

ANNUAL REPORT 2012



Kurunegala Plantations Limited



Ministry of Coconut Development & Janatha Estate Development

Our Vision

To be the model plantation and agri-business management company in the South East Asian Region

Our Mission

To manage the plantation and other agri business productively, profitably and sustainably through effectively harnessing natural, physical and human resources in an environment-friendly and socially responsible manner to the benefit of all stakeholders and the country at large

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Corporate Information

Name of the Company	Kurunegala Plantations Limited
Legal Form	Fully Government Owned Public Company with Limited Liability
Registered Office	No.80, Dambulla Road, Kurunegala
Date of Incorporation	18 th June 1992
Company Registration No.	PB 1319
Board of Directors	Mr. Panduka Jayasinghe - Chairman/ Managing Director Mr. Kurera M.A.S.N. - Executive Director Mr. Perera R.W.M.J. - Working Director Mrs. Chandrika W.G. - Treasury Representative (Resigned with effect from 11 th February 2013) Mr. Peiris K.D. Mr. Kularatne B.R. Mr. Appuhamy I.A.M.
Auditors	Dayananda Samarawickrema & Co., Chartered Accountants, No. 20/26, Station Lane, Nugegoda. Tel: 2854614, 2809650 & 2822940 E-mail: dsandco@sltnet.lk
Bankers	Bank of Ceylon Peoples' Bank National Savings Bank
Secretaries	Corporate Advisory Services (Pvt) Ltd 47, Alexandra Place, Colombo - 7 Tel: 0112-695410 E-mail: deseram@deseram.com
Contact Details	Tel No. 037 - 2223133 Fax No. 037 - 2223191 Email: kurunegalapl@sltnet.lk

About Us

Kurunegala Plantations Limited was established under the terms of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No. 23 of 1987 to take over the functions and carry on the business of the parts of Janatha Estates Development Board. Kurunegala Plantations Limited was incorporated on 18th June 1992 under the Companies Act No. 17 of 1982 as a Public Limited Liability Company. The Company operates as a Fully Government owned company being the Secretary to the Treasury of Sri Lanka as the Golden Shareholder.

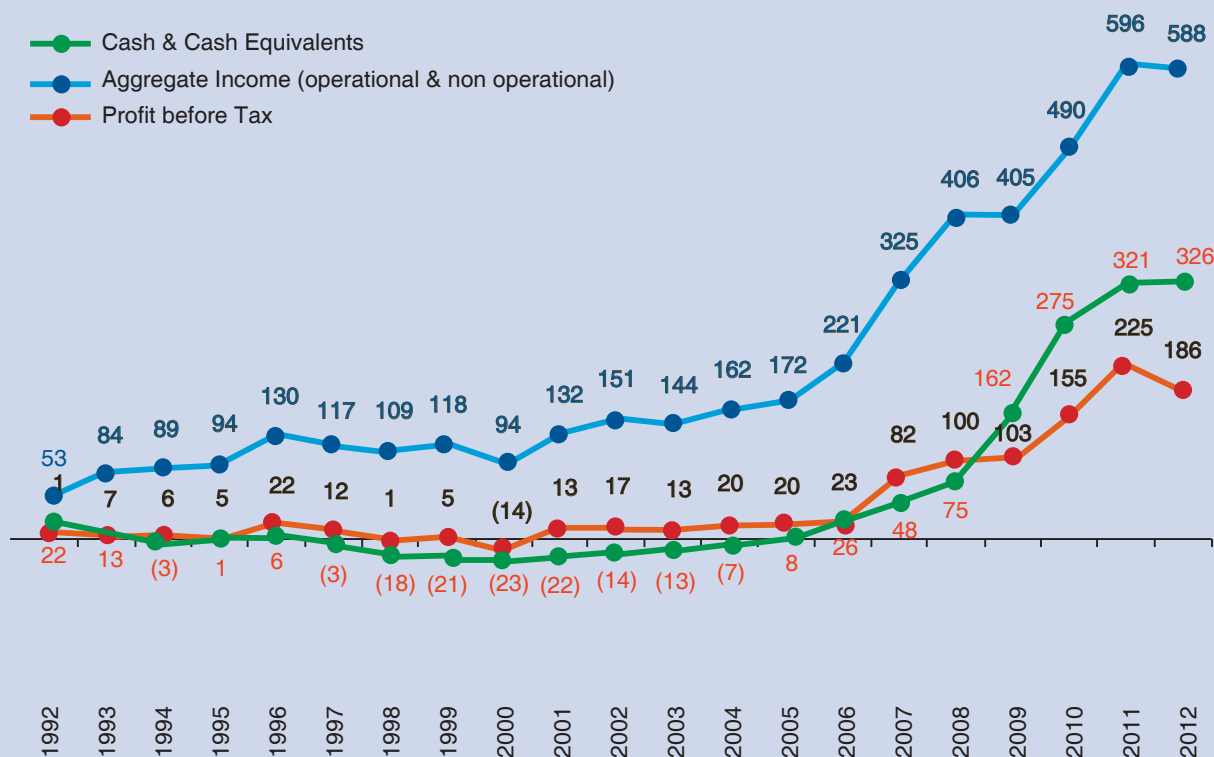
Kurunegala Plantations Limited from 18th June 1992 had been managed by the private sector. Due to being economically non-viable and in a state of downfall owing to lack of proper management by the private sector during a period of nearly 13 years, the Government decided to take over the management of the Company with effect from 01st January 2005 and was brought under the purview of the Ministry of Plantation Industries.

Since then Kurunegala Plantations Limited came under the purview of several ministries and from the year 2010 it comes under the purview of the Ministry of Coconut Development & Janatha Estate Development.

The Company manages a portfolio of diverse agricultural products through cultivation, production, processing and sale of coconut, rubber and ancillary crops & produce.

Kurunegala Plantations Limited comprises of 09 Provincial Estates namely, Attanagalla, Dambadeniya, Dhathusenapura, Dodangaslanda, Hiriyala, Katugampola, Kurunegala, Mahayaya and Narammala with a land area of 5,316.43 hectares. Out of the said, 02 estates are located in Gampaha, 06 in Kurunegala and 01 in Anuradhapura districts. During the year 2012 Wariyapola Area State had been amalgamated to Hiriyale Area Estate for operational purpose. The Company holds 4,151.36 hectares of Coconut Plantations and 237.98 hectares of Rubber Plantations.

Recording high productivity and registering remarkable profits annually cannot be considered as a normal trend in the Agri Business Sector. Most outstanding achievements of Kurunegala Plantations Limited on productivity & profits since 2005 to date under State management could be considered as a rare phenomenon in the plantation sector of Sri Lanka.



Financial Highlights

for the year ended / as at 31st December

		2012	2011	Variance
Earnings				
Revenue	Rs.	483,726,983	509,885,889	(5)
Other operating income	Rs.	114,554,007	84,795,280	35
Profit before tax	Rs.	186,077,635	225,163,345	(17)
Profit after tax	Rs.	170,292,768	192,036,647	(11)
Gross profit margin	%	43.05	50.49	(15)
Net profit margin	%	35.20	37.66	(7)
Earnings per share	Rs.	8.51	9.60	(11)
Financial Position				
Total assets	Rs.	1,322,378,705	1,218,268,908	9
Total shareholders' fund	Rs.	962,207,615	840,369,406	14
Number of shares in issue	No.	20,000,001	20,000,001	0
Net assets per share	Rs.	48.11	42.02	14
Cash & cash equivalents	Rs.	325,659,031	321,380,740	1
Current ratio	times	2.71	2.67	2
Quick ratio	times	2.49	2.34	6
Other information				
Number of employees	No.	1,503	1,499	0
Salaries & wages including contributions to provident & trust funds	Rs.	205,525,353	189,180,160	9
Performance incentives	Rs.	22,717,215	21,155,711	7
Bonus	Rs.	7,458,393	7,089,625	5
Total tax paid to government	Rs.	21,769,885	12,421,695	75

Chairman's Message



On behalf of the Board of Directors, I have great pleasure in presenting you the Annual Report of Kurunegala Plantations Limited for the year ended 31st December 2012.

I am proud to present an overall performance for year 2012. Since, the previous financial year was the most profitable year in the history of the Company, year 2012 had been a challenging one. The Company achieved revenue of Rs. 483.7 million in 2012 with a net profit after tax of Rs. 170.3 million and earnings per share of Rs. 8.51. I am happy to state that the results achieved during the year 2012 was commendable in the context of adverse price fluctuations of the two main products of the Company namely coconut & rubber.

The Company in year 2012 achieved the highest coconut production of 18.1 million nuts. This crop records a 16% increase over 2011 whilst the increase had been over 11% when compared with the increase at national level. However, the Coconut turnover had recorded a decrease of 1% due to the poor NSA prevailed during the year 2012.

The Company's rubber production followed the national trend and showed a drop by 8% due to the adverse weather

conditions prevailed during the cropping months. This combined with the sharp drop in rubber NSA had caused the reduction of the Company's rubber turnover by 25% compared to last year.

The Company had invested Rs. 73.4 million on replanting, under-planting and intercropping for sustainable development of plantations. Further, Rs. 91.4 million had been invested on development of other infrastructure facilities. Financial position of the Company had further been improved as at the end of year 2012.

The Company under the guidance of Ministry of Coconut Development & Janatha Estate Development has contributed to the development of the coconut industry in the country. The Company has supplied over three hundred thousand seedlings worth of Rs. 21 million to Coconut Cultivation Board to be distributed island wide under the Coconut Development Program which has been conducted by the Ministry of Coconut Development & Janatha Estate Development. Furthermore, the Company had issued nearly 2 million seed nuts amounting Rs. 38.6 million to Coconut Cultivation Board for production of seedlings.

In recognition of the most outstanding performance and evaluating the contribution made by Kurunegala Plantations Limited to the nation, the Company had been awarded the National Gold Award in Agri Business. This could be considered as the most prestigious achievement the Company has conquered in the history. The Company had been able to win the Gold Award for Large Category Producer (Plantations) in this year too.

I would like to thank all categories of employees for their excellent effort and all other stakeholders for their contribution during the year and members of the Board of Directors for their guidance and support.

It is my responsibility to place my gratitude to the Hon. Minister of Coconut Development & Janatha Estate Development, the Secretary and all other officials of the Ministry;

for giving us opportunity to actively participate in the National Coconut Development Program by supplying high quality seed nuts and seedlings;

for extending the fertilizer subsidy to the coconut sector of Sri Lanka which has immensely contributed to improve the yields and to managed cost of production of coconut;

for introducing predator mite laboratory for effective control of mite damage to coconuts and

for successful introduction of "Coconut Plantations Management Network Monitoring System" under the e-government policy.

Panduka Jayasinghe
31st May 2012

Board of Directors



Mr. Panduka Jayasinghe (*Chairman /Managing Director*)

Mr. Panduka Jayasinghe who is currently the Chairman and Managing Director of Kurunegala Plantations Limited was appointed as Chairman of Kurunegala Plantations Limited with effect from 17th May 2010. He was re-designated as Chairman/Managing Director with effect from 24th June 2010.

Mr. Kurera M.A.S.N. (*Executive Director*)

He was appointed to the Board with effect from 17th May 2010.

Mr. Perera R.W.M.J.R. (*Working Director*)

He was appointed to the Board with effect from 17th May 2010.

Mrs. Chandrika W.G. (*Treasury Representative*)

She was appointed to the Board with effect from 17th June 2010. She was the Treasury Representative. She has resigned from the Board with effect from 11th February 2013. She held the Chairpersonship of the Audit Committee of Kurunegala Plantations Limited.

Mr. Peiris K.D.

He was appointed to the Board with effect from 17th May 2010.

Mr. Kularatne B.R.

He was appointed to the Board with effect from 17th May 2010.

Mr. Appuhamy I.A.M.

He was appointed to the Board with effect from 17th May 2010.

Management Team



Chief Executive Officer

Mr. Nillegoda N.M.S.K.

Deputy General Manager

Mr. Samarakoon S.M.M.

Manager - Finance

Mr. Premathilaka P.M.D.G.

Manager - Audit

Mr. Cooray M.M.J.

Manager - Human Resource & Administration

Mr. Gunawardana I.A.

Manager – Estates Monitoring & Co-Ordination

Mr. Sathkumara S.M.R.P.

Area Superintendents

Mr. Perera K.J.S.

Mr. Jayawardana G.K.A.

Mr. Weragoda U.W.B.A.

Mr. Gamage A.T.

Mr. Perera M.L.A.P.

Mr. Perera K.L.H.C.

Mr. Abeykoon A.M.P.

Mr. Kalugalla K.P.D.N.

Assistant Superintendents

Mr. Dunuwila J.A.R.

Mr. Pushpakumara R.K.H.

Mr. Rupasinghe H.K.G.A

Mr. Sumanadasa K.G.K.D.

Mr. Munasinghe J.M.A.A.

Mr. Senevirathne A.J.M.I.

Mr. Dissanayaka D.M.P.

Mr. Mangalagama M.G.L.U.

Mr. Udamulla A.R.

Mr. Ranaweera J.H.B.

Mr. Subasinghe J.M.N.

Mr. Wijethilaka S.C.

Mr. Waidyarathne G.K.A.

Chief Executive Officer's Report



Kurunegala Plantations Limited, a Regional Plantation Company established in 1992 under the privatization policy of the Government, had been handed over to the private sector for management. The Company managed by the private sector over a period of 12 years had been in a state of downfall, which resulted non-achievement of expected goals. This situation compelled the Government to take over the management of the Company with effect from 01st January 2005. This could be concedered as the turning point of the history of Kurunegala Plantations Limited.

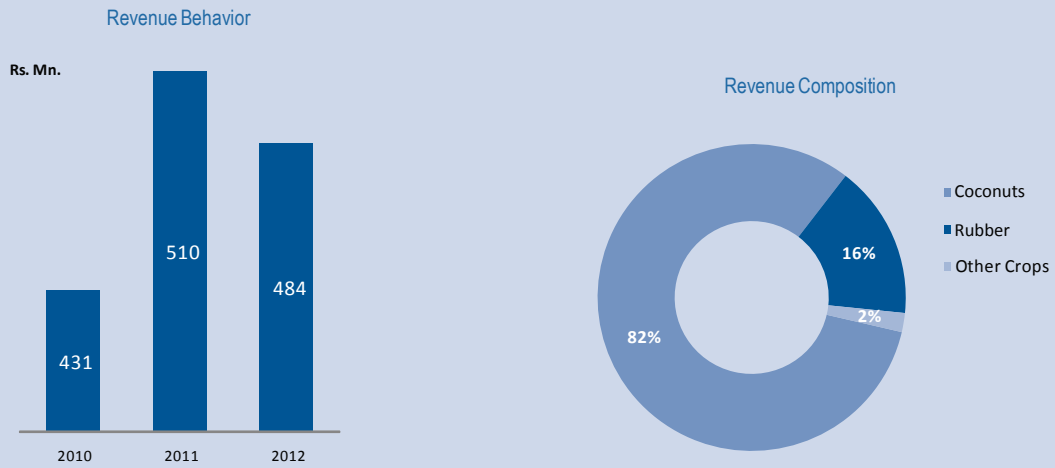
The State Management faced the challenge of turning the Company to a viable enterprise and to uplift the organization to much higher standards. The management having identified the strengths, weaknesses, opportunities and threats in the process, harnessed the Company's true potential successfully to achieve its objectives giving much weight together with all levels of employees to the areas of development. The potential of each estate have been evaluated and planned out to obtain optimum yields of the main crop coconut. Coconut under-planting and Infilling programs have been given much prominence in order to maximize the coconut production whilst intercropping under coconut has been considered for maximizing the usage of potential lands. Establishment of rubber on estates other than Attanagalla, Mahayaya and Dodangaslanda had been identified since the demand for Latex would continue for the next two decades. Kurunegala and Narammala Area Estates have been identified as suitable areas for extention of rubber cultivation.

Value addition on coconut and rubber has been considered as an important area, for which the Company has planned-out production of coconut oil, and ribbed smoke sheets.

Chief Executive Officer's Report

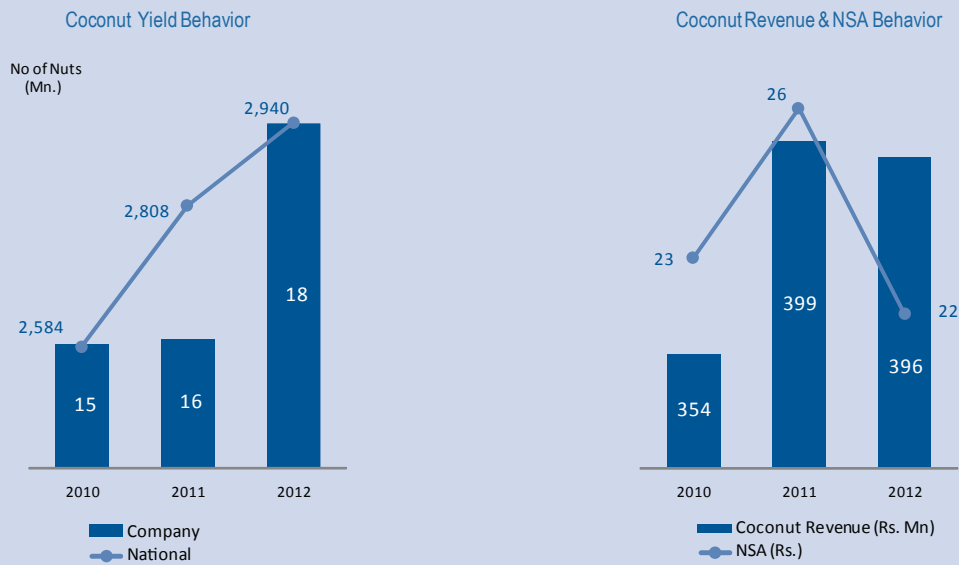
Revenue

The Company has recorded a revenue drop of 26.2 million in the year 2012 when compared with 2011. This is mainly due to 25% drop in the rubber turnover for the year.



Revenue - Coconut

Coconut net sales average (NSA) recorded a 15% decrease in 2012 when compared to 2011 (NSA 2012 – Rs. 21.87, NSA 2011 – Rs. 25.68). The Company achieved the highest coconut production of 18.1 million nuts in year 2012 recording a 16% increase compared to last year whilst a 4.7% increase had been recorded at national level. The decrease in NSA had an adverse impact of Rs. 68.9 million to the turnover. The increased production had been able to compensate the adverse impact of NSA by Rs. 65.7 million which recorded a 1% drop in coconut turnover when compared with last year.

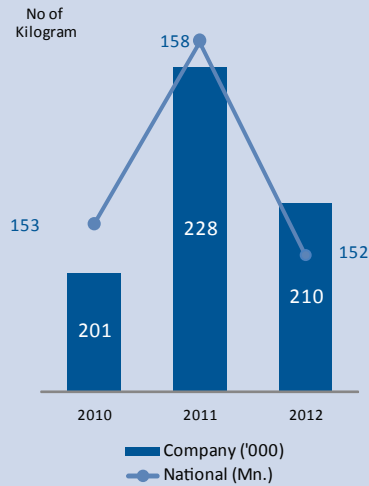


Revenue - Rubber

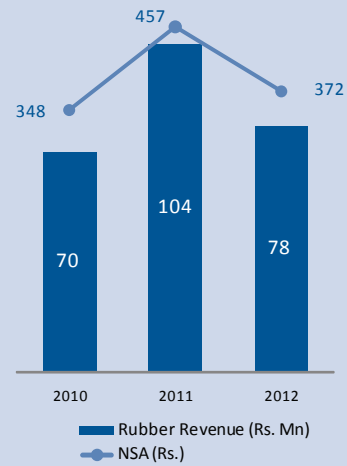
The Company's rubber production recorded a drop by 8% compared to last year due to adverse weather conditions prevailed during the cropping months. This situation has further aggravated due to sharp drop in rubber prices. The rubber NSA has recorded a 19% decrease when compared to 2011. The impact of NSA drop to the turnover had been calculated at Rs. 17.9 million whilst the impact of crop decrease was Rs. 8.3 million.

Chief Executive Officer's Report

Rubber Yield Behavior



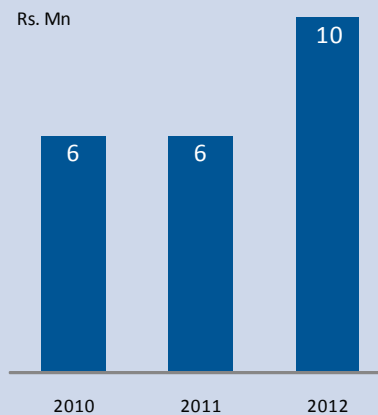
Rubber Revenue & NSA Behavior



Revenue – Other Crops

The contribution to the net profit from other crops has been increased by Rs. 2.7 million, recording a turnover increase of 50% from 6.5 million in 2011 to 9.7 million in 2012. This is a result of diversification through maximum utilization of lands. The Company hopes to increase the revenue contribution from other crops annually by further diversification.

Other Income Behavior



Income from other operating activities & interest income

The Company earned Rs. 76.4 million in the year under review (2011 – 62.4 million) from other operating activities such as sale of unproductive coconut trees, timber trees, coconut husks etc., whilst Rs. 38.2 million (2011 – 22.4 million) had been achieved as interest on short term investments.

Finance expenditure

The significant component of finance expenditure is interest on lease of lands, which had been Rs. 30.8 million.

Profit before tax & Profit after tax

The Company has achieved 186 million profit before tax and Rs. 170 million profit after tax against Rs. 225 million & 192 million recorded in year 2011 respectively.

PBT & PAT



Chief Executive Officer's Report

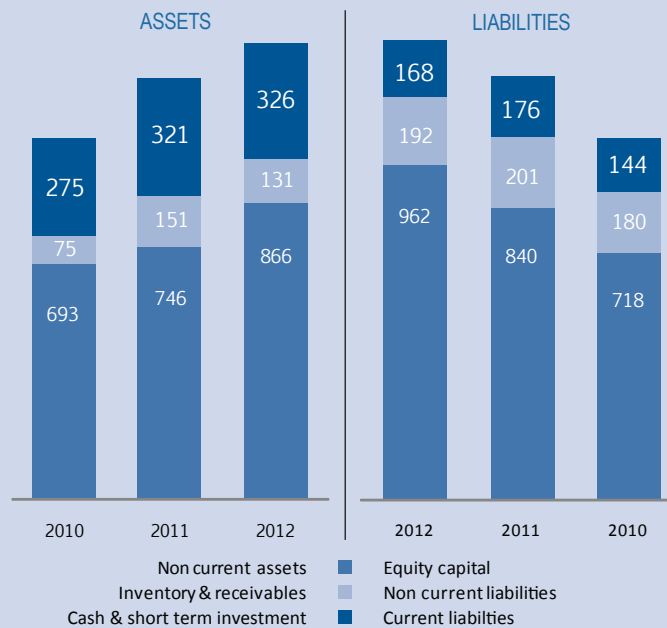
Dividends

We are proud to state that Kurunegala Plantations continuous to be a self-financing public enterprise under State management. The Company's earnings per share had been recorded as Rs. 8.51. We look forward to declare Rs. 30 million as dividends for the year 2012.

Financial position and liquidity

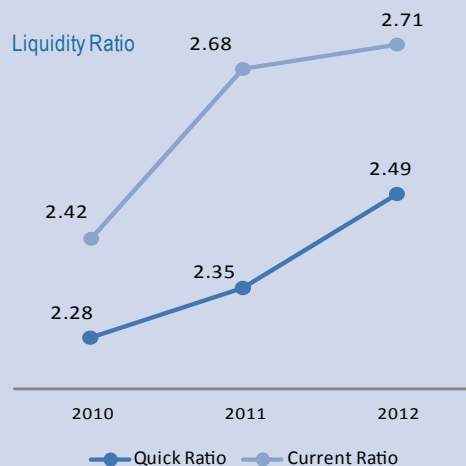
Financial Positions Structure

The total assets of Rs. 1,218 million at the end of year 2011 had been increased to Rs. 1,322 million by end of 2012, which has recorded an increase of Rs. 104 million. Total assets comprised of Rs. 866 million of noncurrent assets and Rs. 457 million as current assets. This had been recorded as Rs. 746 million and Rs. 472 million respectively in 2011. Cash & Short term investments increased from Rs. 321 million to Rs. 326 million at the end of year 2012.



Liquidity

The current ratio of 2.68 had been increased to 2.71 whilst quick ratio had been increased to 2.49 from 2.35 when compared with last year. The cash & short term investments further improved from Rs. 321 million to Rs. 326 million.



Chief Executive Officer's Report

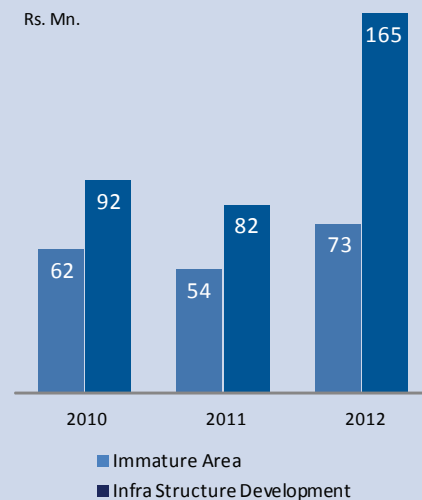
Cash Flows

Cash & cash equivalents had been increased by Rs.4.6 million in 2012, mainly due to the increase in cash flows from operating activities. Cash flow from operations prior to working capital changes decreased to Rs. 233 million from Rs. 291 million in previous year. The cash generated from operations, however, increased to Rs. 203.7 million as against Rs. 196.6 million due to positive working capital changes, primarily on account of decreasing inventories and trade & other receivables.

Capital Asset Development

The Company continued its development and diversification programs according to the long term strategy of sustainable development during the year 2012 too. Rs. 165 million had been invested in capital assets out of which Rs. 73 million had been on under-plantations/ new plantations and maintenance of immature plantations. The balance had been spent on development of infrastructure facilities. The Company has provided fourteen new watchers' huts and three new OICC quarters during the year 2012 in the view to uplift the living standards of estate employees.

Expenditure on Capital Assets Developments



Human Resource

Number of training programs focused on improving skills, knowledge, abilities, teamwork and quality of service had been conducted during the year 2012, which had contributed to the human capital development.

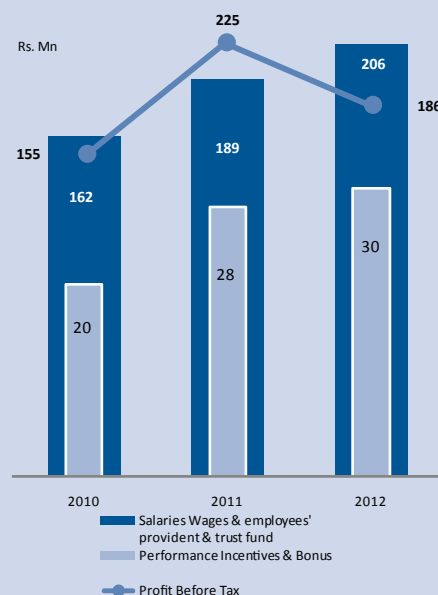
The Company has organized various activities such as inter estate cricket tournament, all night Pirith Chanting, Poson Dansala, annual family get-together and annual family excursion for strengthening the team spirit.

Rs. 225,000 has been granted under the scholarship scheme formulated by the Company to assist the higher education of children of all categories of employees,

The Company has further extended the distress loan facility and loans worth of Rs. 11.09 million had been granted during the year 2012, in order to redress the staff.

The Company has paid Rs. 205.5 million as salaries, wages, employee's provident and trust funds during the year 2012. Further Rs. 22.7 million and Rs. 7.5 million has been provided to pay performance based incentives & bonus respectively to the employees of the Company.

Personnel Cost



Chief Executive Officer's Report

Winning of National Gold Award

Kurunegala Plantations Limited had won the National Gold Award for Agri-Business and Gold Award for Large Category Producer (Plantations) at the National Agri Business Awards 2012 conducted by the National Agri - Business Council.

The Company is proud to state the dedication, loyalty and the rich contribution of all employees, who have been greatly responsible to the success story of Kurunegala Plantations Limited. The Company has always considered creation of a friendly working environment to the employees, and also to cater to their training and career development needs for maximum output.

There is no doubt the Company could achieve its objectives successfully in the path to be the Model Plantation and Agri- Business Company in the South East Asian Region.

In conclusion, I wish to convey my sincere gratitude to Hon. Minister of Coconut Development & Janatha Estate Development, Secretary to the Ministry and other officials of the Ministry, the Chairman/Managing Director and the Board of Directors of Kurunegala Plantations Limited for their valuable guidance and support rendered towards the betterment of the Company and to all categories of employees of KPL for their rich contribution, without which the said results could not have been achieved in the present magnitude.



Sunil Nillegoda.



Report of the Board of Directors

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

General

The Company was incorporated on 18th June 1992 as a Fully Government Owned Company with Limited Liability. The Company has been re-registered under the Companies Act No.07 of 2007 with a new registration number PB 1319.

Principal Activities

Kurunegala Plantations Limited manages a portfolio of diverse agricultural products through cultivation, production, processing and sale of coconut, rubber and ancillary crops & produce.

Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly the financial statements have been prepared based on the Going Concern Concept.

Financial Statements & Auditor's Report

The Financial Statements duly signed by the Directors and the Auditor's report thereon for the year ended 31st December 2012 are attached hereto.

Accounting Policies

Details of accounting policies have been discussed in the section "Accounting Policies" to the financial Statements. There have been changes in the Accounting Policies adapted by the Company during the year under review. For all periods up to and including the year ended 31st December 2011, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31st December 2011. These financial statements for the year ended 31st December 2012 are the first financial statements the Company has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 01st January 2012.

Revenue

The revenue of the Company for the year 2012 is Rs. 483.7 million (2011 - Rs. 509.9 million). The other operating income for the year is Rs. 76.4 million (2011 – Rs. 62.4 million) whilst the interest income for the year is Rs. 38.2 million (2011 - Rs. 22.4 million).

Results and Appropriations

The profit-after tax of the Company for the year 2012 is Rs. 170.3 million (2011 – Rs. 192.0 million). Financial results of the Company are given in the Statement of Comprehensive Income.

Detailed description of the results and appropriations are as follows.

	2012 Rs.	2011 Rs.
Profit from coconut	172,934,188	199,076,145
Profit from rubber	33,318,065	58,669,015
Profit from other crops	3,157,262	459,556
Profit from other operating activities excl. interest income	75,170,669	61,597,439
Interest income	38,200,820	22,426,141
	<u>322,781,004</u>	<u>342,228,296</u>
Administrative expenses	(104,816,036)	(88,442,422)
Finance expenses		
Interest on lease of lands	(30,847,790)	(28,429,380)
Other Finance expenses	(1,039,543)	(193,149)
Profit before income tax expenses	186,077,635	225,163,345
Current year income tax expense	(7,778,863)	(16,137,149)
Deferred income tax	(8,006,004)	(16,989,549)
Profit after income tax expenses	170,292,768	192,036,647
Balance brought forward from the previous year	644,668,414	522,631,767
Amount available for appropriation	814,961,182	714,668,414
Appropriations - dividend paid	(50,000,000)	(70,000,000)
Balance carried forward for the next year	<u>764,961,182</u>	<u>644,668,414</u>

Capital Expenditure & Investments

During the year 2012 Rs. 164.8 million (2011 – Rs. 81.6 million) had been invested in fixed assets of the Company out

of which Rs. 73.4 million (2011 – Rs. 53.6 million) had been incurred on immature plantations. Rs. 34.5 million had been spent on construction & renovation of buildings, whilst the

Annual Report of the Board of Directors

balance of Rs. 56.9 million has spent on other infrastructure developments.

Short Term Investments

The Company held Rs. 320.0 million short term investments as at 31st December 2012 (as at 31st December 2011 – Rs. 300.6 million). This investment comprises of fixed deposits at Government Banks. (Rs. 79.5 million at Bank of Ceylon, Rs. 10 million at People's Bank and Rs. 230.5 million at National Savings Bank).

Stated Capital

The total amounts received by the Company in respect of

Directorate

The names of the Directors who held office during the year are given below.

Mr. Panduka Jayasinghe	- Chairman/ Managing Director
Mr. Kurera M.A.S.N.	- Executive Director
Mr. Perera R.W.M.J.R.	- Working Director
Mrs. Chandrika W.G.	- Treasury Representative <i>(Resigned with w.e.f. 11th February, 2013)</i>
Mr. Peiris K.D	
Mr. Kularatne B.R.	
Mr. Appuhamy I.A.M	

Directors' Interest in Contracts

The Directors have no direct or indirect interest in contracts.

Directors' Share Holding

No Director of the Company or his/ her spouse holds any shares in the Company.

Audit Committees

The following Board members had served the Audit Committee during the year 2012.

Mrs. Chandrika W.G. *(Treasury Representative) - Chairperson*
Mr. Kularatne B.R.
Mr. Appuhamy I.A.M.

Employment

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Company practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.

Statutory Payments

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

the issue of shares are referred to as stated capital. The total stated capital of the Company as at 31st December 2012 was Rs. 200,000,010. This comprises 20,000,000 ordinary shares and 01 Golden share held by the Secretary to the Treasury of Sri Lanka. No allotments of shares were made during the year.

Reserves

The Company reserves are totally represented by retained profit, which as at 31st December 2012 was Rs. 765 million (2011 - Rs. 645 million).

Events after the Reporting Period

There have been no events subsequent to the balance sheet date, which would have any material effect on the Company other than those disclosed in this report.

Auditors

The Accounts for the year 2012 have been audited by the Messrs. Dayananda Samarawickrema & Co., (Chartered Accountants).

Annual Report

The Board of Directors has approved the financial statements on 30th May 2013.

Annual General Meeting

The annual general meeting will be held at No.11, 3rd Floor, Duke Street, Colombo 01 on Thursday, 20th June 2013 at 1.30 p.m. The notice of the annual general meeting is attached hereto.

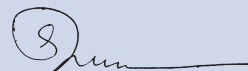
For and on behalf of the Board of directors



Panduka Jayasinghe
Chairman/MD



Perera R.W.M.J.R.
Working Director



Corporate Advisory Services (Pvt) Limited
Secretaries – Kurunegala Plantations Limited
Colombo, 31st May 2013

Statement of Corporate Governance

The Board of Directors of Kurunegala Plantations Limited operates on the principles of integrity, corporate fairness, transparency and accountability, and these governing principals would be the foundation on which it will endeavor to build strong relationship with all stakeholders and nurture the environment within which the Company operates. The Company's activities are conducted with the ethical standards and in the best interest of stakeholders. This commitment is supported with the right roles, structures and information which are embodied with policies, procedures and process that are designed not only to ensure regulatory compliance and sustainability of business but also to enhance business value.

Board of Directors

The Board of Directors is ultimately accountable and responsible for the performance of the Company and is the focal point of the corporate governance process.

Responsibility

It sets key policies and strategic objectives and ensures their implementation. The Board also bears the ultimate responsibility for the integrity of the financial information, the effectiveness of the Company's systems of internal control.

Composition

The Board comprised seven Non-Executive Directors including the Chairman/ Managing Director.

Board Meetings

The Board Meetings are scheduled on a monthly basis. At these Meetings the Board sets the strategic direction of the Company, reviews the annual budgets, the progress of all activities, the recurrent and the capital expenditure programs.

The Board members are given appropriate documentations in advance of each Meeting. The Board met 12 times during the year. The attendance at these meetings is as follows.

Mr. Panduka Jayasinghe <i>Chairman/ Managing Director</i>	12/12
Mr. Kurera M.A.S.N. <i>Executive Director</i>	12/12
Mr. Perera R.W.M.J.R. <i>Working Director</i>	12/12
Mrs. Chandrika W.G. <i>Treasury Representative</i> <i>(Resigned with w.e.f. 1st February, 2013)</i>	12/12
Mr. Peiris K.D.	11/12
Mr. Kularatne B.R.	12/12
Mr. Appuhamy I.A.M	11/12

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors. The Chairperson of the Audit Committee is the Board member who is the Treasury Representative of the Board.

The Audit Committee Meetings are scheduled on a monthly basis. The Chief Executive Officer, Manager Audit and the Manager Finance attend Audit Committee Meetings on invitation. The Committee met 09 times during the year. The attendance at these meetings is as follows.

Mrs. Chandrika W.G. <i>Treasury Representative</i> <i>(Resigned with w.e.f. 1st February 2013)</i>	9/9
Mr. Kularatne B.R	9/9
Mr. Appuhamy I.A.M	9/9

Compliance with Legal Requirement

The Board of Directors makes every endeavor to ensure that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulations as applicable to State Owned Business Undertakings of the Country. The Board ensures that the financial statements of the Company are prepared in accordance with the Sri Lanka Accountings Standards.

Statement of Directors' Responsibility

The responsibilities of the Directors in relation to the Financial Statements are set out in the following statement. The responsibilities of the Auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No.07 of 2007, are set out in the Report of the Auditors.

The financial statements comprise of:

- Statement of Comprehensive income, which presents a true and fair view of the profit and loss of the Company for the financial year.
- Statement of financial position which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

The Directors are required to ensure that, in preparing these financial statements:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- All applicable Sri Lanka Accounting Standards (SLAFRS/ LKAS), as relevant, have been followed;
- Reasonable and prudent judgments and estimates have been made .

The Directors are also to ensure that Company has adequate resources to continue in operation and to justify applying the "going concern bases" in preparing these financial statements.

Further the Directors have the responsibility to ensure that the Company maintains sufficient accounting records with reasonable accuracy, the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act No 7 of 2007.

The Directors are also responsible for taking steps to safe guard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with the view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

As per the Companies Act the Board shall cause the Annual General Meeting Report to be sent to every shareholder of the Company not less than 15 working days before the date fixed for holding the Annual General Meeting.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

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

By Order of the Board



CORPORATE ADVISORY SERVICES (PVT) LTD

Secretaries – Kurunegala Plantations Limited.

Independent Auditor's Report

Dayananda Samarawickrema & Co.,

CHARTERED ACCOUNTANTS

Partners
H.G.Dayananda F.C.A
J.Rajasuriya F.A.C., BA
K.G. Chandana Kumara A.C.A

No. 20/26, Station Lane, (Janatha Pola Road)
NUGEGODA, SRI LANKA.
Tele : 2854614, 2809650, 2822940
Fax : 2820112
E - mail : dsandca@sltnet.lk

TO THE SHAREHOLDERS OF KURUNEGALA PLANTATIONS LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kurunegala Plantations Limited which comprise the Statement of Financial Position as at 31st December 2012 and the, Statement of Comprehensive Income, Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements.

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

Scope of Audit and Basis of Opinion

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

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

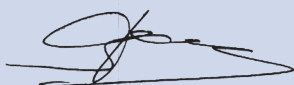
We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

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

Report on other Legal and Regulatory Requirements.

In our opinion, these Financial Statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.



DAYANANDA SAMARAWICKREMA & CO.,

Chartered Accountants,

Nugegoda.

17.05.2013

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 ST DECEMBER			
	Notes	2012 Rs.	2011 Rs.
Revenue	01	483,726,983	509,885,889
Cost of Sales	02	(275,499,986)	(252,452,873)
Gross Profit		208,226,997	257,433,015
Other Operating Income	03	76,353,187	62,369,139
Administration & General Expenses	04	(104,816,036)	(88,442,422)
Profit from Operating Activities		179,764,148	231,359,733
Finance Expenses	05	(31,887,333)	(28,622,529)
Profit before Interest		147,876,815	202,737,204
Interest Income	06	38,200,820	22,426,141
Profit before Taxation		186,077,635	225,163,345
Income Tax Expense	07	(15,784,867)	(33,126,698)
Profit for the Year		170,292,768	192,036,647
Other Comprehensive Income		-	-
Other Comprehensive Income for the year, Net of Tax		-	-
Total Comprehensive Income for the Year		170,292,768	192,036,647
Earnings Per Share	08	8.51	9.60


All values are in Rupees, unless otherwise stated
 Figures in bracket indicate deductions

Statement of Financial Position

AS AT	Notes	31.12.2012 Rs.	31.12.2011 Rs.	01.01.2011 Rs.
ASSETS				
NON-CURRENT ASSETS				
Leasehold Right to Bare Land	09	102,897,569	105,886,102	109,056,062
Immovable Lease Assets Other than Bare Lands	10	55,253,756	60,310,299	65,152,286
Mature & Immature Plantations	11	548,303,715	482,401,689	435,682,802
Property, Plant & Equipment	12	154,398,849	96,369,292	81,537,171
Other Financial Assets	13	4,938,188	966,845	1,403,852
Total Non Current Assets		865,792,077	745,934,227	692,832,173
CURRENT ASSETS				
Inventories	14	37,317,228	58,592,976	22,790,543
Deposits & Pre-payments		5,778,757	3,938,157	2,193,309
Income Tax Refund		1,467,715		
Trade & Other Receivables	15	82,359,530	87,249,761	49,008,561
Other Financial Assets	13	4,004,367	1,173,048	836,904
Short Term Investments	16	320,000,000	300,637,576	249,999,991
Cash and Bank Balances	17	5,659,031	20,743,164	24,978,703
Total Current Assets		456,586,628	472,334,682	349,808,011
TOTAL ASSETS		1,322,378,705	1,218,268,909	1,042,640,184
EQUITY & LIABILITIES				
CAPITAL & RESERVES				
Stated Capital	18	200,000,010	200,000,010	200,000,010
Retained Earnings		764,961,182	644,668,414	522,631,767
		964,961,192	844,668,424	722,631,777
Deferred Expenditure		(2,753,577)	(4,299,018)	(4,289,882)
Total Equity		962,207,615	840,369,406	718,341,895
NON-CURRENT LIABILITIES				
Retirement Benefit Obligations - Gratuity	19	65,791,705	71,117,801	62,791,390
Obligations under Lease Agreement - Net of Current Maturity	20	74,909,429	78,474,633	82,039,837
Grants & Subsidies	21	-	8,677,207	8,937,792
Deferred Tax Liabilities	22	51,177,581	43,171,577	26,182,028
Total Non Current Liabilities		191,878,715	201,441,218	179,951,047
CURRENT LIABILITIES				
Obligations under Lease Agreement - Current Maturity	20	3,565,204	3,565,204	3,565,204
Welfare Fund		-	-	371,342
Income Tax Payable			9,904,497	1,081,006
Advance Received	23	204,627	20,585,889	16,514,962
Trade and Other Payables	24	164,522,544	142,402,695	122,814,728
Total Current Liabilities		168,292,375	176,458,285	144,347,242
TOTAL EQUITY AND LIABILITIES		1,322,378,705	1,218,268,909	1,042,640,184

These Financial Statements are in compliance with the requirements of the Companies Act No: 07 of 2007.

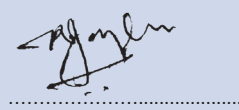
The Accounting Policies and Notes are an integral part of the Financial Statements.



Manager Finance

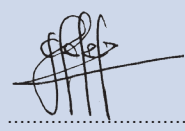
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors.



Chairman / Managing Director

17th May 2013



Working Director

Statement of Changes In Equity

FOR THE YEAR ENDED 31ST DECEMBER 2012

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2011	200,000,010	522,631,767	722,631,777
Total Comprehensive Income - Profit for the Year 2011	-	192,036,647	192,036,647
Dividend Paid - 2009	-	(30,000,000)	(30,000,000)
Dividend Paid - 2010	-	(40,000,000)	(40,000,000)
Balance as at 31st December 2011	200,000,010	644,668,414	844,668,424
Total Comprehensive Income - Profit for the Year 2012	-	170,292,768	170,292,768
Dividend Paid - 2011	-	(50,000,000)	(50,000,000)
Balance as at 31st December 2012	200,000,010	764,961,182	964,961,192

Figures in brackets indicate deductions.

The accounting policies and notes are an integral part of the financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER

	2012 Rs.	2011 Rs.
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Profit before Income Tax Expenses	186,077,635	225,163,345
Adjustments for		
Depreciation/Amortization	29,381,368	26,136,769
Interest on Lease Agreement	30,847,790	28,429,380
Interest on Temporary Bank Loan	210,986	-
Amortization of staff Loans	828,557	193,149
Provision for Retirement Benefit Obligations	5,125,526	15,270,441
Amortization of Grants	(260,585)	(260,585)
Interest Income	(38,200,820)	(22,426,141)
Profit from Disposal of Property Plant & Equipments	(443,035)	(2,220,470)
Loss on Transfer of Expenditure on PPE	9,079,178	-
Income Tax Paid	(19,555,293)	(7,625,970)
Provision for Performance Incentive	22,717,215	21,155,711
Provision for Bonus	7,458,393	7,089,625
Operating Profit/(Loss) before Working Capital Changes	233,266,915	290,905,254
Changes in Working Capital		
(Increase)/Decrease in Inventories	21,275,748	(35,802,432)
(Increase)/Decrease in Deposits & Pre-payments	(1,840,600)	(1,744,848)
(Increase)/Decrease in Trade and Other Receivables	9,714,727	(37,498,022)
(Increase)/Decrease in Deferred Expenditure	1,545,441	(9,137)
Increase/(Decrease) in Rent Received in Advance	(20,381,262)	4,070,928
Increase/(Decrease) in Welfare Fund	-	(371,342)
Increase/(Decrease) in Trade and Other Payables	(3,398,063)	4,373,651
Payment of Retirement Benefit Costs	(8,134,590)	(6,944,030)
Payment of Performance Incentive	(21,158,401)	(13,383,339)
Payment of Bonus	(7,231,825)	(6,952,787)
Net Cash From/(Used in) Operating Activities	203,658,090	196,643,896
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(164,809,564)	(81,628,173)
Proceeds from Disposal of Property, Plant & Equipment	2,488,920	4,172,812
Interest Received	32,547,768	21,489,814
Net Cash Flows From/(Used in) Investing Activities	(129,772,876)	(55,965,547)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Lease Rental Paid	(12,593,275)	(24,377,166)
Interest on Temporary Bank Loans - BOC	(210,986)	-
Loan Given to Staff	(11,092,835)	(998,751)
Staff Loan Recoveries	4,290,173	1,099,614
Dividend paid	(50,000,000)	(70,000,000)
Net Cash Flows From/ (Used in) Financing Activities	(69,606,923)	(94,276,303)
Net Increase / (Decrease) In Cash and Cash Equivalents	4,278,291	46,402,046
Cash and Cash Equivalents at the beginning of the Year	321,380,740	274,978,694
Cash and Cash Equivalents at the end of the Period (Note - A)	325,659,031	321,380,740
Note A - Cash and Cash Equivalents as at the year ended	31.12.2012	31.12.2011
	Rs.	Rs.
Fixed Deposit-BOC	79,500,000	113,500,000
Fixed Deposit-People's Bank	10,000,000	28,000,000
Fixed Deposit - National Savings Bank	230,500,000	-
Treasury Bills	-	159,137,576
REPO	-	7,000,000
Postage /Stamps	8,042	4,252
Cash in Transits	47,585	1,729,081
Cash at Bank	4,476,403	7,281,098
Cash in Hand	1,127,001	4,728,733
	325,659,031	321,380,740

Figures in brackets indicate deductions.

The accounting policies and notes are an integral part of the financial statements.

Accounting Policies

A summary of the significant accounting policies followed by the Company is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

01. GENERAL

1.1 Legal status

Kurunegala Plantations Limited (KPL) is a limited liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Businesses undertakings into Public Companies Act No. 23 of 1987. The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala.

Company is a single shareholder company with the Secretary to the Treasury of the Government of Sri Lanka being the single shareholder.

1.2 Nature of business

The company is engaged in agricultural activity and manages plantations basically with coconut and rubber. Its plantations are situated in different parts of the island which are organized under 09 planting Area Estates as described below.

During the year under review Wariyapola Area Estates amalgamated to Hiriyala Area Estates for operational purpose.

Attanagalla
Katugampola
Dambadeniya
Kurunegala
Dhathusenapura
Mahayaya
Dodangaslanda
Narammala
Hiriyala

1.3 Statement of compliance

The Financial Statements which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement, together with the Accounting Policies and Notes ("Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of Companies Act No. 07 of 2007.

These are the Company's First Financial Statements prepared in accordance with SLFRSs & SLFRS 01 –First Time Adoption of Sri Lanka Accounting Standards has been applied.

First Time Adoption of SLFRSs

These Financial Statements, for the year ended 31st December 2012, are the first the Company has prepared in accordance with SLFRSs. For periods up to and including the year ended 31st December 2011, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLASs)

Accordingly, the Company has prepared Financial Statements which comply with SLFRSs applicable for periods ending on or after 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the Accounting Policies. In preparing these Financial Statements, the Company's opening Statement of Financial Position was prepared as at 1st January 2011, the Company's date of transition to SLFRSs.

1.4 Basis of Presentation

The financial statements have been prepared on accrual basis and under the historical cost basis, with no adjustment being made for inflationary factors affecting the financial statements.

Presentation and Functional Currency

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

The said financial statements have been presented in Sri Lankan (Rs.).

All values are rounded to nearest rupee except when otherwise indicated.

Comparative Information

The presentation and classification of the financial statements of the previous years have been amended where relevant for better presentation and to be comparable with those of the current year.

02. REVENUE RECOGNITION

In keeping with the practices in the Plantation Industry, revenue and profit or loss on sale of Perennial crops are recognized in the financial period of harvesting. Revenue is recorded at invoice value net of point of sale expenses such as brokerage, sale expenses and other levies.

Gains or losses of a revenue nature on the disposal of property, plant and equipment have been accounted for in the Statement of Comprehensive Income.

Accounting Policies

Interest and other income are recognized on accrual basis.

03. EXPENDITURE RECOGNITION

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit/ (loss) for the year.

For the purpose of presentation of Statement of Comprehensive Income, the directors are of the opinion that functional classification of expenses presents fairly the enterprises' performance and hence such presentation method is adopted.

04. TAXATION

4.1 Income Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the Inland Revenue Act No: 10 of 2006 and the subsequent amendments thereto

4.2 Deferred tax

Deferred taxation is provided on all taxable and tax deductible temporary differences, to the extent that they are expected to reverse in the future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

05. EVENTS AFTER THE REPORTING PERIOD

All material events after the reporting period have been considered and where appropriate adjustments to or disclosures have been made in the financial statements.

06. BORROWING COST

Borrowing costs are recognized as an expense during the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use is capitalized as part of the specific asset.

07. ASSETS AND BASES OF THEIR VALUATION

7.1 Inventories

Agricultural produce harvested are valued at the quoted prices net of point of sale costs in the sales contracts when sold after the Financial Position date and valued at average estimated net selling price when sales contracts are not entered into up to the time of preparing the financial statements.

In the case of coconuts the net realizable value after converting into copra is used for valuation when uncertainty exists in the market.

Inventories other than agricultural produce are valued at the lower of cost and net realizable value, after making due allowance for obsolete and slow moving items.

Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Growing Crop Nurseries are valued at the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads less provision for overgrown plants.

Stocks of input materials, spares and consumables are valued at actual cost on FIFO basis.

7.2 Financial Instruments

Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through Profit or Loss, loans and receivables, held to maturity investments or available for sale of financial assets, as appropriate

Loans & Receivables

Loans & receivables are non – derivative financial assets with fixed or determinable payments that are not quoted in active

market. After the initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees or cost that is integral part of the EIR. The EIR amortization is included in financial income in the statement of comprehensive income. The losses arising from impairment are recognized in the Statement of comprehensive income under finance cost.

7.3 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize inclusive of provisions for bad and doubtful debts.

7.4 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are included as a component of cash and cash equivalents.

7.5 Property, plant and equipment

7.5.1 Cost / Valuation

Property, plant and equipment are reported at cost/valuation less accumulated depreciation, which is provided for on the bases specified below:

The cost of an asset is the cost of purchase after deducting discounts and rebates or cost of construction together with any directly attributable costs of bringing the asset to working condition for its intended use.

7.5.2 Restoration Cost

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

7.5.3 Depreciation/ Amortization

Freehold Assets –

The provision for depreciation is calculated on the cost or valuation of all property, plant and equipment in order to write off such amounts over the estimated useful life by equal installments.

The estimated useful life of assets is as follows:

<u>Assets</u>	<u>Years</u>
Buildings	40
Wells	40
Fencing	03
Machinery	13 ¹ / ₃
Motor Vehicles	05
Computer Equipment	05
Equipment	08
Furniture and Fittings	10
Mature Plantations -	
Coconut	50
Rubber	20
Others	20

Leasehold Assets –

The leasehold rights over assets taken over from JEDB are being amortized in equal amounts over lease period or economic useful life of the asset whichever is low as follows:

<u>Assets</u>	<u>Years</u>
Bare Land	53
Buildings	25
Plant and Machinery	15
Mature Plantations	30
Land Development Cost	30

Full provision is made in the year of disposal and no provision is made in the year of purchase/ transfer.

7.5.4 Permanent Land Development Cost

Permanent land development costs are those costs incurred to make major changes to land contours to build new access roads and other major infrastructure development. Such expenditure on leasehold land has been capitalized and depreciated over the remaining lease period.

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

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

The cost of new planting, replanting, inter planting and crop diversification incurred between the time of field development and being ready for commercial harvesting are classified as immature plantations. No depreciation is provided for immature plantations. The expenditure incurred on perennial crops, which come into bearing during the year, have been transferred to mature plantations and depreciated over its useful life. No depreciation has been charged in the year of transfer.

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

7.5.6 Infilling Cost

Infilling costs are those costs incurred in replacing plant vacancies in mature plantations. Where infilling results in an increase in the economic life or increase in yield/productivity; or improvement in quality of output of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life at rates applicable to mature plantations or the unexpired lease period whichever is less.

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

7.5.7 Leased Assets

Property, plant and equipment on finance leases (which effectively transfer to the Company substantially the entire risks and benefits incidental to ownership of the leased items) are capitalized at their cash price and depreciated/amortized over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

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

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

08. DEFERRED EXPENDITURE

The expenditure on projects, the economic benefits of which accrue over a period of time are capitalized and carried forward up to the time of income generation from such projects.

09. LIABILITIES AND OTHER PROVISIONS

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

Non current liabilities are those balances that fall due for payment after one year from the Financial Position date.

All known liabilities have been accounted for in preparing these

financial statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

9.1 Terminal Benefits to Employees

9.1.1 Defined Benefit Plan – Retirement Benefit

Retirement benefit of gratuity is measured based on the Projected Unit Credit method in accordance with the Sri Lanka Accounting Standards 19 on Retirement Benefit Costs. This item is grouped under Retirement Benefit Obligations in the Financial Position.

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 of continued services.

The liability is neither externally funded nor actuarially valued.

9.1.2 Defined Contribution Plans – EPF and ETF

Employees are eligible for employees' provident fund contributions and employees' trust fund contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments to employees' provident fund and employees' trust fund respectively.

9.2 Capital Commitments and Contingencies

All material capital commitments and contingent liabilities of the Company are disclosed in the notes to the accounts.

10. GRANTS AND SUBSIDIES

Grants and subsidies are credited to the Statement of Comprehensive Income over the periods necessary to match them with the related costs, which they are intended to be compensated on a systematic basis.

Grants related to assets, including non-monetary grants at fair value is deferred in the Financial Position and credited to the Statement of Comprehensive Income over the useful life of the related asset.

Grants related to revenue nature are recognized in the Statement of Comprehensive Income in the period in which it is received.

Notes To The Financial Statements

	31.12.2012 Rs.	31.12.2011 Rs.
NOTE 01 - REVENUE		
Coconut - Note 01.1	395,939,190	399,151,639
Rubber	78,124,243	104,284,153
Banana	394,940	1,386,086
Cinnamon	549,354	894,135
Rambuttan	3,943,221	2,620,453
Pepper	724,195	185,134
Cashew	933,256	139,944
Others	3,118,584	1,224,345
	483,726,983	509,885,889

Note 01.1 Coconut

Coconut nuts	327,675,920	351,534,955
Seed nuts	42,663,876	41,834,528
Oil	19,369,041	-
Copra	6,230,352	5,782,156
	395,939,190	399,151,639

NOTE 02 - COST OF SALES

Coconut	223,005,002	200,075,494
Rubber	44,806,178	45,615,137
Banana	799,345	1,985,012
Cinnamon	778,360	890,839
Rambuttan	536,630	434,199
Pepper	407,386	201,189
Cashew	1,247,190	667,814
Others	3,919,895	2,583,189
	275,499,986	252,452,873

NOTE 03 - OTHER OPERATING INCOME

Sales of coconut trees	17,346,081	17,574,057
Sales of valuable trees	22,942,390	21,328,124
Sales of husk	12,929,090	11,509,636
Late removal & payment charge -coconut	7,715,616	4,571,121
Lease/ facility fee income	3,780,832	3,412,892
Amortization of grants	260,585	260,585
Profit/(Loss) on disposal & sale of PPE	443,035	2,220,470
Write back/ (write off)	1,362,450	1,722,892
Nursery income	4,184,752	464,319
Loss on tractor unit (Note - 03.1)	(299,530)	(1,345,243)
Others	5,687,886	650,286
	76,353,187	62,369,139

Note 03.01 - Loss on Tractor Unit

Provision of Rs. 471,747 (2012), Rs. 421,259 (2011) for the payment of performance incentives and provision of Rs. 67,500 (2012), Rs. 67,500 (2011) for payment of bonus for tractor unit employees are included in Note no. 04.

Notes To The Financial Statements

NOTE 04 - ADMINISTRATION EXPENSES

	31.12.2012 Rs.	31.12.2011 Rs.
Payroll related expenses	57,975,959	53,750,580
Maintenance & repairs	20,365,544	10,006,356
Other administration expenses	26,474,533	24,685,486
	104,816,036	88,442,422
PROFIT FROM OPERATING ACTIVITIES IS STATED AFTER CHARGING THE FOLLOWINGS		
Directors emoluments	5,306,499	4,942,335
Audit fees and expenses	530,000	490,000
Performance incentive	22,717,215	21,155,711
Bonus	7,458,393	7,089,625
Loss on transfer of expenditure on PPE (Note 04.1)	9,079,178	-
Depreciation /amortization-		
Leasehold rights to bare land of JEDB	2,988,533	3,169,960
Immovable leased assets other than bear land of JEDB	5,056,544	4,841,987
Mature plantations	7,400,635	6,960,890
Property, plant and equipment	13,935,657	11,163,932
Personnel Cost -		
Defined benefit plan cost-Retiring Gratuity	5,125,526	15,270,441
Salaries, wages, PAYE, Employees Provident and Trust Fund	205,525,353	189,180,160

Note 04.1 - Loss on Transfer of Expenditure on PPE

Special team was appointed in order to rectify fixed assets records in the fixed registers on their recommendation expenditure of revenue nature treated as capital expenditure and included to the capital assets over the time have been identified and necessary adjustments have been made in the books of accounts.

NOTE 05 - FINANCE EXPENSES

Interest on lease - JEDB	30,847,790	28,429,380
Interest on temporary bank loans	210,986	-
Amortization of staff cost	828,557	193,149
	31,887,333	28,622,529

NOTE 06 - INTEREST INCOME

Interest on fixed deposits	33,895,955	7,479,519
Interest on treasury bills	1,768,695	13,976,384
Interest on REPO	1,308,660	652,699
Interest on loans given to staff	398,953	124,390
Un-winding of pre-paid staff benefits	828,557	193,149
	38,200,820	22,426,141

NOTE 07 - INCOME TAX EXPENSES

Current income tax expense	7,778,863	16,137,149
Deferred taxation	8,006,004	16,989,549
	15,784,867	33,126,698

Notes To The Financial Statements

NOTE 08 - EARNINGS PER SHARE

		31.12.2012	31.12.2011	01.01.2011
Profit attributable to Ordinary Shareholders	Rs.	170,292,768	192,036,647	141,470,396
Weighted average number of ordinary shares	Nos	20,000,001	20,000,001	20,000,001
Earnings per shares	Rs	8.51	9.60	9.60

The calculation of the earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

NOTE 09 - LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD (JEDB)

Note - 09.1 The leasehold rights to the lands of all the estates have been taken into the books of the Company as at 18th June 1992, immediately after the formation of the company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board has decided at its meeting held on 08th March 1995 that these bare lands would be revalued, at the values established for these lands, by the valuation specialist Mr. D.R. Wickramasinghe just prior to the formation of the company. The revalued amount taken to the statement of financial position as at 18th June 1992 Balance Sheet was Rs. 168,007,551.93. The carrying values are given in Note 09.3 below.

Note - 09.2 Though JEDB has handed over all 13 Estates to the Company, of these estates, leases for only 5 estates have been executed and the leases for the balance 8 estates (Dambadeniya, Dodangaslanda, Hiriyala, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola) remain to be executed. These leases will be retroactive to 18th June 1992, the date of formation of the company. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed. This Memorandum of Record is considered as an agreement between JEDB and the Company. During the year 2012 Wariyapola Area Estates had been amalgamated to Hiriyala Area Estates for operational purpose.

Note - 09.3 Leasehold Right to Bare land (53 years)

Cost	Rs.
Balance as at 01 st January 2011	168,007,552
Balance as at 31 st December 2011	168,007,552
Balance as at 31st December 2012	168,007,552

Amortization	
Balance as at 01 st January 2011	58,951,490
Charge for the year	3,169,960
Balance as at 31 st December 2011	62,121,450
Charge for the year	2,988,533
Balance as at 31st December 2012	65,109,983

Carrying Value	
Balance as at 01 st January 2011	109,056,062
Balance as at 31 st December 2011	105,886,102
Balance as at 31st December 2012	102,897,569

Notes To The Financial Statements

NOTE 10 - IMMOVABLE LEASED ASSETS OTHER THAN BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD (JEDB)

As explained in Note 9, although all JEDB estate leases have not been executed to date in terms of the ruling of the UITF, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18th June 1992. For this purpose, the Board has decided at its meeting on 08th March 1995 that these assets be taken into the books at their book values as they appeared in the books of the JEDB on the day immediately preceding the date of formation of the Company.

The Asset values taken to the 18th June 1992 Statement of Financial Position are given below:

Revaluation		Rs.
Land Development Cost	30 years	1,123,305
Buildings	25 years	22,130,873
Machinery	15 years	34,841
Mature plantations	30 years	43,001,122
Immature plantations		90,647,222
		<u>156,937,363</u>

	Land Development Cost	Buildings	Machinery	Mature Plantations	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Revaluation					
Balance as at 01 st January 2011	1,123,305	17,693,752	34,841	122,903,503	141,755,401
Balance as at 31st December 2011	1,123,305	17,693,752	34,841	122,903,503	141,755,401
Balance as at 31st December 2012	1,123,305	17,693,752	34,841	122,903,503	141,755,401
Amortization					
Balance as at 01 st January 2011	693,603	12,914,302	34,841	62,960,369	76,603,115
Charge for the year	37,446	707,751	-	4,096,790	4,841,987
Balance as at 31st December 2011	731,049	13,622,053	34,841	67,057,159	81,445,102
Charge for the year	38,029	914,940	-	4,103,574	5,056,543
Disposal / Transfers during the year	-	-	-	-	-
Balance as at 31st December 2012	769,078	14,536,993	34,841	71,160,733	86,501,645
Carrying value					
Balance as at 01 st January 2011	429,702	4,779,450	-	59,943,134	65,152,286
Balance as at 31 st December 2011	392,256	4,071,699	-	55,846,344	60,310,299
Balance as at 31st December 2012	354,227	3,156,759	-	51,742,770	55,253,756

Investment in plantation assets which were categorized as immature at the time of handing over to the Company by way of estate leases, are shown under immature plantations (revalued as at 18.06.1992). Investment in such immature plantations to bring them to bearing are shown under Note 11. When these plantations come in to bearing the additional investments incurred to bring them to such stage were transferred from the category immature plantations under Note 11 and a corresponding transfer from immature plantations to mature plantations was made in this note.

NOTE 11 - MATURE AND IMMATURE PLANTATIONS

The following are the investments in plantations since the formation of the Company. The assets (including plantation assets) taken over under estate leases are set out in Notes 09 and 10. Continuing investments in immature plantations, taken over under these leases are shown in the above Note. When such plantations come into bearing, the additional investments incurred since taking over to bring them to bearing had been transferred from immature to mature plantations in this Note. A corresponding transfer had been made from immature to mature plantations being the investment undertaken by JEDB on the particular plantation prior to the formation of the company as described in Note 10.

Useful life of the assets	Mature Plantation			Immature Plantation			Total
	Coconut	Rubber	Others	Coconut	Rubber	Others	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
	50 years	20 years	20 years				
Cost							
Balance as at 01st January 2011	224,722,753	42,395,557	6,931,681	171,647,036	11,664,250	27,537,345	484,898,622
Addition during the year							
Transfer in during the year	4,027,538	-	2,409,947	45,542,317	4,045,862	4,091,598	53,679,777
Disposal / Transfer out during the year	-	-	-	(4,027,538)	-	(2,409,947)	(6,437,485)
Balance as at 31st December 2011	228,750,291	42,395,557	9,341,628	213,161,815	15,710,112	29,218,996	538,578,399
Addition during the year							
Transfer in during the year	40,742,223	3,451,483	3,504,669	54,118,142	13,396,972	5,318,551	72,833,665
Disposal / Transfer out during the year	-	-	-	(40,742,223)	(3,451,483)	(3,504,669)	(47,698,375)
Balance as at 31st December 2012	269,492,514	45,847,040	12,846,297	226,537,734	25,655,601	31,501,874	611,881,060
Depreciation							
Balance as at 01 st January 2011	31,459,067	15,707,469	2,049,284	-	-	-	49,215,820
Charge for the year	4,494,453	2,119,778	346,659	-	-	-	6,960,890
Disposal / Transfer out during the year	-	-	-	-	-	-	-
Balance as at 31st December 2011	35,953,520	17,827,247	2,395,943	-	-	-	56,176,710
Charge for the year	4,575,034	2,119,778	705,823	-	-	-	7,400,635
Disposal / Transfer out during the year	-	-	-	-	-	-	-
Balance as at 31st December 2012	40,528,554	19,947,025	3,101,766	-	-	-	63,577,345
Carrying Value							
Balance as at 01 st January 2011	193,263,686	26,688,088	4,882,397	171,647,036	11,664,250	27,537,345	435,682,802
Balance as at 31 st December 2011	192,796,771	24,568,310	6,945,685	213,161,815	15,710,112	29,218,996	482,401,689
Balance as at 31st December 2012	228,963,960	25,900,015	9,744,531	226,537,734	25,655,601	31,501,874	548,303,715

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Following are the assets vested in the company vis - a vis the Gazette notification on the date of formation of the company on 18th June 1992. The assets taken over by way of estate leases are set out in Notes 10 and 11 to the accounts.

Useful life of the assets

	Improvements to Land		Building		Wells		Fencing		Work in Progress		Irrigation System		Motor Vehicle		Machinery		Furniture & Fittings		Equipment		Acquisition of Land		Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at 01st January 2011	3,245,164	31,184,942	2,713,427	10,547,018	534,581	1,909,203	62,707,630	661,000	4,656,861	11,264,567	1,604,270	8,123,564	139,152,227												
Addition during the year	1,662,339	9,454,959	373,366	3,831,348	-	-	6,945,491	-	3,040,947	3,421,695	330,175	-	29,060,320												
Disposal during the year	-	(1,079,325)	-	(53,311)	(534,581)	(822,288)	(5,745,429)	-	-	-	(24,250)	-	(8,259,184)												
Balance as at 31st December 2011	4,907,503	39,560,576	3,086,793	14,325,055	-	1,086,915	63,907,692	661,000	7,697,808	14,686,262	1,910,195	8,123,564	159,953,363												
Transfer in / (out) during the year	(468,996)	-	-	180,000	-	-	433,182	-	(231,100)	(395,832)	13,750	-	(468,996)												
Addition during the year	-	21,202,716	904,401	8,355,318	13,340,635	-	44,981,580	-	1,852,237	996,832	342,180	-	91,975,899												
Disposal during the year	-	-	-	(8,943,777)	-	(1,086,915)	(2,402,304)	-	(2,192,762)	(5,976,813)	(29,575)	-	(20,632,146)												
Transfer to revenue expenditure	(1,691,938)	(17,933,235)	-	-	(7,634,253)	-	-	-	-	-	-	-	(27,259,426)												
Balance as at 31st December 2012	2,746,569	42,830,057	3,991,194	13,916,596	13,340,635	-	99,285,997	661,000	7,126,183	9,310,449	2,236,550	8,123,564	203,568,694												

	Depreciation		Equipment		Furniture & Fittings		Machinery		Motor Vehicle		Irrigation System		Wells		Fencing		Work in Progress		Acquisition of Land		Total				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			
Balance as at 01st January 2011	-	2,701,987	508,931	6,599,384	-	878,979	36,340,007	-	2,275,723	7,635,597	674,448	-	57,615,056												
Charge for the year	-	696,387	67,836	2,164,461	-	13,585	7,110,326	-	237,466	682,537	191,334	-	11,163,932												
Disposal during the year	-	(26,963)	-	(53,311)	(244,945)	(4,845,428)	-	-	-	-	(24,250)	-	(5,194,917)												
Balance as at 31st December 2011	-	3,371,391	576,767	8,710,534	647,619	38,604,905	38,604,905	-	2,513,189	8,318,134	841,532	-	63,584,071												
Transfer in / (out) during the year	-	-	-	-	-	140,457	-	-	(9,100)	(131,357)	-	-	-												
Charge for the year	-	1,329,900	77,171	2,603,646	-	13,586	7,980,536	-	498,615	920,844	511,359	-	13,935,657												
Disposal during the year	-	-	-	(8,943,777)	(661,205)	(1,703,685)	-	-	(1,782,114)	(5,469,815)	(25,660)	-	(18,586,256)												
Transfer to revenue expenditure	-	(2,620,162)	-	-	(7,143,465)	-	-	-	-	-	-	-	(9,763,627)												
Balance as at 31st December 2012	-	2,081,129	653,938	2,370,403	-	37,878,748	37,878,748	-	1,220,590	3,637,806	1,327,231	-	49,169,845												

Carrying value

Balance as at 01 st January 2011	3,245,164	28,482,955	2,204,496	3,947,634	534,581	1,030,224	26,367,623	661,000	2,381,138	3,628,970	929,822	8,123,564	81,537,171
Balance as at 31 st December 2011	4,907,503	36,189,185	2,510,026	5,614,521	-	439,296	25,302,787	661,000	5,184,619	6,368,128	1,068,663	8,123,564	96,369,292
Balance as at 31st December 2012	2,746,569	40,748,928	3,337,256	11,546,193	13,340,635	-	61,407,149	661,000	5,905,593	5,672,643	909,319	8,123,564	154,398,849

Notes To The Financial Statements

The land called Polaththanapitiya, with 1.416 hectare in extent where the Head office of the Company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on July 15th, 1987. Since the legal title of the land was not transferred to JEDB the land is now owned by the Government. Compensation upon acquisition had not been paid to the original owners of the land, H.L. De Mel and Company. Based on a court of appeal order the company was requested by the Ministry of Plantation Industries to pay the legal compensation of Rs. 3.5 Mn. has been paid to the 1st owner through the Divisional Secretary Kurunegala on condition suggested by the Ministry that the land will be transferred to the Company by the government. An additional legal interest of Rs. 4,623,564 is payable for the delay in payment of Rs. 3.5 Mn. over 18 years. The Company has agreed to pay this amount at the request of the Ministry of Plantation Industries. The total of the amount paid and payable relating to the acquisition of the land is, therefore, Rs. 8,123,564. The full amount is disclosed in these accounts as acquisition cost of the land. The transfer of the land to the Company has not yet been effected. The Company is seeking a reduction of the lease rental payable to the Treasury on account of this payment.

Special team was appointed in order to rectify fixed assets records in the fixed registers. On their recommendations expenditure of revenue nature treated as capital expenditure and included to the capital assets over the time have been identified and necessary adjustments have been made in the books of accounts. The effect of this transaction to the Statement of Financial Position is shown above note.

NOTE 13 - OTHER FINANCIAL ASSETS

		31.12.2012 Rs.	31.12.2011 Rs.	01.01.2011 Rs.
Non Current				
Loan given to employees	13.1	4,531,908	923,437	1,302,316
Pre paid staff benefit	13.2	406,280	43,408	101,536
		4,938,188	966,845	1,403,852
Current				
Loan given to employees	13.1	3,260,988	1,044,200	694,308
Pre paid staff benefit	13.2	743,379	128,848	142,596
		4,004,367	1,173,048	836,904
Note 13.1 - Loan Given To Employees				
Balance at the beginning of the year		2,139,893	2,240,756	-
Loan granted during the year		11,092,835	998,751	2,577,820
Loan recovered during the year		(4,290,173)	(1,099,614)	(337,063)
		8,942,555	2,139,893	2,240,756
Transfer to prepaid staff benefit		(1,149,659)	(172,256)	(244,132)
Balance at the end of the year		7,792,896	1,967,637	1,996,624
Non Current		4,531,908	923,437	1,302,316
Current		3,260,988	1,044,200	694,308
		7,792,896	1,967,637	1,996,624
Note 13.2 - Prepaid Staff Benefits				
Balance at the beginning of the year		172,256	244,132	-
Addition during the year		1,805,960	121,273	244,132
Amortization		(828,557)	(193,149)	-
Balance at the end of the year		1,149,659	172,256	244,132
Non Current		406,280	43,408	101,536
Current		743,379	128,848	142,596
		1,149,659	172,256	244,132

The company provides loans to employees at concessionary rate at 5% per annum. These loans are recognized on fair value at their initial recognition. The fair value of the loans given to employees are determined by discounting expected future cash flows using market rates related to the similar loans. The difference between cost and fair value of loans given to employees is recognized as prepaid staff benefits. The loans given to employees are classified as loans and receivables and subsequently measured at amortized cost.

Notes To The Financial Statements

	31.12.2012 Rs	31.12.2011 Rs.	01.01.2011 Rs.
NOTE 14 - INVENTORIES			
Input materials	5,761,607	6,270,568	5,469,365
Spares & consumables	8,120,500	4,920,827	2,659,721
Growing nurseries	1,767,204	18,617,472	1,640,012
Produce stocks	19,596,417	27,816,232	11,917,721
Sales center stocks	-	-	29,287
Live stocks	559,710	738,876	597,078
Other stocks	1,511,790	229,001	477,359
	37,317,228	58,592,976	22,790,543

NOTE 15 - TRADE & OTHER RECEIVABLES

Trade debtors	67,499,191	77,025,771	36,279,367
Other receivables			
Interest receivable	12,782,229	7,957,734	7,214,556
Survey of lands	-	-	1,661,180
Sundry debtors	906,704	2,874,614	1,971,522
Staff debtors	1,250,075	1,333,746	1,149,298
Value added tax	-	-	305,297
Income tax	-	-	643,125
Nation building tax	-	21,395	74,267
	82,438,199	89,213,260	49,298,612
Provision for doubtful debts	(78,669)	(1,963,499)	(290,051)
	82,359,530	87,249,761	49,008,561

NOTE 16 - SHORT TERM INVESTMENTS

Fixed deposits - BOC	79,500,000	113,500,000	96,500,000
Fixed deposits - People's Bank	10,000,000	28,000,000	-
Fixed deposits - National Savings Bank	230,500,000	-	-
Treasury bills	-	159,137,576	153,499,991
	320,000,000	300,637,576	249,999,991

NOTE 17 - CASH & BANK BALANCES

Cash in hand	1,127,001	4,728,733	388,619
Cash at banks	4,476,403	7,281,098	9,585,198
REPO	-	7,000,000	15,000,000
Postage /stamps	8,042	4,252	4,886
Cash in transits	47,585	1,729,081	-
	5,659,031	20,743,164	24,978,703

NOTE 18 - STATED CAPITAL

Number of shares issued and fully paid

Ordinary shares	20,000,000	20,000,000	20,000,000
Golden share	1	1	1
	20,000,001	20,000,001	20,000,001

Issued and fully paid

Ordinary shares Rs. 10/- each	200,000,000	200,000,000	200,000,000
Golden share Rs. 10/- each	10	10	10
	200,000,010	200,000,010	200,000,010

A Golden Share of Rs. 10/- which has special rights, held by the Secretary to the Treasury.

NOTE 19 - RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

The company has adopted the Projected Unit Credit Method for the valuation of retirement benefit Obligations (Gratuity) during the year in accordance with Sri Lanka Accounting Standards 19 (LKAS-19), Retirement Benefit Costs.

Balance at the beginning of the year	71,117,801	62,791,390	57,701,218
Charged during the year	5,125,526	15,270,441	13,807,984
Payments made/transferred to payable during the year	(10,451,622)	(6,944,030)	(8,717,812)
Balance at the end of the year	65,791,705	71,117,801	62,791,390

Rs. 10,451,662 includes the payment of Rs. 8,134,590 and Rs. 2,317,032 as transferred to gratuity payable account.

The gratuity liability is neither externally funded nor actuarially valued.

Notes To The Financial Statements

	31.12.2012 Rs.	31.12.2011 Rs.	01.01.2011 Rs.
NOTE 20 - NET LIABILITY TO LESSOR			
Gross lease liability	265,777,031	273,963,031	282,149,031
Less: Finance charges applicable to future periods	(150,005,010)	(154,625,806)	(159,246,602)
Net Lease Liability	115,772,021	119,337,225	122,902,429
Less : Value of lands alienation	(37,297,388)	(37,297,388)	(37,297,388)
	78,474,633	82,039,837	85,605,041
a) Payable after 5 years;			
Gross Liability	224,847,031	233,033,031	241,219,031
Less: Finance charges applicable to future periods	(126,901,030)	(131,521,826)	(136,142,622)
Net Liability	97,946,001	101,511,205	105,076,409
Less: Value of lands alienation	(37,297,388)	(37,297,388)	(37,297,388)
	60,648,613	64,213,817	67,779,021
b) Payable within 2 to 5 years;			
Gross Liability	32,744,000	32,744,000	32,744,000
Less: Finance charges applicable to future periods	(18,483,184)	(18,483,184)	(18,483,184)
Net Liability	14,260,816	14,260,816	14,260,816
c) Payable within 1 year;			
Gross Liability	8,186,000	8,186,000	8,186,000
Less: Finance charges applicable to future periods	(4,620,796)	(4,620,796)	(4,620,796)
Net Liability	3,565,204	3,565,204	3,565,204

Consequent to the ruling on estate leases by the Urgent Issue Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the liability to lessor comprises of two components. The discount rate is 4% per annum. The lease rental paid for the period (excluding the contingent rental) is applied in settlement of the gross liability to lessor and the interest is charged to Statement of Comprehensive Income.

The lease of the estates have been amended with effect from June 18th, 1996 to an amount substantially higher than the previous nominal lease rental of Rs. 500/- per estate per annum. The first lease rental payable under the revised basis is Rs. 8,186,000/- from June 18th, 1996 to June 17th, 1997. The amount is to be inflated annually by the Gross Domestic Product (GDP) Deflator and is in the form of a contingent rental.

The payment due in each subsequent 12 month period till the end of lease on June 18th, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Statement of Comprehensive Income during the current period is Rs. 30,847,790/- which comprises the interest portion of the fixed lease rental and the contingent lease rental.

Company has released lands on behalf of and under the direction of Government to Coconut Cultivation Authority, Board of Investment of Sri Lanka, District Land Reform Authority and various other parties values of which based on the taking over values from JEDB amount to Rs. 37,297,387.96. Lease liability to JEDB has been reduced by this amount as it was with the value of these lands that the lease liability had originally been computed and these lands are not in the possession of the company now. However, no agreement is reached with government authorities with regard to this reduction.

Notes To The Financial Statements

	31.12.2012 Rs.	31.12.2011 Rs.	01.01.2011 Rs.
NOTE 21 - GRANTS AND SUBSIDIES			
Capital			
Balance at the beginning of the year	10,423,410	10,423,410	8,853,963
Grant received during the year	-	-	1,569,447
Balance transfer on disposal of relevant assets	(10,423,410)		
Balance at the end of the year	-	10,423,410	10,423,410
Amortization			
Balance at the beginning of the year	1,746,204	1,485,618	1,264,269
Amortized during the year	260,585	260,585	221,349
Balance transfer on disposal of relevant assets	(2,006,789)		
Balance at the end of the year	-	1,746,203	1,485,618
Carrying value	-	8,677,207	8,937,792

The above represents the funds received from Plantation Human Development Trust (PHDT) are for the development of workers' welfare facilities

NOTE 22 - DEFERRED TAX LIABILITIES

Balance at the beginning of the year	43,171,577	26,182,028	17,813,483
Charged during the year	8,006,004	16,989,549	8,368,545
Balance at the end of the year	51,177,581	43,171,577	26,182,028

The company recognized deferred tax assets of Rs. 6,579,171/- as at the Statement of Financial Position date, as the management is confident that the deferred tax assets would be realized in the future due to the availability of taxable profits in the future. Moreover, deferred tax liabilities have been reassessed based on the future tax rates enacted. Accordingly, deferred tax liabilities of Rs.57,756,752 have been reassessed by restating the balance reported as at December 31st, 2012 Net deferred tax liability as at December 31st, 2012 is Rs.51,177,581.

NOTE 23 - ADVANCE RECEIVED

For rent	204,627	704,139	1,159,727
For supply of coconut seedlings -			
Coconut Cultivation Board	-	19,881,750	14,130,235
Mahaweli Authority of Sri Lanka	-	-	1,225,000
	204,627	20,585,889	16,514,962

NOTE 24 - TRADE AND OTHER PAYABLES

Trade payables	12,057,984	17,589,345	18,941,591
Other creditors including accrued expenses	23,347,917	20,009,307	19,602,379
Bonus payable	7,362,506	7,135,938	6,999,100
Performance Incentives payable	22,714,525	21,155,711	13,383,339
Lease rental payable	83,523,419	61,703,700	54,086,282
Economic service charges	-	404,219	312,311
Holiday Pay provision	4,569,287	3,835,653	3,985,876
Refundable tender, security deposits & retentions	10,946,906	10,568,822	5,503,846
	164,522,544	142,402,695	122,814,728

10 Year Summary

YEAR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Coconut Yield (Nuts)	18,103,053	15,543,555	15,474,602	17,309,128	15,010,322	15,404,540	15,914,656	11,368,921	13,536,105	13,282,328
Rubber Yield (Kgs)	209,898	227,977	200,778	202,680	207,512	203,034	180,142	135,441	98,613	116,803
OPERATING RESULTS										
Revenue	395,939,190	399,151,639	354,436,203	292,448,058	306,021,002	247,991,075	161,539,826	134,922,847	135,341,537	115,499,668
Coconut	78,124,243	104,284,153	69,911,163	36,999,577	46,103,418	43,497,656	33,326,923	17,587,575	11,323,420	10,787,136
Rubber	9,663,550	6,450,097	6,417,504	8,023,084	8,171,749	2,055,310	1,752,430	1,308,866	988,155	1,109,273
Other	483,726,983	509,885,889	430,764,870	337,470,719	360,296,169	293,544,041	196,619,179	153,819,288	147,653,112	127,396,077
Cost of Sales	(223,005,002)	(200,075,494)	(191,322,313)	(166,631,038)	(175,492,646)	(138,723,789)	(123,814,516)	(90,213,955)	(79,538,431)	(82,373,246)
Coconut	(44,806,178)	(45,615,137)	(37,072,837)	(30,296,350)	(32,341,536)	(26,817,758)	(20,385,807)	(15,598,550)	(10,370,064)	(8,850,035)
Rubber	(7,688,806)	(6,762,242)	(6,879,815)	(8,377,449)	(8,070,796)	(3,824,408)	(1,857,712)	(1,178,728)	(676,887)	(2,256,552)
Other	(275,499,986)	(252,452,873)	(235,274,965)	(205,304,837)	(215,904,978)	(169,365,955)	(146,058,035)	(106,991,233)	(90,585,382)	(93,479,833)
Gross Profit	208,226,997	257,433,016	195,489,905	132,165,882	144,391,191	124,178,086	50,561,144	46,828,055	57,067,730	33,916,244
Other Income	114,554,007	85,947,373	59,216,742	67,195,055	45,766,365	31,830,061	24,354,334	17,763,828	14,060,611	17,057,359
Admin. and General Expenses	(104,816,036)	(89,787,664)	(73,440,475)	(72,962,544)	(57,472,152)	(55,657,826)	(35,595,006)	(30,619,580)	(36,951,773)	(24,601,793)
Finance Expenses	(31,887,333)	(28,429,380)	(26,737,125)	(23,602,575)	(20,464,060)	(18,326,367)	(16,027,369)	(14,215,915)	(14,601,873)	(12,953,822)
Profit before Income Tax	186,077,635	225,163,345	154,529,047	102,795,818	112,221,344	82,023,954	23,293,104	19,756,388	19,574,695	13,417,988
Income Tax Expense for the -current year	(7,778,863)	(16,137,149)	(4,690,116)	(2,822,619)	(1,919,210)	(371,632)	-	-	-	-
Deferred Taxation	(8,006,004)	(16,989,549)	(8,368,545)	(4,870,794)	(12,942,689)	-	-	-	-	-
Net Profit the year	170,292,768	192,036,647	141,470,386	95,102,405	97,359,445	81,652,322	23,293,104	19,756,388	19,574,695	13,417,988
Appropriations - Dividends	50,000,000	70,000,000	-	20,000,001	10,000,000	-	-	-	-	-
CAPITAL EMPLOYED										
Share Capital	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010
Retained profit	764,961,182	644,668,414	522,631,767	381,161,381	306,058,977	218,699,532	137,047,210	113,754,106	93,997,718	74,423,023
Deferred Expenditure	(2,753,577)	(4,299,018)	(4,289,882)	(5,195,219)	(5,260,400)	(5,339,699)	(1,411,530)	(984,648)	(498,871)	-
Equity Capital	962,207,615	840,369,406	718,341,895	575,966,172	500,798,587	413,359,843	335,635,690	313,369,468	293,498,857	274,423,033
Non current liabilities	191,878,715	201,441,218	179,951,047	168,709,437	165,127,647	161,196,724	152,857,977	149,220,602	180,731,904	178,622,624
Current liabilities	168,292,375	176,458,285	144,347,242	115,018,198	103,325,265	92,135,644	106,927,378	79,557,954	67,712,318	71,952,907
Total Equity & Liabilities	1,322,378,705	1,218,268,909	1,042,640,184	859,693,807	769,251,499	666,692,211	595,421,045	542,148,024	541,943,079	524,998,564
ASSETS EMPLOYED										
Non Current Assets	860,853,889	744,967,382	691,428,321	624,315,273	596,585,296	563,810,934	524,408,813	496,514,530	474,287,400	473,508,499
Property, plant and equipments	4,938,188	966,845	1,403,852	1,403,852	-	-	-	-	-	-
Other non-current assets	865,792,077	745,934,227	692,832,173	624,315,273	596,585,296	563,810,934	524,408,813	496,514,530	474,287,400	473,508,499
Current assets	325,659,031	321,380,740	274,978,694	162,149,037	74,595,894	48,112,932	26,078,378	8,157,252	1,198,130	952,644
Cash & short term investment	130,927,597	150,953,942	74,829,317	73,229,497	98,070,309	54,768,345	44,933,854	37,476,242	66,457,549	50,537,421
Inventory & receivables	456,586,628	472,334,682	349,808,011	235,378,534	172,666,203	102,881,277	71,012,232	45,633,494	67,655,679	51,490,065
Total assets	1,322,378,705	1,218,268,909	1,042,640,184	859,693,807	769,251,499	666,692,211	595,421,045	542,148,024	541,943,079	524,998,564

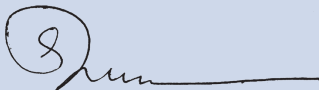
YEAR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
CASH FLOWS										
From Operating Activities	203,658,090	196,643,896	206,895,556	170,228,691	82,236,880	106,019,826	70,174,485	62,412,222	56,899,881	41,301,094
From/(Used in) Investing Activities	(129,772,876)	(55,965,547)	(77,858,787)	(38,880,629)	(50,827,994)	(53,156,140)	(36,580,485)	(31,730,912)	(34,908,387)	(23,870,557)
From/(Used in) Financing Activities	(69,606,923)	(94,276,303)	(16,207,112)	(43,794,919)	(4,925,924)	(30,829,132)	(15,672,874)	(15,793,194)	(15,709,086)	(16,166,092)
Net increase in cash Cash and -Cash Equivalents	4,278,291	46,402,046	112,829,657	87,553,143	26,482,962	22,034,554	17,921,126	14,888,116	6,282,408	1,264,445
Cash & Cash Equivalents at the end of year	325,659,031	321,380,740	274,978,694	162,149,037	74,595,894	48,112,932	26,078,378	8,157,252	(6,730,864)	(13,013,272)
INVESTMENT ON CAPITAL ASSETS										
Immature Coconut	54,118,142	45,542,317	52,553,119	34,090,696	27,847,469	27,542,953	20,869,290	24,666,287	26,200,377	19,369,306
Immature Rubber	13,396,972	4,045,862	3,865,689	1,893,125	2,860,733	1,357,158	1,730,560	1,924,707	1,403,382	1,706,922
Immature Other Crops	5,318,552	4,091,598	5,972,515	7,015,260	7,490,627	6,971,814	4,271,437	647,160	839,732	823,479
Property Plant & Equipments	91,975,899	27,948,396	29,934,889	9,462,011	14,814,149	19,833,321	10,142,935	4,542,646	7,244,996	1,975,050
	164,809,565	81,628,173	92,326,212	52,461,092	53,012,978	55,705,246	37,014,222	31,780,800	35,688,487	23,874,757
KEY PERFORMANCE INDICATORS										
NSA - Coconut	21,871	25,680	22,904	16,896	20,387	16,099	10,150	11,868	9,999	8,696
NSA - Rubber	372	457	348	183	222	214	185	130	115	92
Profitability Ratios										
Gross profit margin	0.43	0.50	0.45	0.39	0.40	0.42	0.26	0.30	0.39	0.27
Net profit margin	0.35	0.38	0.33	0.28	0.27	0.28	0.12	0.13	0.13	0.11
ROCE	0.19	0.25	0.22	0.18	0.21	0.22	0.07	0.07	0.07	0.10
Liquidity Ratio										
Current assets ratio	2.71	2.68	2.42	2.05	1.67	1.12	0.66	0.57	1.00	0.72
Acid Test	2.49	2.34	2.27	1.82	1.24	0.89	0.50	0.43	0.89	0.56
Efficiency Ratio										
Total assets turnover	0.38	0.45	0.45	0.41	0.50	0.47	0.35	0.28	0.28	0.25
Earnings per Share	8.51	9.60	7.07	4.76	4.87	4.08	1.16	0.99	0.98	0.67

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited will be held at No.11, 3rd Floor, Duke Street, Colombo 01 on Thursday, 20th June 2013 at 1.30 p.m for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2012 with the Report of the Directors and Auditors thereon.
2. To re-appoint M/s. Dayananda Samarawickrema & Co., (Chartered Accountants) as auditors of the Company for the year ended 31st December, 2013.
3. To declare a Final Dividend of Rs. 30,000,000 payable from the profits for the year ending 31st December 2012.
4. Any other business.

BY ORDER OF THE BOARD OF
KURUNEGALA PLANTATIONS LTD



CORPORATE ADVISORY SERVICES (PVT) LTD
SECRETARIES

Date: 31st May 2013

A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose

Form of Proxy

I/We the undersigned
of.....
being a member/members of Kurunegala Plantations Limited hereby appoint

Mr. Panduka Jayasinghe	or failing him
Mr. Kurera M.A.S.N.	or failing him
Mr. Perera R.W.M.J.R	or failing him
Mr. Kularatne B.R	or failing him
Mr. Appuhamy I.A.M.	or failing him
Mr. Peiris K.D	or failing him

.....
as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Annual General Meeting of the Company to be held on Thursday, 20th June 2013 at 1.30 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' against the Resolution No.

	<u>For</u>	<u>Against</u>
01 To receive and consider the Statement of Accounts for the year ended 31 st December 2012 with the Report of the Directors and Auditors thereon.
02 To re-appoint M/s. Dayananda Samarawickrema & Co., (Chartered Accountants) as auditors of the Company for the year ended 31 st December, 2013.
03 To declare a Final Dividend of Rs. 30,000,000 payable from the profits for the year ending 31 st December 2012
04 Any other business.		

Signed this day of2013

.....
Signature
Shareholders NIC/ PP/ Co. Reg.No.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by signing in the space provided and please fills in the date of signature.
2. If the proxy is signed by an attorney the relative power of attorney should also accompany the completed form of proxy if it has not already been registered with the Company.
3. The completed form of proxy should be deposited at the No. 47, Alexandra Place, Colombo 7 not less than 48 hours before the time appointed for the holding of the meeting.

Design & printed

 Lakmart (Pvt) Ltd

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