3,562,194	3,205,347
Total Equity and Liabilities	13,268,275	10,777,283	10,426,633	9,598,223	8,840,568
Ratios and Other Information					
Earnings per share (Rs.)	7.46	8.03	6.06	6.20	9.30
Return on equity (%)	12.60	14.50	11.80	13.20	21.00
Market price per share (Rs.)	116.10	103.75	55.25	79.50	109.25
Price earnings ratio (times)	15.60	12.90	9.10	12.80	11.70
Dividend per share (Rs.)	3.00	3.75	3.00	3.00	4.50
Net assets per share (Rs.)**	59.26	55.30	51.44	46.95	44.20
Effective rate of dividend (%)	30.00	37.50	30.00	30.00	45.00
Dividend yield (%)	2.60	3.60	5.40	3.80	4.10
Dividend cover (times)	2.50	2.10	2.00	2.10	2.10
Debt equity ratio	0.45	0.42	0.50	0.58	0.67
Current ratio (times)	1.19	1.37	1.32	1.37	1.41

Figures in brackets indicate deductions.

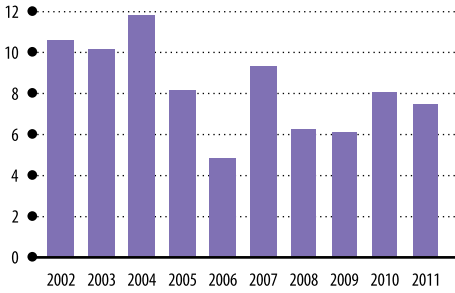
** Computed, based on 59,861,512 shares on issue as at March 31, 2011.

Ten Year Summary

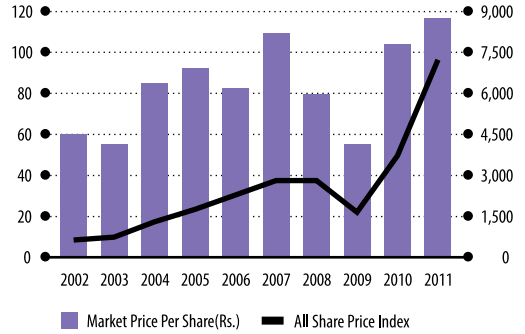
2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000	
Trading Results					
7,109,400	6,138,827	4,928,955	3,682,102	2,954,096	Gross turnover
415,013	670,826	427,111	269,108	225,137	Profit before tax
(66,128)	(72,345)	(66,948)	(24,494)	(1,185)	Taxation
348,885	598,481	360,163	244,614	223,952	Profit after tax
(62,422)	(111,296)	(65,672)	(34,203)	(28,197)	Non-controlling interest and pre-acquisition profit
286,463	487,185	294,491	210,411	195,755	Profit attributable to equity holders of the Company
Non-Current Assets					
3,465,853	3,018,582	2,249,809	2,051,792	1,993,906	Property, plant & equipment
167,829	163,379	152,078	89,755	78,573	Investments
16,452	28,914	31,470	42,296	5,200	Other non-current assets
3,650,134	3,210,875	2,433,357	2,183,843	2,077,679	
3,501,056	3,671,383	2,950,906	2,274,056	1,713,131	Current Assets
7,151,190	6,882,258	5,384,263	4,457,899	3,790,810	Total Assets
Capital and Reserves					
598,615	598,615	249,423	207,852	184,758	Stated capital
105,493	78,325	175,611	102,785	102,785	Capital reserves
1,474,928	1,470,855	1,356,672	1,186,956	1,024,862	Revenue reserves
2,179,036	2,147,795	1,781,706	1,497,593	1,312,405	Shareholders' funds
457,459	429,630	461,204	400,340	357,336	Non-controlling Interest
2,636,495	2,577,425	2,242,910	1,897,933	1,669,741	Total Equity
Non-Current Liabilities					
87,587	104,232	105,151	77,114	66,755	Deferred tax liability
1,420,147	1,119,965	595,795	638,722	666,708	Interest bearing borrowings
698,647	612,581	559,182	492,948	461,757	Other non-current liabilities
2,206,381	1,836,778	1,260,128	1,208,784	1,195,220	
Current Liabilities					
383,863	274,509	23,333	34,871	43,115	Current portion of interest bearing borrowings
1,924,451	2,193,546	1,857,892	1,316,311	882,734	Other current liabilities
2,308,314	2,468,055	1,881,225	1,351,182	925,849	
7,151,190	6,882,258	5,384,263	4,457,899	3,790,810	Total Equity and Liabilities
Ratios and Other Information					
4.79	8.14	11.81	10.12	10.60	Earnings per share (Rs.)
13.10	22.70	16.50	14.00	14.90	Return on equity (%)
82.00	92.00	85.00	55.00	60.00	Market price per share (Rs.)
17.10	11.30	7.20	5.40	5.70	Price earnings ratio (times)
3.00	4.00	4.00	3.50	3.50	Dividend per share (Rs.)
36.40	35.88	29.76	25.02	21.92	Net assets per share (Rs.)**
30.00	40.00	40.00	35.00	35.00	Effective rate of dividend (%)
3.70	4.30	4.70	6.40	5.80	Dividend yield (%)
1.60	2.00	3.00	2.90	3.00	Dividend cover (times)
0.83	0.65	0.35	0.45	0.54	Debt equity ratio
1.52	1.49	1.57	1.68	1.85	Current ratio (times)

Ten Year Summary

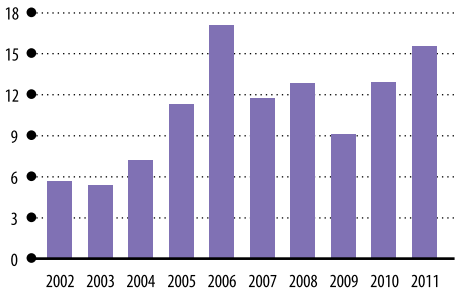
Earnings Per Share
(Rs.)



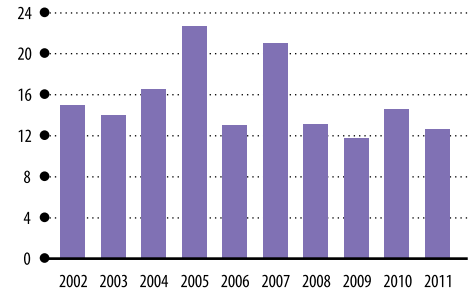
Market Price Per Share (Rs.)
All Share Price Index



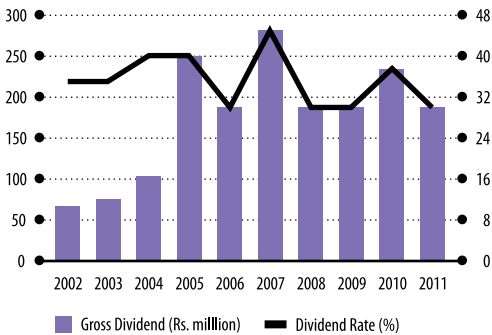
Price Earnings Ratio
(Times)



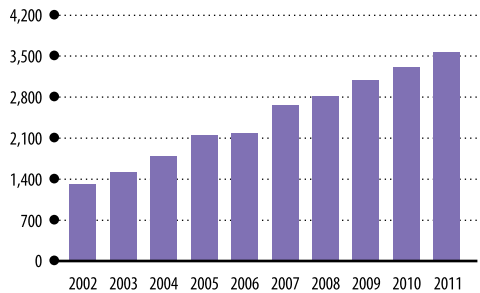
Return On Equity
(%)



Gross Dividend (Rs. million)
Dividend Rate (%)



Shareholders' Funds
(Rs. million)



The Share

I. STOCK EXCHANGE LISTING

The ordinary shares of Dipped Products PLC, are listed with the Colombo Stock Exchange of Sri Lanka. Interim Financial Statements of the 4th quarter for the year ended March 31, 2011 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. ORDINARY SHAREHOLDERS

Number of shareholders as at March 31, 2011 - 2,359 (as at March 31, 2010 - 2,216)

Number of shares held	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	1,552	421,378	0.70	8	5,336	0.01	1,560	426,714	0.71
1,001 – 10,000	588	1,997,346	3.34	8	40,532	0.07	596	2,037,878	3.41
10,001 – 100,000	164	4,520,205	7.55	9	246,978	0.41	173	4,767,183	7.96
100,001 – 1,000,000	18	5,878,257	9.82	5	1,816,418	3.03	23	7,694,675	12.85
Over 1,000,000	6	41,561,566	69.43	1	3,373,496	5.64	7	44,935,062	75.07
Total	2,328	54,378,752	90.84	31	5,482,760	9.16	2,359	59,861,512	100.00

Of the issued Share Capital over 90% is held by residents of Sri Lanka.

	March 31, 2011		March 31, 2010	
	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders
Individuals	8,418,041	2,197	6,832,677	2,075
Institutions	51,443,471	162	53,028,835	141
Total	59,861,512	2,359	59,861,512	2,216

3. SHARE VALUATION

The market value of an ordinary share of Dipped Products PLC:

	2010/11	2009/10
Highest	Rs. 140.00 (September 28, 2010)	Rs. 115.00 (February 3, 2010)
Lowest	Rs. 102.50 (April 7, 2010)	Rs. 52.50 (April 20, 2009)
Year end	Rs. 116.10	Rs. 103.75

4. DIVIDEND PAYMENTS

Proposed final dividend of Rs. 1.50 per share is to be declared on June 28, 2011 and will be payable on July 6, 2011. In accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from June 29, 2011.

5. SHARE TRADING

	2011	2010
Number of transactions	3,199	2,719
Number of shares traded	17,114,744	3,216,300
Value of shares traded (Rs.)	2,095,530,265	295,721,225

6. FIRST TWENTY SHAREHOLDERS AS AT MARCH 31, 2011

Shareholder	2011		2010	
	No. of Shares	%	No. of Shares	%
1. Hayleys PLC	24,776,080	41.39	24,776,080	41.39
2. Employees' Provident Fund	6,297,700	10.52	762,800	1.27
3. Volanka (Pvt) Ltd.	4,873,640	8.14	4,873,640	8.14
4. Haycarb PLC	4,068,746	6.80	4,068,746	6.80
5. Promar Overseas SA	3,373,496	5.64	3,734,696	6.24
6. Bank of Ceylon No. 1 Account	1,545,400	2.58	24,900	0.04
7. National Savings Bank	1,000,000	1.67	-	-
8. Fast Gain International Ltd.	863,600	1.44	-	-
9. Asian Alliance Insurance PLC - A/C 02 (Life Fund)	756,800	1.26	-	-
10. Ravi Industries Ltd.	567,000	0.95	567,000	0.95
11. Mr. V S Vijayarajam	524,400	0.88	-	-
12. H A P Investments (Pvt) Ltd.	404,162	0.68	424,162	0.71
13. Mr. H A Pieris	401,264	0.67	401,264	0.67
14. Mr. N G Wickremeratne	393,204	0.66	607,304	1.01
15. Dr. D Jayanthi	384,000	0.64	375,000	0.63
16. E W Balasuriya & Co. (Pvt) Ltd.	338,000	0.56	-	-
17. Mr. A W Edwards	225,000	0.38	10,500	0.02
18. Mr. J A G Anandarajah	219,474	0.37	219,474	0.37
19. HSBC International Nominees Ltd. - SSBT Deutsche Bank	200,044	0.33	200,044	0.33
20. Commercial Bank of Ceylon PLC A/C No. 04	200,000	0.33	-	-
Total	51,412,010	85.88	41,045,610	68.57

The Share

7. SHARES HELD BY THE PUBLIC

As at March 31, 2011, public held 47.60% of the share capital of the Company.

History of Dividend and Scrip Issues (Last 21 years)

Year ended March 31	Issue	Basis	No. of Shares '000	Cumulative No. of Shares '000	Dividend (%)	Dividend paid Rs. '000
1991	Bonus	1:05	1,000	6,000	33	19,800
1992				6,000	26	15,600
1993				6,000	26	15,600
1994	Share Trust (at Rs. 41.00)		600	6,600	30	19,800
1995				6,600	35	23,100
1996	Bonus	1:05	1,320	7,920	17.5	13,860
	Rights (at Rs. 60.00)	1:05	1,584	9,504	17.5	16,632
1997	Bonus	1:05	1,901	11,405	35	39,917
1998	Bonus	1:05	2,281	13,686	40	54,743
1999	Bonus	1:05	2,737	16,423	35	57,480
2000	Bonus	1:08	2,053	18,476	30	55,427
2001				18,476	40	73,903
2002				18,476	35	64,665
2003	Bonus	1:08	2,309	20,785	35	72,748
2004	Bonus	1:05	4,157	24,942	40	99,769
2005	Bonus	1:05	4,988	29,931	-	-
	Bonus	1:01	29,931	59,861	40	239,446
2006				59,861	30	179,585
2007				59,861	45	269,377
2008				59,861	30	179,585
2009				59,861	30	179,585
2010				59,861	37.5	224,480
2011				59,861	30	179,585

Market Capitalisation (Last 21 years)

Year ended March 31	Market Capitalisation Rs. million	Net Assets Rs. million
1991	690	178
1992	618	210
1993	537	223
1994	574	284
1995	574	340
1996	893	492
1997	984	611
1998	1,505	794
1999	854	961
2000	905	1,032
2001	859	1,179
2002	1,109	1,312
2003	1,143	1,498
2004	2,120	1,782
2005	5,507	2,148
2006	4,909	2,179
2007	6,540	2,646
2008	4,759	2,810
2009	3,307	3,079
2010	6,211	3,310
2011	6,950	3,547

Group Structure

HOLDING COMPANY



Dipped Products PLC

Manufacture and marketing of industrial and general purpose rubber gloves, management of tea and rubber plantations

Incorporated in 1976 in Sri Lanka
Stated capital - Rs. 598,615,120/-

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma*+ - Managing Director
J A G Anandarajah∞ - Managing Director
G K Seneviratne
N Y Fernando
N B Weerasekera ‡
R Seevaratnam
F Mohideen
K A L S Fernando
L G S Gunawardena
S C Ganegoda
K D D Perera ◻
M Bottino ◻

HAND PROTECTION

Palma Ltd.

Manufacture and export of latex thread

Incorporated in 1990 in Sri Lanka
Stated capital - Rs. 40,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma ◻
J A G Anandarajah
L G S Gunawardena
N A R R S Nanayakkara
S C Ganegoda

Grossart (Pvt) Ltd.

Manufacture and export of fabric supported and unsupported gloves

Incorporated in 1991 in Sri Lanka
Stated capital - Rs. 42,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma ◻
J A G Anandarajah
N Y Fernando
N A R R S Nanayakkara
D B K Pathirage
S C Ganegoda

Venigros (Pvt) Ltd.

Manufacture and export of fabric supported and unsupported gloves

Incorporated in 1994 in Sri Lanka
Stated capital - Rs. 80,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma ◻
J A G Anandarajah
J Benoit
M Orlando
J P Coudert •
M Bottino
R M T Premarathna
S C Ganegoda
Ms. M V Fildier ◻

Neoprex (Pvt) Ltd.

Manufacture and export of household and industrial gloves

Incorporated in 1998 in Sri Lanka
Stated capital - Rs. 40,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma ◻
J A G Anandarajah
K A L S Fernando
D B K Pathirage
S C Ganegoda

Texnil (Pvt) Ltd.

Manufacture and export of fabric supported gloves

Incorporated in 2001 in Sri Lanka
Stated capital - Rs. 75,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
Dr. K I M Ranasoma ◻
J A G Anandarajah
R M T Premarathna
S C Ganegoda

PLANTATIONS

DPL Plantations (Pvt) Ltd.

Plantation management

Incorporated in 1992 in Sri Lanka
Stated capital - Rs. 350,000,000/-
Group interest - 100%

Directors:

A M Pandithage - Chairman
J A G Anandarajah**
G K Seneviratne
A Gunasekera β
S Siriwardana
N Y Fernando
S C Ganegoda
S T Gunatilleke

∞ Managing Director until March 31, 2011 * Managing Director from April, 2011 ** Managing Director from February 9, 2011
◻ Appointed July 1, 2010 + Appointed August 2, 2010 ◻ Appointed September 1, 2010 ◻ Appointed November 1, 2010
△ Appointed April 1, 2011 β Resigned April 21, 2010 • Resigned June 2, 2010 ‡ Resigned October 31, 2010
≡ Resigned December 16, 2010 ◻ Resigned March 31, 2011

Dipped Products (Thailand) Ltd.

Manufacture and export of examination gloves

Incorporated in 2002 in Thailand

Share capital - THB 373,404,000

Group interest - 99%

ICOQUANTI S.p.A.

Marketing and distribution of household, industrial and medical gloves and personal protective wear

Registered in Milan and successors to ICO Srl

Incorporated in 1968 in Genoa

Share capital - Euro 2,000,000

Group interest - 61%

Feltex (Pvt) Ltd.

Manufacture of cotton and synthetic flock

Incorporated in 2005 in Sri Lanka

Stated capital - Rs. 15,000,000/-

Group interest - 100%

Hanwella Rubber Products Ltd.

Manufacture and export of household, industrial and examination gloves

Incorporated in 1988 in Sri Lanka

Stated capital - Rs. 87,000,000/-

Group interest - 70%

Directors:

A M Pandithage - Chairman

Dr. K I M Ranasoma □

J A G Anandarajah

L G S Gunawardena - Managing Director

N Y Fernando

N A R R S Nanayakkara

S C Ganegoda

T G Thoradeniya

Directors:

V Rocchetti - President

M Bottino - Joint Managing Director

M Orlando

A M Pandithage

J A G Anandarajah ◊ - Joint Managing Director

Dr. K I M Ranasoma △ - Joint Managing Director

Directors:

A M Pandithage - Chairman

Dr. K I M Ranasoma □

J A G Anandarajah

N Y Fernando

K A L S Fernando

N A R R S Nanayakkara

S C Ganegoda

Directors:

A M Pandithage - Chairman

Dr. K I M Ranasoma □

J A G Anandarajah

B A Mahipala

D B K Pathirage

Kelani Valley Plantations PLC

Tea and rubber plantations

Incorporated in 1992 in Sri Lanka

Stated capital - Rs. 340,000,010/-

Group interest - 71%

Directors:

A M Pandithage - Chairman

J A G Anandarajah

G K Seneviratne - Managing Director

B P W Jayasekera ≡

R Seevaratnam

F Mohideen

N Y Fernando

S Siriwardana

S C Ganegoda

L T Samarawickrama

S T Gunatilleke

Board of Directors

A M PANDITHAGE

Chairman

Appointed to the DPL Board in 2007, and its Chairman from July 2009. Joined Hayleys in 1969. Appointed Group Executive Director in 1996, and to its Board in 1998. Deputy Chairman of Hayleys from 2007 and Chairman and Chief Executive from July 2009. Fellow of the Chartered Institute of Logistics & Transport. Director, Sri Lanka Port Management & Consultancy Services Ltd. Member of the Presidential Committee on Maritime Matters. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon.

DR. K I M RANASOMA

Managing Director

Joined DPL in August 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to the Hayleys Group Management Committee in January 2011 and to the Board of Hayleys in April 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd. Holds First Class Honours Degree in Engineering from the University of Peradeniya, Sri Lanka, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK.

J A G ANANDARAJAH*

Joined DPL in 1980. Appointed to the Board in 1989 and Managing Director from January 2007 until March 2011. Appointed to the Hayleys Group Management Committee in 2001 and to the Board of Hayleys in January 2007. Chemistry (Honours) Graduate, University of Peradeniya, Sri Lanka. Member of the Board of Management, Industrial Technology Institute, Sri Lanka.

G K SENEVIRATNE*

Joined DPL Plantations (Pvt) Ltd. in 1992 and appointed to its Board in 1995. Chief Executive of Kelani Valley Plantations PLC since 1994 and appointed to its Board in 1996. Managing Director of Kelani Valley Plantations PLC since 2004. Appointed to the DPL Board in 1998 and to the Hayleys Group Management Committee in January 2007. Past Chairman of the Planters' Association of Ceylon. Served as a Member of Sri Lanka Tea Board, Rubber Research Board, Plantation Trust Board and the Tea Association of Sri Lanka. Joined the plantation industry in 1970. Served as Consultant, Investment Monitoring Board, JEDB/SLSPC Estates.

N Y FERNANDO

Projects

Joined DPL in 1985. Appointed to the Board in 2004. Mechanical Engineering (Honours) Graduate, University of Moratuwa, Sri Lanka. Member/Chartered Engineer of the Institution of Engineers, Sri Lanka. Member/Chartered Professional Engineer of the Institute of Engineers, Australia. Postgraduate Diploma in Industrial Engineering, NIBM.

R SEEVARATNAM**

Appointed to the Board in 2007. B.Sc. General Graduate, University of London. FCA, England and Wales and FCA, Sri Lanka. Former Senior Partner of KPMG Ford, Rhodes, Thornton and Co. Non-Executive Independent Director of a number of public quoted companies.

F MOHIDEEN**

Appointed to the Board in 2008. Holds a Degree in B.Sc. Mathematics from the University of London and a M.Sc. in Econometrics from the London School of Economics. Served as the Deputy Secretary to the Treasury and Director General, External Resources Department of the Ministry of Finance and Planning.

K A L S FERNANDO

Technical

Joined DPL in 1985. Appointed to the Board in April 2009. Holds a Joint Honours. B.Sc. Degree in Chemistry and Management from University of London and a Postgraduate Diploma in TQM.

L G S GUNAWARDENA

Medical Gloves

Joined DPL in 1984. Appointed to the Board in June 2009. Managing Director of Dipped Products (Thailand) Ltd. since 2009. Holds an MBA from the Victoria University, Wellington, New Zealand.

S C GANEGODA*

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007 and to the Board of Hayleys in October 2009. Appointed to the DPL Board in October 2009. FCA, Sri Lanka and a Member, Institute of Certified Management Accountants, Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jaywardenepura, Sri Lanka. Worked for Hayleys and Diesel & Motor Engineering Co. between 1987 and 2002, ultimately as an Executive Director of the latter. Held several senior management positions in large private sector entities in Sri Lanka and overseas.

* - Non-Executive

** - Independent Non-Executive

Board of Directors

K D D PERERA*

Appointed to the Board in November 2010. Secretary to the Ministry of Transport, Sri Lanka and a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of LB Finance PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Greener Water Ltd., Vallibel One Ltd. and holds directorships in his other private sector companies. He is the Deputy Chairman of Amaya Leisure PLC and Royal Ceramics Lanka PLC. Director, Sampath Bank PLC, Sri Lanka Insurance Corporation Ltd., Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Hunas Falls Hotels PLC, Nirmalapura Wind Power (Pvt) Ltd. and Alutec Anodising & Machine Tools (Pvt) Ltd. Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

M BOTTINO

ICOQUANTI

Appointed to the Board in November 2010. Joined ICOQUANTI S.p.A. in 1994 and functions to date as its Managing Director. Holds a First Class Degree in Mechanical Engineering from the University of Genova and MBA from SOGEA, Italy. Previously held Executive and Senior Management positions in several large private sector entities in Italy over a period of 27 years including Ansaldo, Morteo Soprefin and ILVA Steel.

* - Non-Executive

** - Independent Non-Executive

Management Team

HAND PROTECTION

A M PANDITHAGE

Chairman

DR. K I M RANASOMA

Managing Director (from April 1, 2011)

J A G ANANDARAJAH

Managing Director (until March 31, 2011)

N Y FERNANDO

Director (Projects)

K A L S FERNANDO

Director (Technical)

L G S GUNAWARDANA

Director (Medical Gloves)

Managing Director DPTL

M BOTTINO

Managing Director ICOGUANTI

GENERAL MANAGERS

N A R R S Nanayakkara - Finance

Dr. L P Nethsinghe - Technical

D B K Pathirage - Logistics

R M T Premaratna - Operations

Ms. L A Kumarasiri - Systems

Ms. S E Fernando - Marketing

C Ratnasiri - Engineering

DIVISIONAL MANAGERS

A Muthukuda - Factory Manager (DL/GL/NL)

K N N Dharmaratne - Factory Manager (VL)

S A N Pushpakumara - Factory Manager (HRPL)

D P P Mendis - Factory Manager (TL)

K Jinadasa - Group Process

K U Senaratne - Group Operating Systems

R Dassanayake - Group Commercial

J Abeyratne - Engineering Development

K K D P Senanayake - Manufacturing (DPTL)

L P R Mallikarachchi - Centrifuging

P J Mahaliyanage - Engineering Maintenance (DL)

M Bin-Sadoon - Administration (DPTL)

B M A S K Jinadasa - Quality Systems

C N Mallikaratchi - Production (VL)

M Sivapalan - Production Planning

S W A Premachandra - Project Implementation

H M A Kumara - Finance

G Premanand - Engineering (DPTL)

P Sutthirat - Human Resources (DPTL)

Ms. Jitinun Chokhaw - Finance (DPTL)

G Karunarathne - Compounding (HRPL)

K M C S K Perera - Production (HRPL)

K A G G Kularatne - Product Technologist

I P Kulatunga - Marketing

A J M K B Jayasundara - Finance

Ms. U Samarakoon - Human Resources

P H G P Chandanarathna - Operating Systems

K P D Suranga - IT infrastructure and systems

Management Team

PLANTATIONS

J A G Anandarajah

Managing Director - DPL Plantations (Pvt) Ltd.

G K Seneviratne

Managing Director - KVPL

S Siriwardena

Director (Finance) - KVPL

GENERAL MANAGERS

A B Stembo - Up Country Region

Y U S Prematilake - Low Country Region

DEPUTY GENERAL MANAGERS

R G D Fernando - Rubber Marketing & Administration

J A Rodrigo - Marketing Tea

D Ramakrishna - Nuwara Eliya Group

D I Gallearachchi - Nuwara Eliya

C S Amerathunga - Tea Group – Low Country

K de J Seneviratne - Regional Administration

GROUP MANAGERS

S D Samaradiwakara - Hatton Group

B C Gunasekera - Rubber Group - Low Country

S F Fernando - Rubber Group - Low Country

MANAGERS

N A A K Nissanka - Finance

K A P Dalpathadu - Corporate Sustainability

ESTATE MANAGERS -

Up Country (Nuwara Eliya & Hatton Group)

D W M M R B Madawala - Annfield

B P C R Perera* - Uda Radella

T P G I Guruge - Tillyrie

K L R de A Rajapaksa - Blinkbonnie

Y A Hettiarachchi* - Battalgalla

W M P Wanasundara - Fordyce

L L J Ediriweera* - Invery

A G Hidogama - Robgill

A P Senanayake - Edinburgh

Low Country (Tea & Rubber Group)

R M V Ratnayake - Ganepalla

K A R Alles* - Kitulgala

D E P K Welikala - We-Oya

N T Dandeniya - Kalupahana

J Ellawala - Urumiwela

M W N de Silva - Lavant

M V N K Karunaratne - Kiriporuwa

D W Vedamuttu - Halgolla

P D W Vithanage - Edarapola

* Acting Estate Managers

Glossary

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Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Borrowings

Bank loans, overdrafts and finance lease obligations.

Capital Employed

Total assets less interest free liabilities.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with original maturities of three months or less.

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.

Current Ratio

Current assets divided by current liabilities.

Dividend Cover

Post-tax profit divided by gross dividend.
Measures the number of times dividend is covered by distributable profit.

Dividend Yield

Gross dividend per share as a percentage of the market price.

Earnings per Share

Profit attributable to ordinary shareholders divided by a weighted average number of ordinary shares in issue and ranking for dividend.

Gross Dividend

Portion of profits inclusive of tax withheld distributed to shareholders.

Net Assets per Share

Shareholders' funds divided by the number of ordinary shares issued.

Operating Profit Margin

Operating profit divided by Group turnover.

Price Earnings Ratio

Market price of a share divided by earnings per share.

Related Parties

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

Return on Equity

Attributable profits divided by average shareholders' funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segment

Constituent business units grouped in terms of nature and similarity of operations.

Total Equity

Share capital, reserves and minority interest.

Value Addition

The quantum of wealth generated by the activities of the Group and its distribution.

Working Capital

Capital required to finance the day-to-day operations (current assets minus current liabilities).

Notice of Meeting

.....

Company Number PQ 60

NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting of Dipped Products PLC will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, on Tuesday, June 28, 2011 at 3.00 p.m. and the business to be brought before the Meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended March 31, 2011, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Dr. K I M Ranasoma, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect, Mr. K D D Perera, who has been appointed by the Board, since the last Annual General Meeting, a Director.
5. To re-elect, Mr. M Bottino, who has been appointed by the Board, since the last Annual General Meeting, a Director.
6. To re-elect, Mr. G K Seneviratne, who retires by rotation at the Annual General Meeting, a Director.
7. To re-elect, Mr. N Y Fernando, who retires by rotation at the Annual General Meeting, a Director.
8. To authorise the Directors to determine contributions to charities for the financial year 2011/12.
9. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2011/12 and to authorise the Directors to determine their remuneration.
10. To consider any other business of which due notice has been given.

Note

- (i) *A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10 by 3.00 p.m. on June 26, 2011.*
- (ii) *It is proposed to post ordinary dividend warrants on July 6, 2011 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from June 29, 2011.*

By Order of the Board,

DIPPED PRODUCTS PLC

Hayleys Group Services (Pvt) Ltd.
Secretaries

Colombo
May 25, 2011

A Selection from our *Palmrite* range of gloves



Add more colour to your day with these luminous green Palmrite fluo flocklined gloves, pleasantly apple-scented to uplift any household chore. The extra long length also provides better forearm protection during dishwashing and other household tasks.



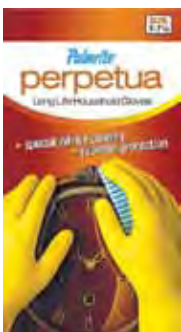
Palmrite multitask gloves are ideal for household tasks, dishwashing and handwashing clothes. This glove is available in blue, yellow, pink and green to colourcode household tasks



Palmrite ruf'n'tuff gloves are designed to afford protection against certain chemicals and household detergents. Soft cotton flock lining provides greater comfort for tough longer duration tasks.



Palmrite skinsafe gloves are specially designed and dermatologically tested for people with skin that is sensitive to natural rubber. They have been carefully constructed using synthetic latex, which makes them lightweight, supple, and extremely sensitive on your hands.



Palmrite perpetua gloves are made from natural rubber strengthened with a special nitrile palm coating, making them extra strong and durable for jobs in and around the house and garden. The rolled cuff provides longer glove life and the soft cotton lining offers great comfort.



Palmrite ultragrip gloves are made from natural rubber. The specially moulded palms ensure that you've always got a great grip, even on the most slippery task around the house.



We will be obliged to receive your comments on our Products, Company and Annual Report.

STAMP
HERE

DIPPED PRODUCTS PLC

400, Deans Road,
Colombo 10,
Sri Lanka.

Name

.....
.....

Address

.....
.....
.....
.....

Form of Proxy



DIPPED PRODUCTS PLC
Company Number PQ 60

I/We*

of

being Shareholder/Shareholders* of DIPPED PRODUCTS PLC hereby appoint:

1.

of

or failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Thirty-Fifth Annual General Meeting of the Company to be held on Tuesday, June 28, 2011 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	<i>For</i>	<i>Against</i>
1. To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended March 31, 2011, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Dr. K I M Ranasoma, who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect, Mr. K D D Perera, who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect, Mr. M Bottino, who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect, Mr. G K Seneviratne, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect, Mr. N Y Fernando, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
9. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2011/12 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this day of 2011.

Witnesses:

 Signature of Shareholder

Note: * Please delete the inappropriate words.

1. A proxy need not be a Shareholder of the Company.
2. Instructions as to completion appear on the reverse.

Form of Proxy

.....

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, by 3.00 p.m. on June 26, 2011.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details at (1) overleaf and initial against this entry.
4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

Corporate Information

Name of the Company

Dipped Products PLC

Legal Form

A Public Limited Company with limited liability.
Incorporated in Sri Lanka in 1976

Company No.

PQ 60

Directors

A M Pandithage - Chairman

Dr K I M Ranasoma - Managing Director
(Appointed August 2, 2010/MD from April 1, 2011)

J A G Anandarajah, Managing Director
(MD until March 31, 2011)

G K Seneviratne

N Y Fernando

N B Weerasekera (Resigned October 31, 2010)

R Seevaratnam

F Mohideen

K A L S Fernando

L G S Gunawardena

S C Ganegoda

K D D Perera (Appointed November 1, 2010)

M Bottino (Appointed November 1, 2010)

Audit Committee

R Seevaratnam - Chairman

N B Weerasekera (Resigned October 31, 2010)

F Mohideen

Secretaries

Hayleys Group Services (Pvt) Ltd.

Bankers

Bank of Ceylon

Citibank N A

Deutsche Bank

Hatton National Bank

Hongkong & Shanghai Banking Corporation

NDB Bank

People's Bank

Sampath Bank

Seylan Bank PLC

Standard Chartered Bank

Principal Lines of Business

Manufacture and marketing of industrial and general purpose gloves, management of tea and rubber plantations

Registered Office

400, Deans Road, Colombo 10, Sri Lanka

Tel: +94 - 11 - 2683964 Fax: +94 - 11 - 2699018

E-mail: postmast@dplgroup.com

Website

www.dplgroup.com



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