



Planting a better Future

Annual Report 2014

Kurunegala Plantations Limited
Ministry of Plantation Industries





Planting a better Future

Riding on our resilient reputation of being a socially responsible entity investing into the lives of future generations, Kurunegala Plantations has always strived to innovate our versatile product offering. Yielding excellent results from this initiative, today we are reaping its benefits to enjoy the most flourishing year in the history of the Company. As we continue our venture of achieving profitability through entrepreneurial ingenuity, we are on a fresh mission to plant a better future for our future generations, one tree at a time. Thus we are confident that a greener future; is definitely a better future.

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About us

Kurunegala Plantations Limited (KPL) is a limited liability company incorporated on 18th June 1992 under the Companies Act No. 17 of 1982 as a Fully Government Owned Company and re-registered under the Companies Act No. 7 of 2007. The Company had been established by vesting lands managed by the Janatha Estates Development Board in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No. 23 of 1987 under the State Privatization Policy. The Company operates as a single shareholder company being the Secretary to the Treasury of the Government of Sri Lanka as the Golden Shareholder. The registered office of the Company locates at No. 80, Dambulla Road, Kurunegala.

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. Thereafter, it was brought under the purview of several Ministries and with new reforms that took place under the new government we are now coming under the purview of the Ministry of Plantation Industries from 18th January 2015.

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

KPL comprises of 08 Area Estates with a land area of 5,244.58 hectares that encompass different agro climatic zones spanning the three districts of Kurunegala, Gampaha and Anuradhapura. Each area estates comprising of small acreages (Divisions) are scattered over 02 to 03 Divisional Secretariats.

Our vision

To be the model plantation and agribusiness management company in the South East Asian Region

Our mission

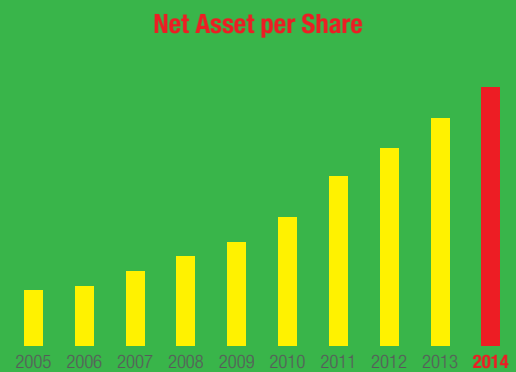
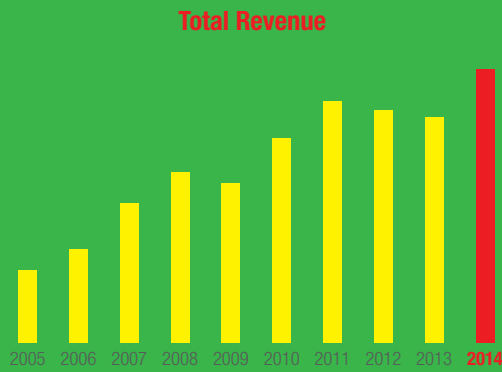
To manage the plantation and other agribusiness productively, profitably and sustainably through effectively harnessing natural, physical and human resources in an environment-friendly and socially responsible manner to the benefit of all stakeholders and the country at large

Core values

- Best employer:** Empowering honest, qualified and committed staff focusing on Quality, Productivity, Entrepreneurship, Value creation, Profitability, Eco-friendliness and Corporate Social Responsibility
- Quality provider:** Superior customer satisfaction and continuous improvement in everything we do
- Productivity:** Achieving optimum productivity per unit of resource input, highest yield per hectare, optimal land use on a sustainable basis, minimize wastage
- Entrepreneurship:** Pro-actively innovating new approaches at all times
- Value creation:** Continuously responsive to the changing needs of the business environment
- Profitability:** Achieving optimal net sales average and lowest possible cost of production for primary produce and for value added products
- Eco-friendliness:** Exploiting resources in harmony with the environment so as to cause minimal or no damage to the environment
- Social responsibility:** Caring for people and environment, respecting good governance

Financial Highlights

		2014	2013	Variation %
OPERATING HIGHLIGHTS				
COCONUT				
Production	No of Nuts	16,701,797	13,000,150	28.47
Sales	No of Nuts	16,777,304	13,010,454	28.95
NSA (per 1000 nuts)	Rs.	30,647.16	30,926	(0.90)
COP (per 1000 nuts)	Rs.	15,984	16,386	(2.45)
RUBBER				
Production	Kg	157,474	188,934	(16.65)
Sales	Kg	161,376	186,118	(13.29)
NSA (per 1Kg)	Rs.	252	330	(23.64)
COP (per 1Kg)	Rs.	267	256	4.30
EARNING HIGHLIGHTS				
Total Revenue	Rs.	576,790,774	475,890,175	21.20
Gross Profit	Rs.	250,800,095	207,093,357	21.10
Other Operating Income	Rs.	103,029,740	95,827,085	7.52
Profit from Operating Activities	Rs.	222,679,652	193,669,763	14.98
Profit before tax	Rs.	228,014,933	213,628,985	6.73
Profit after tax/ Profit for the year	Rs.	214,238,022	208,145,938	2.93
Gross Profit Margin	%	43.48	43.52	(0.09)
Net Profit Margin	%	37.14	43.74	(15.09)
Earning per share (EPS)	Rs.	10.71	10.41	2.88
BALANCE SHEET HIGHLIGHTS				
Total Assets	Rs.	1,794,186,896	1,616,447,736	11.00
Total Equity	Rs.	1,453,569,595	1,280,014,666	13.56
Number of shares in issue	No.	20,000,001	20,000,001	-
Cash & Short-term investments	Rs.	409,709,538	335,741,661	22.03
Net Assets per Share	Rs.	72.68	64.00	13.56
Current Ratio	No of times	6.52	5.61	16.22
Quick Ratio	No of times	5.69	4.84	17.56
OTHER INFORMATION				
Number of Employees	Nos.	1,421	1,400	1.50
Salaries wages including contributions to provident & trust funds	Rs.	229,054,334	206,683,002	10.82
Performance Incentives	Rs.	28,779,734	27,429,989	4.92
Bonus	Rs.	12,319,147	8,614,940	43.00



Rs. **577** mn
 2014 Total Revenue
 2013 - 476 mn. + 21%

Rs. **1794** mn
 2014 Total Assets
 2013 - 1616 mn. + 11%

Rs. **228** mn
 2014 Profit before Tax
 2013 - 214 mn. + 7%

Rs. **73**
 2014 Net Asset per Share
 2013 - 64 + 14%



18th February 2015

16th November 2010

18th June 2010

18th April 2007

06th June 2006

01st January 2005

18th June 1992

Milestones

18th February 2015 | KPL brought under the preview of the Ministry of Plantation Industries.

16th November 2010 | KPL brought under the preview of the Ministry of Coconut Development & Janatha Estate Development.

18th June 2010 | KPL brought under the Ministry of State Resources and Enterprise Development.

18th April 2007 | KPL brought under the Ministry of Public Estate Management & Development.

06th June 2006 | KPL brought under the Ministry of Coconut Development

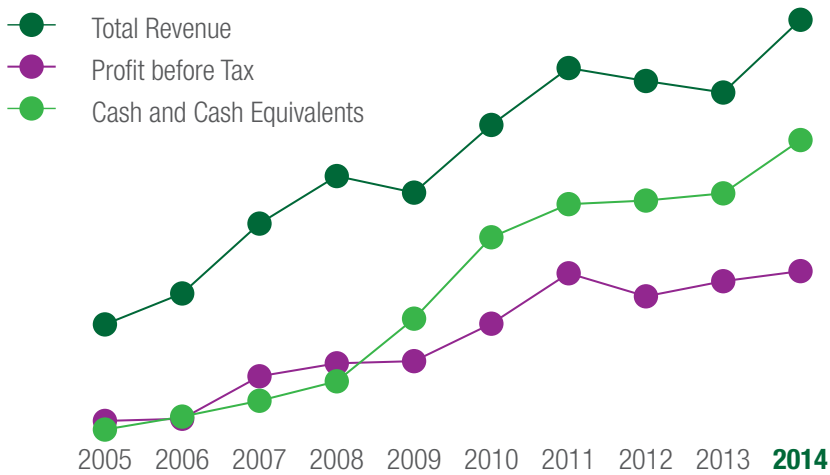
01st January 2005 | Due to poor management by the Private Managing Agent for a period of nearly 13 years, the then Government decided to take-over the management of the Company, with effect from 01st January 2005 and was brought under the purview of the Ministry of Plantation Industries.

18th June 1992 | KURUNEGALA PLANTATIONS LIMITED (KPL) was established under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Business undertakings into Public Companies Act No. 23 of 1987 as a fully government owned Company on 18th June 1992 under the State Privatization Policy by allocating estates then managed by the Janatha Estates Development Board under Board No. (V).

From 18th June 1992 to 31st December 2004, Kurunegala Plantations Limited was managed by a Private Managing Agent.



Performance Highlights



Rs. Mn	Total Revenue	Profit before Tax	Cash and Cash Equivalents
2005	154	20	8
2006	197	23	26
2007	294	82	48
2008	360	100	75
2009	337	103	162
2010	431	155	275
2011	510	225	321
2012	492	193	326
2013	476	214	336
2014	577	228	410

Achievements

2014

KPL once again creates a new history in the Agribusiness sector as well as in the Plantation sector by conquering the National Gold Award for Agribusiness for the 3rd consecutive year and winning the Gold award for Large Category Producer (Plantations) for the 4th consecutive year becoming the only company to win the above awards as stated.

2013

KPL continuing to maintain its position as a National Gold Winner by winning the National Gold Award once again and also wins the Gold awards for Large Category Producer (Plantations) creating a new record in National Agribusiness Awards and the sector.

2012

KPL becomes a National Gold Winner in agribusiness once again bagging the Gold Award for Large Category Producer (Plantations) at National Agribusiness Awards 2012.

2011

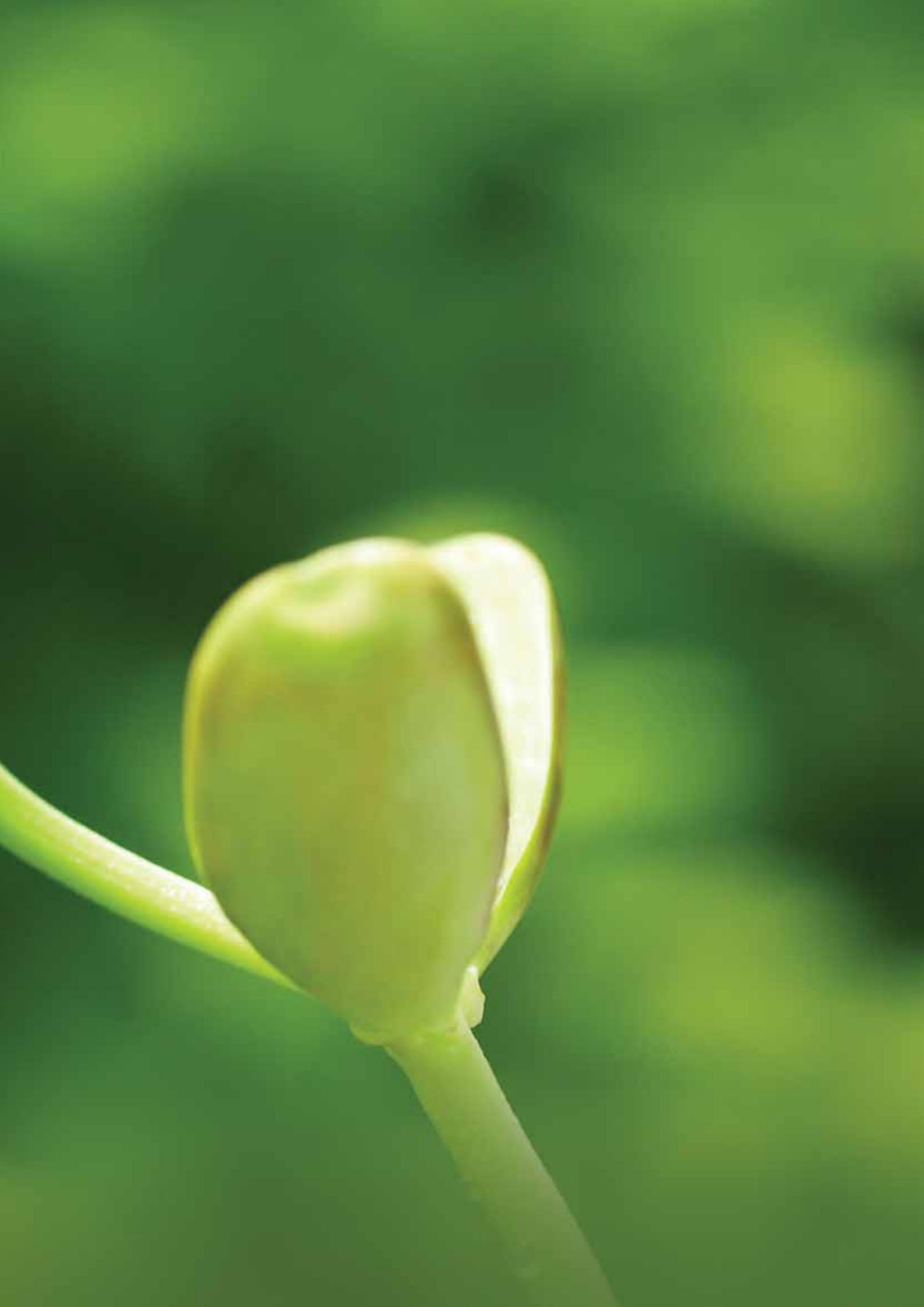
KPL wins the Gold Award for Large Category Producer (Plantations) and the Award for the 2nd runner-up at national level at the National Agribusiness Awards 2011.

2005

Kurunegala Plantations Ltd under the private management (1992-2004) operated on bank overdrafts on and off and was continuing in overdraft situation since 1997 for a period of 08 years. The bank overdraft at the time of take-over the management of the Company by the Government on 01.01.2005 was Rs. 7.9 Mn. The Company settles the total bank overdraft and records a positive balance of Rs. 8.2 Mn laying the foundation towards strong financial position.



Management Reports



Chairman's Review



Our company established another remarkable performance for the year, ending up with a profit before tax (PBT) of Rs. 228.01 million which was over 6% increase in PBT for the year compared to Rs.213.63 million in 2013. This was the highest profit we ever recorded in our history.

On behalf of the Board of Directors of Kurunegala Plantations Ltd (KPL), I have a great pleasure in submitting the Annual Report for 2014. Our company established another remarkable performance for the year, ending up with a profit before tax (PBT) of Rs. 228.01 million which was over 6% increase in PBT for the year compared to Rs.213.63 million in 2013. This was the highest profit we ever recorded in our history.

Since the State take over of the management of Kurunegala Plantations Ltd in 2005 a conscious effort was made to develop a balanced crop portfolio covering coconut, rubber, and intercrops.

I am indeed happy to say unlike many other plantation companies and public enterprises that are under State management, Kurunegala Plantations Ltd is a leading State managed enterprise that continues to pay dividends for General Treasury from 2007 as a result of our prudent management the strategies and skills

adopted in the organization. We have paid over Rs. 275 million in total to the General Treasury as Dividends since 2007 including a dividend of Rs. 45 million proposed for the year under review.

Sri Lankan plantation industry is a national interest and involves many small holders and estates. It has been supported by the government in terms of subsidies and other forms. Plantation Industry is a labour intensive industry which brings a high wage cost and is commanded by strong labour unions. Availability of labour in future for the industry is a crucial issue due to the difficulty of passing jobs to next generation with the changing of life style. On the other hand, lack of productivity and replanting make plantation companies highly vulnerable for sustainability.

Our principal crop coconut is an important constituent in the Sri Lankan diet for many years as essential ingredient of many food recipes. Coconut and coconut oil are the main source of dietary fat mainly for low-income groups in the country. Annually about 2,000 million coconuts are consumed locally as fresh nuts, oil, beverages and other forms whilst millions of nuts are also being exported. Coconut oil is an important commercial product of the coconut palm obtained by direct processing of wet kernel or by crushing good quality copra. Statistics have shown that per capita consumption of oil and fat during the last 15 years nearly doubled from 6.5 kg to 11 kg per year in the Asian region. The importation of various edible oil to Sri Lanka during the last two decades has been increased tremendously due to progressive removal of trade barriers under the open economic system. Palm oil and Palm kernel oil are major imports in terms of quantity. The importation of edible oil associates with the determining of domestic coconut oil prices, relative to world oil prices. Consequently, many industrialists have now shifted to use more of other vegetable oil in their industries instead of coconut oil. The local consumer demand for coconut oil has been continuously affected by the presence of these substitute vegetable oil, added by the fear for proneness to heart diseases even though it has been used in Sri Lanka for over thousand years.

According to statistics from the Coconut Development Authority Sri Lanka's entire Coconut based products industry in terms of exports stood at over Rs.72 billion in 2014 with Kernel products reporting an over 111% increase in recording a Rs.37.1 billion income in 2014 compared to a Rs. 17.5 billion a year ago. Export earnings from Coconut Fiber products and Shell Products reported a 37% and 10% increase compared to 2013.

The Kurunegala Plantations Ltd won the National Agribusiness Gold Award for the 3rd consecutive year and the Gold Award for the Large Category Producer (Plantations) for the 4th consecutive year at National Agribusiness Awards – 2014. With the above honours in the sector we intend to position our plantation company as the Model Plantation Company in regional and International level.

In 2014 Sri Lanka has exported over 33,073 fresh nuts compared to 21,456 nuts in 2013 with a 54% increase whilst the export income has been increased by 59% from Rs. 1.2 billion in 2013 to Rs. 1.9 billion in 2014.

The demand for virgin coconut oil, the purest of the coconut oil, has rapidly increased as several experiments conducted abroad revealed that the cholesterol content in coconut oil is good for human health and all views and beliefs that coconut oil is not good for human health has now proved false. Philippines is the largest producer and exporter for virgin coconut oil & coconut flour in the world. Their market share in the global market is more than 80%. Sri Lankan supply to the world is negligible when compared to Philippines, although the Sri Lanka has become the second largest exporter by now. At present there is a short supply in Philippines. Buyers are now looking for alternate sources which has created a very good chance to increase our market share. Demand for virgin coconut oil is growing in many countries in the world including Japan, USA, Europe and Korea. Sri Lankan coconut has a good reputation due to its inherent taste and the aroma.

Chairman's Review

Therefore, there is an enormous opportunity for the growth of the industry and to increase the income from the coconut industry. However, still more than 70% of our production goes for local consumption whilst in other coconut growing countries the majority of the crop production is used for the export based industry. Lower production cost in other competitor countries is also a factor that obliged our ability to compete with them.

Coconut water too has an extensive world demand and therefore, our country as a whole has an urgency to upgrade the standards of coconut water for export with the assistance of both local and foreign investors.

The Kurunegala Plantations Ltd won the National Agribusiness Gold Award for the 3rd consecutive year and the Gold Award for Large Category Producer (Plantations) for the 4th consecutive year at National Agribusiness Awards – 2014. With the above honours in the sector we intend to position our plantation company as the Model Plantation Company in regional and International level.

Despite the above success and global pressure that stimulate our growth I must also note that release of productive lands from our plantations for Statutory Declarations and National requirements have become a threat to the sustainability of the company where 20% of the land has already been released over the years since the establishment of the Company. Demand for our productive lands continue to increase. In the year under review we have released over 16.59 hectares for such requirements and we now have only 5,244.58 hectares under our management compared to 5261.17 hectares in 2013. We had a total of over 6,555.03 hectares when the Company was established in 1992. I believe the relevant authorities should take efforts to implement plans to release uncultivated unproductive lands from the available land banks to such requirements.

Kurunegala Plantations Ltd is continuously looking at opportunities for expansion and investment and we are committed to develop the resources available with us for the benefit of our National Economy.

I thank to Hon. Minister of Plantation Industries - Mr. Lakshman Kiriella, Hon. State Minister of Plantation Industries - Mr. K. Velayudhan, Hon. Deputy Minister - Mr. Jagath Pushpakumara and Secretary of the Ministry of Plantation Industries - Mr. Anura Jayawickrema and other officials of the Ministry of Plantation Industries. As the present Chairman of KPL, I express my sincere gratitude to the former Chairman and the previous Board. I thank to present Board of Directors, our management team and the entire staff who are the main driving force that helped us to achieve a historic year in performance this year and I assure that we will continue to give our best in the future too.



Piyasoma Upali



Chief Executive Officer's Review

As the Chief Executive Officer of Kurunegala Plantations Limited (KPL), I am pleased to present the Annual Report for the Year 2014 of the company as we have reported the highest ever profit in our history this year. The year 2014 was an extremely challenging year for the plantation sector, yet our company made our way through riding the hard times. As reported by the Planters' Association of Ceylon, 19 Regional Plantation Companies in the country collectively reported a staggering loss of over Rs. 2.8 billion in 2014 due to the continuous sharp drop in rubber and tea prices and high costs of production. Being predominantly a coconut and Rubber producing company, KPL has not only recorded the highest profit since the establishment but also has created a new landmark in the history of Agribusiness Sector in the country by conquering the National Level Gold Award for the 03rd consecutive year and by winning the Gold Award for the Large Category Producer (Plantations) for the 04th consecutive year.

Financial Highlights

Summarized bellow are the key financial highlights of our operating performance during the year under review.

- the highest revenue of Rs. 576.8 million
- the highest income on Coconut amounting to Rs. 514.2 million
- the highest revenue on intercrops amounting to Rs. 22.9 million.
- the highest other operating income of Rs. 103 million
- the highest Profit before Tax (PBT) of Rs. 228 million
- the highest profits after tax of Rs. 213.55 million
- the highest Earnings Per share of Rs. 10.71.
- the highest cash and cash equivalents of Rs. 409.7 million.

Production & Plantation Management Highlights

Coconut Sector

Our Company secured a harvest of 16.7 million coconuts in 2014, which is over a 28.5% increase against our harvest in 2013 whilst the percentage increase of national production had been 14.2%.

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KPL continuing to strengthen its good agricultural practices and field management expertise has not given in to the weather gods to totally take-over the control of our production but have reaped the results of efforts taken to mitigate the adverse effect of extreme weather conditions experienced annually.

We fertilized 65% of the revenue acreage despite of setbacks in the availability of fertilizer in the market during favourable weather conditions for the application of fertilizer. In addition to good agricultural practices carried out we continued the application of organic manure increasing the inputs by 70% in 2014 compared with the previous year. This is in line with the goal of converting 1,952 acres of Coconut plantations to 'Organic Coconut' focusing in catering the increasing global demand for organic agricultural products.

Further, we have been successful in increasing the under-planted acreage against the total coconut acreage from 19.90% in 2013 to 20.32% in 2014 with the infilling of 10,647 vacancies in the potential revenue areas. This marks our way forward in establishing the maximum possible palms per acre and it has been well addressed to achieve an average of 56 palms per acre for maximizing of future yields of our estates.

The company in order to maximize the security of coconuts by minimizing the mature nut fall which is vulnerable for pilferage further increased the extents under monthly harvesting to cover 90% of the revenue coconut acreage which is also a scientific approach to increase the yields.



We are a reputed supplier of high quality coconuts for local consumption and for the industry. During the year under review KPL continued to top the public fresh coconut auction averages mainly due to production and supply of high quality coconuts coupled with excellent customer care.

Rubber Sector and Other Crops

It was a difficult year for rubber whilst our rubber production declined by 17% compared with our production levels in 2013. Nevertheless KPL managed to reduce the decrease when compared with the production drop of 24.4% at National Level during the year under review. The decline in rubber production was largely due to continued dry weather conditions during the first half of the year and the heavy rains in the third quarter which disrupted latex tapping. The low international demand for natural rubber resulted in weak prices. This situation resulted a decline of

prices recording an average NSA of Rs. 252/- per Kg. in 2014, at a 24% decrease when compared with the NSA of Rs. 330/- per Kg. in 2013.

To mitigate the risk of over dependency on a limited number of major crops, to maximize the income per land unit and to tap land productivity to its potential, KPL continued in expansion on intercropping under coconut by expanding the extent to 1,047.55 acres which is an increase of 9% against 2013. The turnover from intercrops continued to increase from Rs.11.1 million in 2013 to Rs.22.9 million in 2014 establishing a highly significant increase of 106%. In collaboration with the Department of Agriculture and the Department of Export Agriculture the Company has established 53,000 plants of Cinnamon, 1,500 plants of TEJC Mango, 2,250 plants of Dragon-fruit, 272 plants of Rambuttan and 200 plants of Arecanuts during the year 2014.

Chief Executive Officer's Review

It is noteworthy to mention that the company has moved into establishment of mostly non-traditional crops identifying the present and future demand. The Company would no doubt achieve the expected goals as a result of making the timely policy decision on increasing of land productivity through intercropping.

National Recognition

Since KPL came in to the management hands of the State we have performed to the best of our capacity and ability. It is indeed a remarkable and a privilege to note that KPL had been well appraised in the Parliament of Sri Lanka by His Excellency the President at his budget speech delivered on 24th October 2014. Here by I quote the Hanzard, Parliamentary Debates Volume 230 – No.1 dated Friday the 24th October 2014 of the Parliament of Sri Lanka.

“3.4 The government owned Kurunegala and Chilaw plantation companies have performed well and paid dividends to the Treasury. On this success, I propose to set up a separate government owned Plantation Company to develop all JEDB and SLPC plantation lands with a capital infusion of Rs.1000 million.”

The above comments made therein clearly confirm that KPL as a State owned and managed enterprise has been recognized as an exemplary business enterprise at the highest level, which in turn has established a prestigious identity and a benchmark to the Company. All these achievements add very high glamour since most of the companies engaged in agribusiness in Sri Lanka have not performed well during the year under review and also these results have been achieved under highly challenging environments and also under unfavourable market conditions experienced locally and globally.

I must note that this is the very reason why KPL stands above all other enterprises engaged in agribusiness. KPL since the establishment in 1992 up to the State take-over of the management in 2005, was in a state of downfall and economically non-viable. However upon state take-over with the engagement of highly dedicated, motivated and honest senior management team possessing professional expertise and specialization have not only turned-around the company to a model agribusiness enterprise with promising future but have also continued its annual record-breaking momentum which could definitely be considered as a very rare phenomenon in the agribusiness sector of Sri Lanka.

The turnover from intercropping continued to increase from Rs.11.1 million in 2013 to Rs.22.9 million in 2014 establishing a highly significant increase of 106%.

Future Outlook

Comparatively lower labour productivity and higher labour costs, is creating a situation in which the plantation sector is fast becoming financially unviable. Product quality and value addition would be of utmost importance and the required strategy would be to match the highest points in demand consistently, achieving premium price levels.

It is vital that productivity-enhancing measures such as mechanical harvesting and improving the living condition of the plantation worker, where the Government has a key role to play, are implemented on a national scale. The drastic changes of the weather patterns experienced during the recent times have affected the timing of agricultural practices and harvesting. All above has resulted the plantation industry increasingly becoming a relatively volatile sector for investment. A cohesive policy to promote the industry on a more macro level could guide in a more promising outlook and brighter prospects for stakeholders.

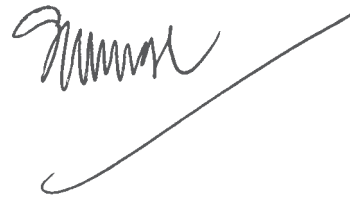
While productivity is a multifaceted issue, labour productivity in Sri Lanka can and must improve substantially for the plantation industry's survival and even the estate worker unions have recognized this by pledging to improve productivity. It is crucial for the industry's survival that such pledges are honoured, especially in the light of sharp decline of prices of major crops. However we continue with our ambitious goal to focus and position our company as the 'Model Plantation Company' in the region amidst these challenges.

Kurunegala Plantations Ltd has been urged to venture into virgin coconut oil industry due to the high demand from local and overseas markets. The prices of virgin coconut oil in the local and overseas markets are currently high when compared to other value added coconut products, which has drawn attraction of local entrepreneurs. KPL plans to embark on value addition model for the product segments with the collaboration of private sector during the year 2015 in order to enhance the profitability with a successful public private partnership.

Appreciation

The Company currently operates under the purview of the Ministry of Plantation Industries under the latest reforms of the new government. It was previously operating under the Ministry of Coconut Development and Janatha Estate Development during the year 2014. I wish to convey my gratitude to Hon. Minister of Plantation Industries - Mr. Lakshman Kiriella, Hon. State Minister of Plantation Industries - Mr. K. Velayudhan and Hon. Deputy Minister - Mr. Jagath Pushpakumara. A special thank goes to former Minister of Coconut Development and Janatha Estate Development - Mr. Jagath Pushpakumra for his guidance, and support. I also wish to convey my appreciation to the Secretary to the Ministry of Plantation Industries - Mr. Anura Jayawickrama, the former Secretaries to the Ministry of Coconut Development and Janatha Estate Development for their directives and encouragements, Present Chairman - Mr. Piyasoma Upali and the Board of Directors, the Former Chairman - Dr. Sunil Jayasekera and the Former Board of Directors for their valuable inputs, encouragement and support at all times. My sincere thanks also goes to all our other stakeholders who have contributed towards the Company during this year.

I am also grateful to our effective and efficient Senior Management team, the Area Superintendents and all employees for their commitment, dedication and loyalty due to which Kurunegala Plantations Limited has been able to continue in achieving these triumphs. We will continue with the development and diversification program in concert with our long term strategy of sustainable development of our plantations. At a strategic level, our long term direction remains one of continuous development and consolidation of our core plantation business whilst concurrently pursuing diversification-led growth through multiple crop value creation initiatives, so that the Company transforms itself from a primary producer to a value added producer entity, thus ensuring its long term sustainability.



Sunil Nillegoda

Board of Directors



W.A.D.D.M. Priyantha
Director

D.P. Wijesinghe
Director

H.A.N. Saman Kumara
Director
Treasury Representative

W.M.D.B. Abeyratne
Director



A.M. Piyasoma Upali
Chairman



D.M. Bandaranayake
Working Director



Sunil S. Alles
Director

Board of Directors

Mr. A. M. Piyasoma Upali

Chairman

Mr. Piyasoma Upali, joined Kurunegala Plantations Ltd. (KPL), as its Chairman with effect from 29.01.2015 bringing with him immense knowledge and years of experience that will undoubtedly contribute towards achieving greater heights for our organization in the future. His illustrious career record dates back into the 1980's and he was the first individual in the history to be elected as the Chairman of Kuliyaipitiya Pradesheeya Saba and was also the first person to be elected as the Deputy Chairman of the North Western Provincial Council, in which North Western Provincial Council being the first Provincial Council of Wayamba, in 1988. Prior to his political career Mr. Upali was also a member of the very first Development Council of the Kurunegala District in 1980, he was also the Chairman of the Multi Purpose Co-operative Society Kuliyaipitiya and a Director of the National Co-operative Council.

Since then Mr. Upali represented the Kuliyaipitiya Electorate as a Member of Parliament in 1988, and then held the position as a Member of Parliament continuously for 16 years from 1989-2004 representing the Kurunegala District. He was appointed Minister of State Transport from 2002-2004. During his lengthy tenure at the Parliament of Sri Lanka, he held numerous positions, a few being Assistant Government Whip and Deputy Government Whip. He has attended many programs overseas including the Agricultural and Cooperatives Program in Japan, the Youth Affairs Program in Russia and the Power Devolution Program in the United Kingdom and Spain. In addition to the above, he has also been actively involved in Development Programs Nationwide, whilst concentrating heavily in his District – Kurunegala. Mr. Upali's exposure and experience gathered both internationally and locally over the years, will undoubtedly be an asset towards positive development and improvement of Kurunegala Plantations Ltd.

Mr. D. M. Bandaranayake

Working Director

Appointed as a Working Director of KPL with effect from 26.03.2015 Mr. Bandaranayake is a product of Vijayaba National College Maho and have years of experience in the Agriculture, Farming and Private Transportation sectors. He brings wealth of experience working with people as a Politician and a Private sector as well as Public sector professional. He is a Member of Parliament from 1989 to 2004 representing the Kurunegala District and the

Former Minister for Paddy Development under the Ministry of Agriculture. Mr. Bandaranayake also served as the Treasurer to the Private Bus Operators Association of Galgamuwa from 1985 to 1986, and the President of Vilawa Gramodaya Development Board from 1985 to 1989 whilst being an active member and the President of the Task Force of the Vilawa Divisional Secretariat. He was also the president of Yapahuwa Milk Farmers Association from 1985 to 1989 and has contributed largely to the development of religious temples and institutes in the Yapahuwa while he also served as President of the Yapahuwa Temple Pageant Organization Committee 1989 to 2003.

Mr. D.P. Wijesinghe

Director

Appointed as a Director of KPL with effect from 13.03.2015 Mr. Wijesinghe has prior experience at several state and private sector entities in various industries since 1980's. He has earlier served in senior positions at Seiko Confectionaries (Pvt) Limited and he is the Managing Director of 559 Restaurant & Building Complex. He currently serves as a Director of Milco (Pvt) Ltd and Kurunegala Plantations Limited. A product of Harankahawa Maha Vidyalaya he is also a Justice of Peace to the whole Island.

Mr. H. A. N. Saman Kumara

Director / Treasury Representative

Appointed as a Director / Treasury Representative of KPL with effect from 06.03.2015 and he serves as the chairman of the audit committee of Kurunegala Plantations Limited with effect from 07.04.2015. Mr. Kumara counts years of experience in the Public sector organizations in Sri Lanka where he served as member of the senior management team or a Director on the Board. He served as the Assistant Director (Finance), at the Department of Meteorology from May 2002 to August 2005, Assistant Director at the Department of Public Enterprises from August 2005 to December 2010, Deputy Director at the Department of State Accounts from December 2010 to July 2013, Deputy Director at the Department of Public Enterprises from July 2013 to Sep 2013 and from September 2013 he is a Director at the Department of Public Enterprises.

Mr. Kumara's previous board positions include Director of Land Reform Commission from 2006 to 2010, Director of Gal-Oya Plantations Pvt. Ltd. from 2008 to 2011, Director of Gal-Oya

Holdings Pvt. Ltd. from 2009 to 2011, Director of State Timber Corporation from 2010 to 2011, Director of Paranthan Chemicals Pvt. Ltd - from 2013 to 2015 and he currently serves as a Director on the board of West Coast Power (Private) Ltd since early 2015. He graduated from the University of Sri Jayewardenepura in 2001 with a B. Com (Special) Degree and also have a MSc. in Applied Finance from the University of Sri Jayewardenepura (2009) and MA in Economics from the International University of Japan (2013).

Mr. Sunil S. Alles

Director

Appointed as a Director of KPL with effect from 06.03.2015 Mr. Alles is professional who has years of experience in both Private and Public sector in number of sectors. Further, he serves as a member of the audit committee of Kurunegala Plantations Limited with effect from 07.04.2015. He is a Consultant in Project Designing and served as a Director at the Mundi Gas (Pvt) Ltd from 2004 to 2005, Managing Director of Kandy Hotels Ltd from 2002-2004. Mr. Alles was a co-founder and the Managing Director of Gas Auto Lanka (Pvt) Ltd (Laugfs group) from 1994 to 2002. He began his career in the hospitality industry as a Management Trainee at the Oberoi Hotel in 1973 and then later graduated to become the F&B Manager Ceylon Hotels Cooperation from 1977 to 1980 and also served as the F & B Consultant to Mount Lavinia Hotel from 1980- 1985. He was also the General Manager Seashells Hotel Negombo from 1985-1989 was the Chairman & Managing Director Seara Travels & Seara Trading (Pvt)Ltd.

Mr. Alles is product of Colombo Ananda College, he has a Degree in Hotel Management from Cornwall Technical College in the United Kingdom and Degree in Management.

Mr. W .M. D. B. Abeyratne

Director

Appointed as a Director of KPL with effect from 13.03.2015 Mr Abeyratne count years of experience in the Accounting and Auditing field. Further, he serves as a member of the audit committee of Kurunegala Plantations Limited with effect from 07.04.2015. He began his career at Thornton Panditharatna & Company and later served at the Milk Industries of Lanka Co. Ltd., Holiday Island Resort in Maldives, D.B. Abeyrathna & Company and State Timber Corporation. Presently He is also working at Sri Lanka Council for Agricultural Research Policy whilst during his tenure

at the State Timber Corporation he was instrumental in preparing and amending the Internal Audit Manual and the Programme after fifteen years, which is presently being used at the State Timber Corporation.

He has a number of professional qualifications including a Higher National Diploma in Accountancy, Postgraduate Diploma in Accounting and Finance Management from the University of Peradeniya and a Diploma in Human Rights from the University of Peradeniya - Sri Lanka.

A well qualified accounting and an audit professional Mr Abeyratne is a member of MAAT - Association of Accounting Technician - Sri Lanka, AFA - Association of Financial Accountants – UK, FIAB - International Association of Book Keepers – UK, ACPM - Institute of Certified Professional Manager - (Founder Member of Sri Lankan Branch), AMA - Institute of Certified Management Accountants (ICMA), APFA - Association of Public Finance Accountants of Sri Lanka (APFA) and Charter Member of the Rotary Heritage Kandy - Sri Lanka and a Justice of Peace to the whole Island.

Mr. W. A. D. D. M. Priyantha

Director

Appointed as a Director of KPL with effect from 13.03.2015 Mr. Priyantha is the Chief Internal Auditor of the Ministry of Plantation Industries. He joined Sri Lanka Accountants Service in 1992 and has served in various Departments in the North Western Provincial Council as an Accountant for over 13 years. He is a product of Joseph Vaz College, Wennappuwa and graduated from University of Colombo with a Bachelor of Commerce.

Senior Management



Mr. N. M. S. K. Nillegoda
Chief Executive Officer



Mr. S. M. M. Samarakoon
Deputy General Manager



Mr. P. M. D. G. Premathilaka
Manager - Finance



Mr. M. M. J. Cooray
Manager - Audit



Mr. I. A. Gunawardana
Manager - Human Resource & Administration



Mr. S. M. R. P. Sathkumara
Manager – Estates Monitoring & Co-Ordination



Mr. J. K. J. P. Jayawardana
Manager – Marketing

Area Superintendents



Mr. M. L. A. P. Perera



Mr. G. K. A. Jayawardana



Mr. K. L. H. C. Perera



Mr. A. M. P. Abeykoon



Mr. K. P. D. N. Kalugalla



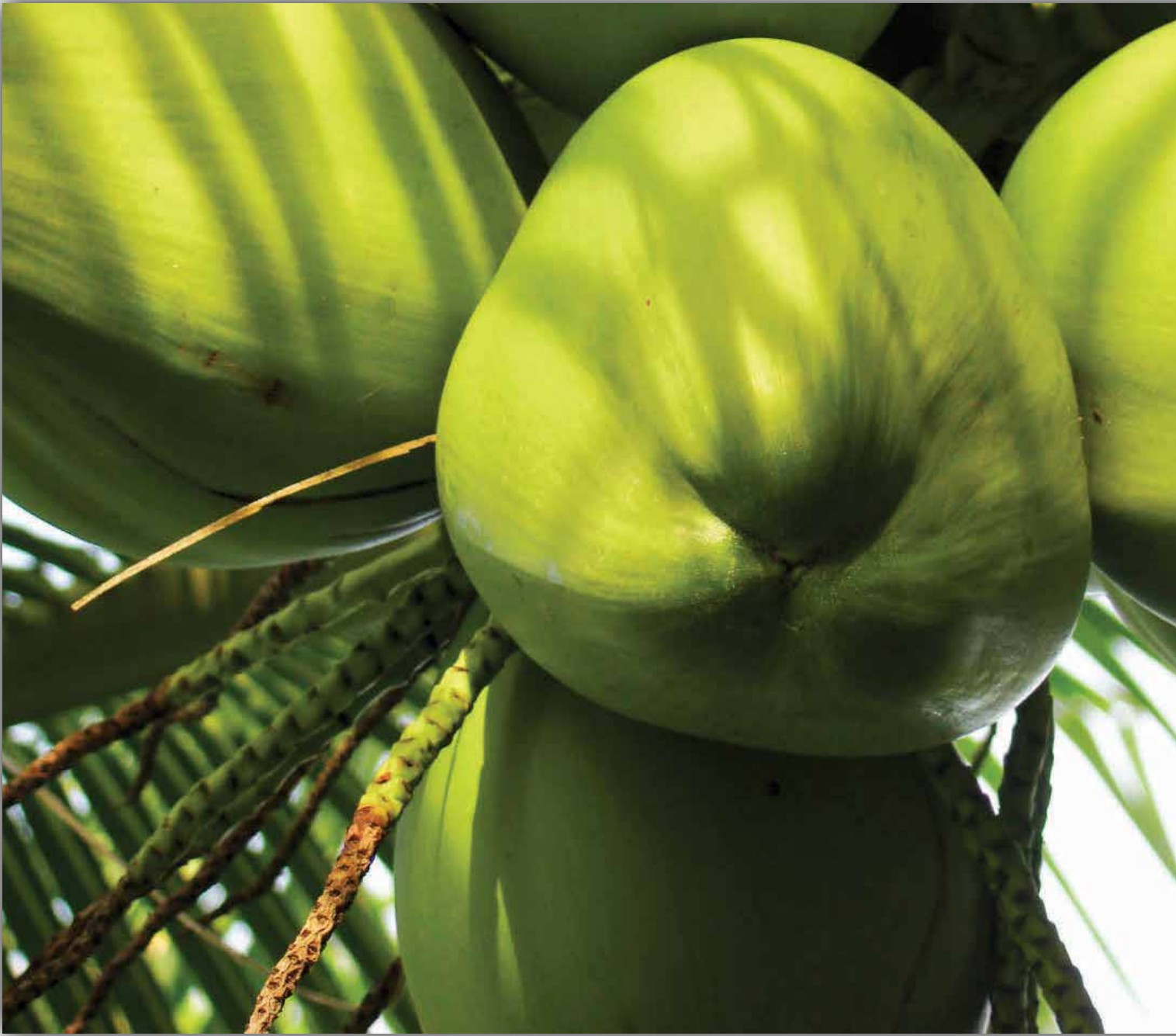
Mr. U. P. R. M. Pathirana



Mr. M. T. J. Perera



Mr. J. M. A. A. Munasinghe





Our Plantations

Diversification is the most appropriate strategy to eliminate the over-dependency on limited main crop







Management Discussion & Analysis

Management Discussion & Analysis

Principal Activities and Nature of Business

During the year, the principal activities of the Company were the cultivation, manufacture and sale of coconut, rubber & other agriculture produce.

Operational scope

KPL comprises of 08 Area Estates with a land area of 5,244.58 hectares that encompass different agro climatic zones spanning the three districts of Kurunegala, Gampaha and Anuradhapura. Each area estates comprising of small acreages (divisions) are scattered over 2-3 Divisional Secretariats.

Extent of lands held

KPL has lost large extents of productive lands due to release of lands for national requirements and Statutory Declarations. Kurunegala Plantation Limited has lost 20% (1,310.45 hectares) of the land originally handed over (6,555.03 hectares) to the company in 1992 with the establishment of the company.

at the end of financial year	Hectares
1992	6,555.03
2004	5,537.28
2005	5,451.41
2006	5,450.28
2007	5,450.28
2008	5,409.70
2009	5,397.51
2010	5,397.51
2011	5,327.77
2012	5,316.43
2013	5,261.17
2014	5,244.58

Land Extent of Area estates

	Extent (hectares)
Attanagalla	703.22
Dambadeniya	462.18
Dodangaslanda	798.83
Hiriyala	1107.77
Katugampola	619.13
Kurunegala	555.80
Mahayaya	446.26
Narammala	551.39
	5244.58

Product portfolio

Coconut is the main crop in all 08 area estates while rubber had been confined to Attanagalla, Mahayaya and Dodangaslanda areas. New areas for expansion of rubber in order to enhance the land productivity and for biodiversity have been identified and Kurunegala and Narammala areas have commenced new establishment of Rubber. KPL also maintains a range of other crops that are grown as intercrops under coconut considering land & climatic suitability.

Utilization of Lands

	Extent (hectares)
Coconut	4,097.36
Rubber	250.10
Paddy	213.72
Other Crops (Mono Plantations)	10.28
Uncultivable	673.12
	5,244.58

* Other crops under coconut - 413.83 ha.

Management Expertise

Since the change of management in 2005, KPL has adopted a management of high quality which has been recognized even at national level for many triumphs the Company has achieved and the large contribution to the national economy, coconut industry

and the fulfilment of social responsibility. The Company has proven that it is one of the most professionally managed agribusiness enterprise in the country through its financial and agricultural performance. The Vision of KPL is to become the 'Model Plantation Company' in the Asian Region.

In 2011, KPL won the Gold Award for the Large Category Producer (Plantations) and the Award for 2nd Runner up at National Level, at the National Agribusiness Awards 2011, conducted by the National Agribusiness Council.

In 2012, KPL won the National Level Award as the All Island Gold Winner, at the National Agribusiness Awards. KPL also re-established its position in the plantation sector by once again winning the Gold Award for Large Category Producer (Plantations).

In 2013, KPL won two Gold Awards at the National Agribusiness Awards. The National Agribusiness Gold Award, for the second time, and the Gold Award for the Large Category Producer (Plantations), for the third consecutive year.

In 2014 KPL has created a new landmark in the history of Agribusiness Sector in the country by conquering the National Level Gold Award for the 03rd consecutive year and by winning the Gold Award for the Large Category Producer (Plantations) for the 04th consecutive year.

Financial review

Revenue

The company's revenue rose over 21.2% from Rs. 475.89 million in 2013 to Rs. 576.79 million in 2014 with primary contribution from Coconut. The composition of the revenue is as follows;

	2014	2013
Coconut	514.18	402.37
Rubber	39.70	62.41
Other crops	22.91	11.11
	576.79	475.89

The total revenue of Rs. 576.8 million in the year 2014 is the highest revenue achieved in the history of the company.

Total Revenue (Rs. Mn)

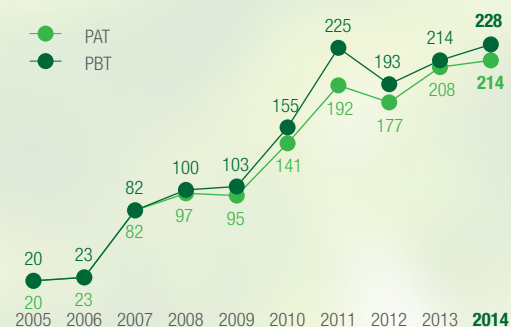


Profit

The Profit After Tax (PAT) of the Company during the year 2014 has increased by 2.9% or over Rs. 6 million to Rs. 214.24 million in 2014 from Rs. 208.15 million in 2013. Coconut production alone has largely contributed to the profit growth with over 30.5% amounting to Rs. 57.86 million increase in profits while the profits from Coconut were Rs. 247.21 million in 2014 against a Rs.189.35 million in 2013. However the from Rubber segment a loss was reported amounting to Rs.2.35 million compared to a profit of Rs.13.98 million. Profit from other crops also increased by over 58.25% to Rs. 5.94 million in 2014 against Rs. 3.76 million in 2013.

During the year under review Administrative cost rose by almost 20% to Rs.131.15 million compared to Rs.109.25 million year ago. Profit Before income Tax (PBT) rose by over 14.3 million or 6.7% to Rs. 228.01 million in 2014 compared to Rs. 213.62 million in 2013. During the year under review total income tax expenses amounted to Rs. 13.77 million compared to a Rs. 5.48 million year ago.

Profit before & after tax (Rs. Mn)

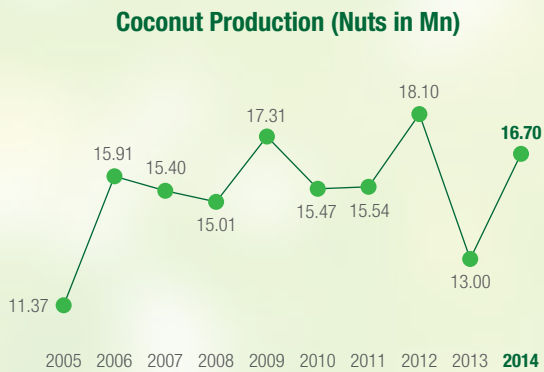


Management Discussion & Analysis

Coconut Sector

The bearing extent of coconut at KPL was 3,264.04 hectares, as at end 2014. Currently the coconut under-plantation acreage is over 20% of the total coconut extent. KPL coconut estates have a density of 56 palms per acre, compared with best practice of around 60 palms per acre. It is noteworthy to mention that the palms per acre had been increased from 49 on 1st January 2005, the year in which the management of the Company had been taken over to the Government.

Coconut yields have continued on an increasing trend since 2005 to peak in 2012. However, in 2013, KPL and other growers experienced a considerable draw back. KPL's production fell to 13.0 million nuts from the historically high production of 18.10 million in 2012. The Company's coconut production increased to 16.7 million nuts in the year under review with a 28.5% increase in the production compared to last year whilst the coconut sector of Sri Lanka registered an increase of 14.2%.



KPL coconuts are sold in transparent and accountable manner at the public auctions conducted by the Coconut Development Authority. Most of the time KPL net sales average (NSA) had been above the auction average. Net sales average per nut was Rs. 30.65 in 2014 against an average of Rs. 30.93 in 2013. The Company also manufactures copra and coconut oil in a limited capacity.

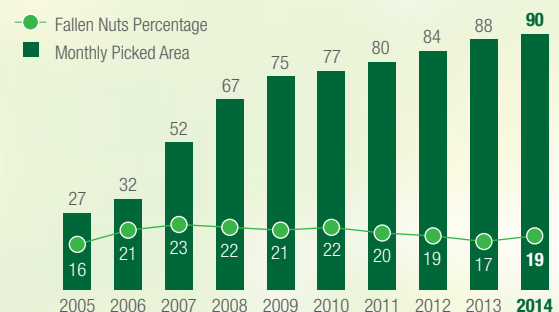
The principal crop of KPL is coconut which accounts for the major share of revenue. In 2014, revenue from coconut has been increased to Rs. 514.17 million from Rs. 402.37 million in 2013, which is an increase of 27.79%.

Coconut Revenue (Rs. Mn)



KPL focusing on reducing pilferage and enhancing the productivity, monthly harvesting of coconuts in every possible plantations in place of bi-monthly harvesting has been introduced. This reduces the number of fallen nuts minimizing the avenues for pilferage. Further, an additional bunch of coconut could be harvested within the year since this method removes the mature bunch immediately so that water and nutrients needs for maintenance of the mature bunch could be saved for the use of enhancing the productivity of the palm. The monthly harvesting extent has now reached the maximum of 90% of the harvesting acreage whereas in 2004 it had recorded as 26%. In this scenario too, the company has been able to maintain a stable percentage of fallen nuts ranging from 17% to 20% over the past years, which reflects the effectiveness of the strategy. On the other hand the monthly harvesting strategy has reduced the fallen nuts being vulnerable for thieving of surrounding villagers, since the fallen nuts percentage has been minimized.

Monthly Picked Area & Fallen Nut Percentage



The cost of production of coconut has been increased by Rs. 53.9 million during the year under review to Rs. 266.96 million from Rs. 213.01 million in 2013 which is an 25.3% increase. However, the COP per nut decreased to Rs. 15.98 in 2014 from Rs. 16.39 in 2013 due to the increase of production.

The cost of production derives as a total of four major expenditure components, details of which are given below.

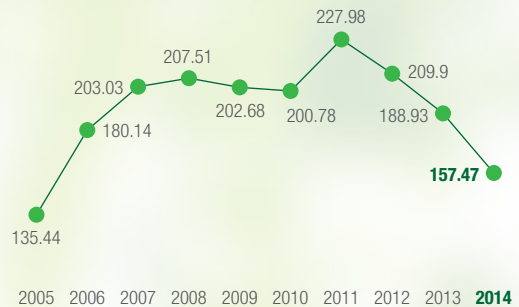
	2014	2013	
General Charges	151.27	116.92	29%
Mature Area Upkeep	69.56	58.43	19%
Picking	39.42	34.13	15%
Manufacturing	6.72	3.55	89%
	266.96	213.02	25%

Minimizing of wastage, increasing of labour output and introduction of alternatives in place of labour has contributed towards maintaining of COP at optimum level.

Rubber Sector

The Company maintains 192.62 hectares of mature rubber which is our secondary plantation crop. The company has expanded the rubber plantations focusing on increasing the land productivity and preserving of environment. In 2014 too the rubber revenue continued its declining trend commenced from 2011 due to lower prices in international markets. Total income in 2014 was Rs.39.69 million against Rs. 62.41 million in 2013. The NSA dropped by 24% to Rs. 252 per kg in 2014 when compared with Rs. 330 per kg in 2013. The national rubber production dropped by 24.4% in year 2014 due to continued dry weather conditions during the first half of the year and the heavy rains in the third quarter which disrupted latex tapping. In this context, the company's rubber production outperformed the national production achieving a crop of 157.47 Kg. for 2014 which is a drop of only 16.65% when compared with 2013. In previous year KPL has acquired the latest technology from the Rubber Research Institute to produce quality RSS sheets. A new RSS factory has been set up at Attanagalla Area Estate. The Company has undertaken the construction of a waste water treatment plant in order to ensure environmental compliance in 2014 and we hope to benefit from this facility in the upcoming financial year.

Rubber Production (Kg '000)



Rubber Revenue (Rs. Mn)



The Cost of production of rubber has been decreased by over Rs. 6.3 million during the year under review to Rs.42.1 million from Rs.48.4 million in 2013 which is an over 13.1% decrease. The cost of production derives as a total of four major expenditure components, details of which are given below. A significant decrease can be seen in the Tapping cost. This happened due to the reduced latex tapping as a result of the interrupted weather conditions.

	2014	2013	
General Charges	20.41	22.1	-8%
Mature Area Upkeep	4.26	4.39	-3%
Tapping	15.83	20.11	-21%
Manufacturing	1.56	1.81	-14%
	42.05	48.42	-13%

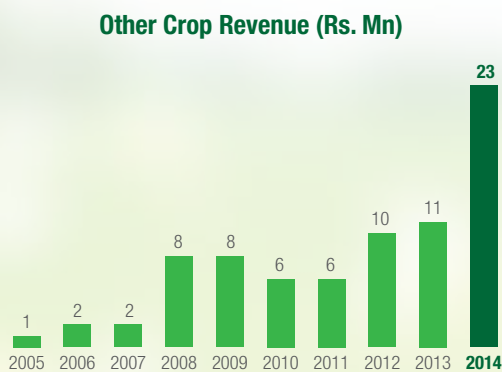
Other crops

Since 2005, KPL has extensively diversified into intercropping with a great success. In 2005, the extent of other crops had been 71.79 hectares. At the end of 2014 other crop extent accounted for 425.04 hectares recording a very significant increase of nearly 06 times. Currently, KPL produces Pepper, Cinnamon, Rambutan,

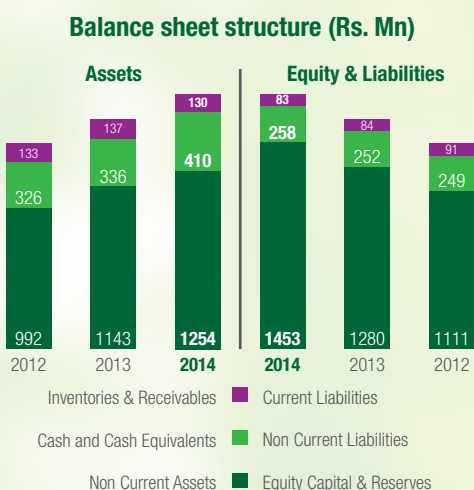
Management Discussion & Analysis

durian, dragon fruit, mango, cocoa, cashew, etc. as intercrops. KPL has established the largest durian plantation in Sri Lanka, with 1,040 trees in the Mahayaya Area Estate. Cashew, cinnamon, dragon fruit, mango and guava have been cultivated in the dry zone estates in Kurunegala while Rambutan and durian have been established well in the wet zone, in Gampaha.

Rambutan, cashew, cocoa and pepper are now coming into maturity contributing to increase the turnover of the Company. As a result, income from non-core crops increased from Rs. 11.12 million in 2013 to Rs. 22.92 million in 2014 to, recording an increase of over 106% increase.



Balance sheet structure

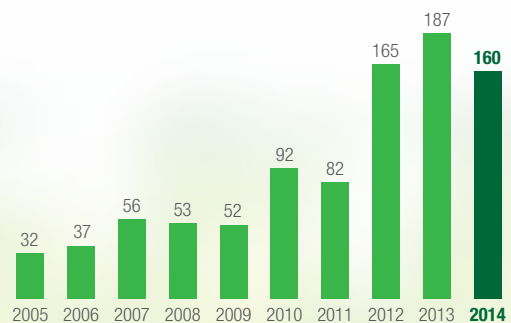


Total assets increased by Rs. 177.4 million (2013 - Rs. 1616.45 million) primarily due to increases in investment in Bearer Biological Assets and Property Plant & Equipment.

Non-current assets

Non-current assets of the company at the end of 2014 were Rs. 540.33 million (2013 - Rs. 473.18 million) recording an increase of Rs. 67.15 million. Non-current assets increased primarily as a result of increases in Bearer Biological Assets and Property Plant & Equipment. Investment on establishment of new under plantations and increased cost on maintenance of brought forward immature plantations were the main reasons for the increase in Bearer Biological Assets.

Investments on Non-current assets (Rs. Mn)



Liquidity management

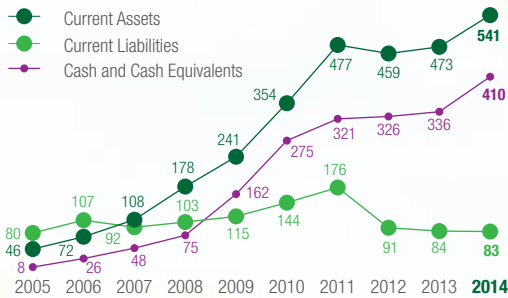
Net working capital of the Group increased to Rs. 457.69 million (2013 - Rs. 388.82 million) due to an increase in short term investments.

Cash and short term investments improved during the current year to Rs. 409.71 million in 2014 from Rs. 335.74 million in 2013 as a result of prudent financial management practices applied by the company. The company held Rs. 400 million in short term investments as at 31st December 2014 compared with Rs. 326 million in 2013. These investments comprised of fixed deposits at State banks.

The current ratio of the Company stood at 6.51 (no of times) compared with 5.61 (no of times) in 2013. The quick ratio improved to 5.68 from 4.84 when compared with last year.

	2014	2013
Current ratio (times)	6.52	5.61
Net working capital (Rs. Mn)	457.69	388.82
Net Asset per share (Rs.)	72.68	64.00

Liquidity Management (Rs. Mn)



Equity

Equity comprise of stated capital of 200 million and reserves of Rs. 1253.57 million. The reserves increased by 173.23 million. The composition of the reserves is stated bellow.

	2014	2013
Retained Earnings	1043.15	889.23
Timber Reserves	203.48	183.16
Other Reserves	6.94	7.62
Total Equity	1253.57	1080.01

Non-current liabilities

Non-current liabilities increased by 5.6 million mainly due to the increase in deferred tax liability. The company recognized Deferred Tax Assets of Rs. 12.63 million and Deferred Tax Liability of Rs. 77.95 million as at reporting date. Accordingly, Net Deferred Tax Liability as at December 31st, 2014 is Rs 65.32 million.

Current Liabilities

Current Liabilities decreased by 1.39 million. (2014 – Rs. 82.97 million, 2013 - 84.36 million)

Cash flow

Cash and cash equivalents increased by Rs. 73.97 million to Rs. 409.71 million by the end of the year 2014. (2013 - Rs. 335.74 million). Net cash from operating activities increased to Rs. 264.20 million as against Rs. 228.93 million due to increased profit before working capital changes, thus significantly increasing the cash generated from operations.

Net cash used in investing activities was Rs. 120.69 million (2013 - Rs. 144.60 million). In the current year, cash invested for the purchase of property, plant and equipment was Rs. 159.58 million (2013 – 186.70 million). This capital expenditure was largely in the immature plantations, construction of buildings and fencing which accounted for Rs. Rs. 82.38 million, Rs. 48.68 million (including work-in-progress) and 12.14 million respectively.

Net cash used in financing activities was Rs. 69.55 million (2013 - Rs. 74.25 million). This decrease was mainly due to the lesser payment of lease rentals on assets leased from JEDB during the year under review.

Payment of dividends

While most government institutions are a burden to the Treasury, KPL has not only been transformed to a successful self financing institution, but has also fulfilled its commitment by way of paying dividends to the Golden Shareholder, the General Treasury.

We are proud to State that during the current financial year too, KPL continues to be a self-financing public enterprise under State management.

After the government took-over of the management of KPL in 2005, for the first time in its history, the company paid dividends in 2007.

We look forward to declaring Rs. 45 million as dividends for the year 2014 a 12.5% increase from Rs.40 million in 2013. With this amount, since 2007 a total dividends of Rs. 275 million has been paid to date.

Payment of Dividends (Rs. Mn)



Sustainability Report

As a plantation company, we at Kurunegala Plantations LTD (KPL) interpret sustainability as growth through economical, environmental and social cohesiveness.

Economic sustainability translates primarily into the financial sustainability of the Company, which in turn ensures economic opportunities for communities and economic benefits to the stakeholders. As an agricultural based company, our financial sustainability is inextricably intertwined with environmental sustainability. Therefore, we are committed to conserving and protecting the natural environment and eco systems that support our business activities. This translates into sustainable use of land and water and application of sustainable agricultural practices, including conserving natural resources.

In addition, we also believe in ensuring social sustainability through interaction with communities in the locality of our plantations, as they too are an integral part of our business. As a public organization we are conscious of our overall public accountability, through good governance. We ensure good governance through application of transparent processes, regular monitoring, evaluating and reporting systems that prevent corruption and misconduct.

SUSTAINABLE AGRICULTURAL PRACTICES

Across all our 8 estates, we have implemented sustainable agricultural management practices through increased land use efficiency, crop diversification, inter-cropping and under-planting. We have taken immense effort to establish the maximum possible palms per acre and this has been well addressed by increasing the number of palms per acre from 49 in 2005, year in which the management of the company was taken over from private sector, to 56 by now. Senile area for establishment of underplantations is hard to find in several area estates, since all possible areas have been well identified and covered by under plantations. The under planted acreage at the end of 2014 recorded as 20% of the total coconut area and during the year Rs. 64.13 million was invested in immature coconut plantations. In addition, we have a well-established program for infilling of vacancies in the potential coconut revenue area. The number of infilling carried-out during 2014 was 10,647. There is no doubt the increased number of palms per acre will maximize the future coconut yields of our estates.

Good agricultural practices such as harrowing, increased usage of organic manure with systematic reduction in usage of inorganic

fertilizer, practicing of sloping agricultural land technology, ploughing, establishment of cover crops, contour drains, mulching, etc. ensure the sustainable productivity improvements in our lands. KPL has increased the usage of organic manure by increasing the inputs by 70% in 2014 compared to previous year. All coconut under-plantations are given 50% of their nutrient requirement through organic manure. Organic manure improves the soil fertility, moisture retention capacity, soil aeration, texture and the microbial activity of soil. These agricultural practices substantiate the sustainability of our lands. The company has been converting 1,952 acres of coconut plantations to 'Organic Coconut Plantations' since the organically grown coconut has a premium price due to the high global and local demand for organic agricultural products.

REDUCTION OF USAGE OF SYNTHETIC CHEMICALS ON PLANTATIONS

The Company being concerned of the protection of the environment has taken all possible steps to reduce the usage of synthetic chemicals such as herbicides, pesticides and fungicides etc. by practicing biological and mechanical controls, and increasing the usage of organic manure.

Biological control

- Use of predator mite (*Neoseiulus baraki*) to control mite (*Aceria guerreronis*) in coconut plantations - We have established a laboratory to produce predator mite (*Neoseiulus baraki*). This technique is also eco-friendly. We have successfully produced 36,000 sachets of predator mite and distributed to the affected areas in our plantations during the year under review. This biological control has shown highly promising results.
- Pheromone traps to control fruit fly (*Drosophila* Species) in fruit plantations and Red Weevil (*Rhynchophorus ferrugineus*) in coconut plantations.
- Introduction of Red Ants (*Solenopsis* species) to control *Helopeltis* mosquito in cashew plantations.

Mechanical control

Usage of Glyphosate as an herbicide has been broadly debated in various forums at present and the government has now taken a decision to ban the usage of Glyphosate. Identifying this situation

in advance, we have replaced the usage of Glyphosate for weed controlling by,

- using of machinery for ploughing, harrowing, slashing
- grazing of cattle
- establishment of cover crops
- mulching the fertilizer circles

Application of organic manure

The Company has also taken important steps in reducing usage of chemical fertilizers by way of using organic manure and also successful trials have been conducted with the collaboration of the Institution of Fundamental Studies (IFS) – Hantana, Kandy to reduce the chemical fertilizer on coconut by 50%, by using “Bio Film Bio Fertilizer.”

In addition to reduction of usage of chemicals in our plantations, we remain vigilant in monitoring of usage and handling of chemicals. The employees engage in spraying and handling at field level is well educated and trained of protective and control usage.



Production of predator mite



Contour drains



Mulching

BIO DIVERSITY

In all estates we work actively towards enhancing biodiversity. We have successfully make continuous assessment to recognize both current area of plantation and the potential future area for expansion of suitable varieties of intercrops, timber and rubber. We have now established 1049.85 acres of intercrops. Rubber plantations of KPL had been confined to Attanagalla, Mahayaya and Dodangaslanda Area Estates during the past. Recognizing the importance of expanding rubber plantations which are almost similar to natural forests we now have extended our rubber plantations to new areas at Kurunegala and Narammala Areas.

KPL recognizes the available valuable timber trees in our plantations as a consumable biological asset. The mature timber is harvested in a systematic method after obtaining the required approval from the Environmental Authority, Department of Forest, the Ministry and the Divisional Secretariat. We are proud to state that the company has established 06 timber plants for each timber tree harvested in order to enhance the sustainability.

OUR EMPLOYEES

EMPLOYEE BENEFITS AND ENCOURAGEMENTS

We are acutely aware of the responsibility of providing a safe, pleasant and rewarding environment for our employees. We are proud to uphold that our employees are our most valuable asset and they possess the competitive advantage as qualified, experienced and credible professionals. The evidence is clear that plantations cannot be managed profitably without a high degree of professionalism and expertise. KPL is fortunate to have acquired and fostered the human capital base that has made this possible.

The total workforce of KPL comprises 1421 personnel.

Grade	Head office	Estates	Total
Executives	11	21	32
Clerical & Allied	29	119	148
Minor & Allied	21	32	53
Watchers & checkroll workers	-	1,188	1,188
Total	61	1,360	1,421

Payment of performance based incentives

From 2005 company started and continued to pay the performance based incentives and this healthy reward system has encouraged our employees to perform better. A sum of Rs. 28.7 million being 11.4% of the gross profit was provided in the financial statements for the payment of performance based incentives for the year 2014. This figure for 2013 was Rs. Rs.27.4 million. This provision has been made to pay a 02 ½ months' gross salary to monthly paid employees and Rs. 12000 to daily paid workers.

Other benefits enjoyed by our employees

- Distress loan facilities at low interest rates
- Interest free loans for school books and textiles
- Providing of limited coconuts for consumption to all employees at a very nominal rate of Rs.1/- per nut.
- Incentive payments on fallen nut collection and monthly attendance to watchmen
- Kerosene oil allowance to watchers those without electricity.
- Insurance cover for workmen compensation for all employees
- Rs. 01 million personal accident insurance cover for executives
- Health insurance cover of Rs. 400,000 per family unit of executives
- Financial assistance for higher education of staff members
- Scholarships for higher education of the children of employees
- Payment of one month's salary for un-availed medical leave
- The company contribute 12% and 3% of the gross emoluments of the employees to Provident Funds (EPF, ESPS, and CPPS) and Employees' Trust fund respectively. The contributions have been paid to date without areas.

Payment of Incentives (Rs. Mn)



Residence Facilities

Over the past years, we have made a concerted effort to improve housing conditions across our plantations. During the year 10 OICC quarters and 13 quarters for Watchmen was constructed with related facilities such as water, electricity and sanitary by investing Rs. 46.29 million. Further, the company has always been concerned on the resident workers and we have provided better residences with electricity and sanitary facilities.

Employee Training & Development

We continue to invest in training and development of our staff to ensure the acquiring of the required skills, knowledge and attitudes to enhance the productivity. In 2014, the investment on employee training and development was Rs. 801 thousand against Rs. 1.02 million in 2013. We offered a wide range of in-house and external training programs, aimed at continued learning as well as personal development. We also support a number of diploma, degree and master programs for our employees. For field staff, we provide ongoing on-the-job training and arrange special training programs with professional experts in the field of agriculture.

Building Lifelong Relationships with Employees

The company organizes various employee activities in building of lifelong relationship.

- Annual all night pirith chanting was completed the 6th successful year.
- A 'Nelum Mal Dnasela' offering over 15,000 lotus flowers was held in the premises of Sri Dalada Maligawa in Kandy on Vesak Full Moon Poya Day.
- The 'Kiribath Dansela' at Head Office Premises at Kurunegala for the 8th successful year on account of Annual Poson Festival.
- Annual Get-together for staff & their families.
- Inter-estate cricket tournament
- Annual excursions

Our human resources management strategy has contributed largely towards motivation of employees and has resulted in higher productivity, loyalty and commitment towards the company.



Training on latex tapping



Training on pruning

CONTRIBUTION TO THE DOMESTIC COCONUT INDUSTRY.

KPL met its wider social responsibilities in many different ways during the year under review. The company issued 990,633 high quality coconut seed nuts to Coconut Cultivation Board. This will benefit the national coconut development program and the future of the domestic coconut industry. We are also a reputed supplier of high quality coconuts for local consumption and for the industry.

KPL AND SOCIETY

Over the last few years neighbouring farmers have been facilitated with grazing and holding for their cattle and in return KPL benefits by obtaining organic manure from cattle dung and control of weeds by grazing. This arrangement contributes to the enhancement of national milk production and for the increase of cattle population at large.

We have facilitated neighbouring villagers to cultivate cash & semi perennial crops in our plantations which are of economic significance for them. This initiative enhances their family income and national production levels of agriculture whilst creating biological and ecological a balance in the soil structure of the plantations. This mechanism also enables us to identify and absorb skilled labour who has traditional farming knowledge.

The Company annually provide copra for cultural pageants such as Kandy Sri Dalada Perahera, Pereheras of local temples and Devalayas. Request for timber for construction/ renovations of places of religious worship and schools have been favourably considered by the company.

The values of sustainability are embedded with our operations. A proper managed business or a plantation should have an Economic, Social and Environment stability. KPL being a plantation company is engaged in economically viable farming whilst protecting the environment, improving the biodiversity, ensuring the well-being of the employees and our Nation at large.



Risk Management

Kurunegala Plantations Limited is exposed to several risks associated with the cultivation, processing and marketing of coconut, rubber and other products in the economic and socio-political environment within which it operates.

Management of business risks is given due attention with an effective system of financial, operational and other controls put in place, to mitigate same.

Operational Risk

Our principal crop – coconut has been the main income generator of the Company. Over 70% of the national production is consumed locally as a culinary product leaving less than 30% for the industry. This scenario creates market fluctuations where high crop situations have always resulted in low annual turnovers. Producing high quality nuts minimizing the rejection percentages of the harvest has won the respect of the buyers resulting Kurunegala Plantations Limited fetching high Net Sales Averages at the Auctions conducted by the Coconut Development Authority. In order to create high competition in the market, the Company has built-up a local buyer base, which has also become a success factor for disposal during high crop situations. Providing easy access to collection points, residential facilities to coconut huskers, field transport of produce to congenial places during adverse conditions, flexibility in loading hours had made high recognition amongst buyers as a customer-friendly-supplier.

Extreme weather conditions, which has now become a frequent hindrance, has effected all agricultural crops including coconut. Prolonged droughts as well as very heavy rainfall has limited the effective harvesting programs and carrying-out of agricultural practices. To preserve the soil moisture and conserve the soil, we have adopted the best agricultural practices such as mulching, burying husk, cover crops, harrowing, contour drains, using of organic manure etc. which has given very promising results. All mature rubber plantations of the company has been fixed with rain guards to counter the unfavourable affect of weather conditions.

Pest and Disease

Coconut mite “Aceria guerreronis”, “Plessispa” and “Weligama Wilt” recently has added-up with the other pests and diseases experienced, have given high challenges to successful establishment of plantations and to production of high quality coconuts.. The “Weligama Wilt” has become a destructive disease

in coconut, which has no cure but is forced to remove infested palms for the control of the spread. Fortunately, this has been efficiently controlled by the Ministry of Coconut Development and Janatha Estate Development to confine the disease to southern parts without further spreading. Although the Company has faced low risk, we have adopted good knowledge amongst employees to identify the disease on observations. Coconut mite infestation has been successfully countered biologically by introduction of Predator Mite, which is also an eco-friendly method. We, in our laboratory, with the guidance of the Coconut Research Institute, produce the Predator Mite for use in our plantations and also, to issuing to neighbouring coconut growers at a reasonable price. Close supervision of experienced field staff has resulted in early detection, control and eradication of pest and disease in our plantations. The Company trains the field staff and workers updates their knowledge by giving them the regular training conducted by the Coconut Research Institute.

Crop Security

Other than the normal risks of fire, floods and natural disasters, coconut being a high consumable culinary product, is largely vulnerable for thieving. Small acreages scattered-over many Divisional Secretariats have resulted in naming of estates as Area Estates. This situation has increased the need of high security to minimize pilferage. Maximized monthly harvesting extents to 90% of the revenue acreage has minimized the percentages of fallen nuts against the normal practice of bi-monthly picking which result in high percentages of fallen nuts which becomes more susceptible for thieving. This practice with the strengthening of perimeter fences, close monitoring and supervision by Superintendents, Assistant Superintendents, Field Staff and Internal Audit Officers, have shown very promising results in minimizing pilferage. Incentive payments for fallen nut collection for watchers too has encouraged the collection and security of coconut. The Company has insured the crop in transit to meet with the risks involved in natural disasters, fire and thieving.

Shortage of Labour

Coconut Plantations have faced a severe shortage of skilled labour for harvesting, husking and value addition, where shortage of unskilled labour has resulted delays in adopting day-today management practices.

Risk Management

Coconut Plantations unlike Tea and Rubber, generally do not have resident labour forces thus depending on available village labour. The Company has adopted using of machinery for weeding, draining and fertilizing and has extended judicious chemical weeding as alternatives in order to maintain plantations efficiently. We have always being mindful of optimal output from our labour force and, have obtained very high output through appropriate mechanization.

Providing free residential facilities, electricity, water and coconut at concessionary price added with incentive payment based on performance, enhanced gratuity entitlement, payment of bonus, Scholarships to children's education, different loan schemes to meet with essential requirements, distress loans to staff, timely payment of statutory dues providing professional training and the friendly & discipline working environment created has resulted in labour and staff retention with the Company.

Risk of land acquisition

The Company is highly exposed to the risk of acquisition of productive land for national requirements, public purposes and statutory declarations. It is noteworthy that Kurunegala Plantations Limited has lost 20% of the land originally taken over in 1992 with the establishment of the Company. Through effective intervention of the Ministry of Coconut Development and Janatha Estate Development this risk has now been minimized.

Trade Unions, Social and Environmental Changes

Kurunegala Plantations Limited recognizing the importance of industrial harmony has signed a Collective Agreement with the Unions and the Employers' Federation of Ceylon, of which KPL is a member. Timely payment of wages, statutory dues, prompt attention to areas related to workmen compensation and labour issues have strengthened the industrial harmony.

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 endeavour 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 processes 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.

BOARD MEETINGS

The Board Meetings are scheduled on a monthly basis. At these Meetings the Board sets out 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 documentation in advance of each Meeting. The new Board has been appointed with effect from 13th March 2015.

The previous Board met 12 times during the year 2014. The attendance at these meetings are as follows.

Dr. Sunil Jayasekara Chairman	11/12
Mr. P.G. Amarakoon Executive Director	10/12
Mr. R.W.M.J.R. Perera Working Director	11/12
Mr. A.P. Kurumbalapitiya Director/Treasury Representative	12/12
Prof. W.P. Gamini de Alwis	9/12
Mr. G.V.A.W.D. Gamaarachchi	8/12
Mr. J. Dewapiran	9/12

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors. The Chairman of the Audit Committee is the Board Director who represents the Treasury of Sri Lanka. The Audit Committee Meetings are scheduled on a quarterly basis. Audit Committee Meetings were held regularly under the Chairmanship of the Board Member representing the Treasury. The Chairman, Executive Director, Working Director, Chief Executive Officer, Senior Managers and Area Superintendents participated these meetings by invitation and the meetings were coordinated by the Manager Audit. The new Audit Committee has been appointed with effect from 07th April 2015.

The previous Audit Committee met 4 times during the year 2014. The attendance at these meetings are as follows.

Mr. A.P. Kurumbalapitiya Treasury Representative	4/4
Mr. G.V.A.W.D. Gamaarachchi	3/4
Mr. J. Dewapiran	4/4

Compliance with Legal Requirement

The Board of Directors makes every endeavour 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 Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007.



Financial Reports



Annual 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 2014

General

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 and re-registered under the Companies Act No. 07 of 2007 with a new registration number PB 1319. The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala. The Company is a single shareholder company with the Secretary to the Treasury of the Government of Sri Lanka being the single shareholder.

Principal Activities and Nature of Business

During the year, the principal activities of the Company were the cultivation, manufacture and sale of Coconut, Rubber & other agriculture produce. Its plantations are situated in the planting districts of Kurunegala, Gampaha and Anuradhapura which are organized under 08 planting Area Estates as described below.

Attanagalla	Katugampola
Dambadeniya	Kurunegala
Dodangaslanda	Narammala
Hiriyala	Mahayaya

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 are prepared based on the Going Concern Concept.

Financial Statements & Auditor's Report

The duly completed Financial Statements signed by the Directors and the Auditor's report thereon for the year ended 31st December 2014 are given in page no. 50 to 87.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given in page no. 56 to 67 of this Report. There were no changes in the Accounting Policies adopted in the previous year for the Company.

Revenue

The total revenue of the Company for the year 2014 is Rs. 576.79 million (2013 - Rs. 475.89 million). The other operating income for the year is Rs. 103.03 million (2013 - Rs. 95.83 million). The interest income earned during the year is 31.34 million (2013 - Rs. 44.34 million) which is shown under note no. 05 - Net Financial Income to the financial statements.

Results and Appropriations

The profit-after tax of the Company the year 2014 is Rs. 214.24 million (2013 - Rs. 208.15 million). Financial results of the Company are given in the Statement of Comprehensive Income.

Rs. Mn	2014	2013
Profit from coconut	247.21	189.35
Profit / (Loss) from rubber	(2.36)	13.99
Profit from other crops	5.94	3.76
Profit from other operating activities	103.03	95.83
	353.83	302.92
Administrative expenses	(131.15)	(109.25)
Profit from operating activities	222.68	193.67
Net Finance Income	-	-
Interest Income	31.34	44.34
Interest expenses	(26.01)	(24.38)
	19.96	5.34
Profit before income tax expenses	228.01	213.63
Income tax expense	(13.78)	(5.48)
Profit for the year	214.24	208.15

Capital Expenditure & Investments

During the year 2014 Rs. 159.58 million (2013 - Rs. 186.70 million) had been invested in fixed assets of the Company out of which Rs. 82.38 million (2013 - Rs. 93.66 million) had been incurred on immature plantations.

Short Term Investments

The Company held Rs. 400 million short term investments as at 31st December 2014 (as at 31st December 2013 - Rs. 326 million). This investment comprises of fixed deposits at Government Banks. (Rs. 65 million at Bank of Ceylon, Rs. 175 million at People's Bank and Rs. 160 million at National Savings Bank).

Stated Capital

The total amounts received by the Company in respect of the issue of shares are referred to as stated capital. The total stated capital of the Company as at 31st December 2014 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 as at 31st December 2014 are represented by retained profit of Rs.1043.15 million, timber reserves of Rs. 203.48 million and other reserves of Rs. 6.94 million.

Directorate

The Board of Directors had been changed during the year 2014. The names of the Directors who held office during the year are given below.

From 01.01.2014 – 31.12.2014

Name	Designation	Date of Appointment	Date of Resignation
Dr. Sunil Jayasekara	Chairman	24.09.2013	30.01.2015
Mr. P.G. Amarakoon	Executive Director	24.09.2013	16.03.2015
Mr. R.W.M.J.R. Perera	Working Director	24.09.2013	12.03.2015

Name	Designation	Date of Appointment	Date of Resignation
Mr. A.P. Kurumbalapitiya	Director/ Treasury Representative	24.09.2013	05.03.2015
Prof. W.P. Gamini de Alwis	Director	24.09.2013	12.03.2015
Mr. G.V.A.W.D. Gamaarachchi	Director	24.09.2013	12.03.2015
Mr. J. Devapiran	Director	24.09.2013	28.01.2015

Present Board of Directors

Name	Designation	Date of Appointment
Mr. A.M. Piyasoma Upali	Chairman	29.01.2015
Mr. D.M. Bandaranayaka	Working Director	26.03.2015
Mr. H.A.N. Saman Kumara	Director/ Treasury Representative	06.03.2015
Mr. Sunil S. Alles	Director	06.03.2015
Mr. D.P. Wijesinghe	Director	13.03.2015
Mr. W.M.D.B. Abeyratne	Director	13.03.2015
Mr. W.A.D.D.M. Priyantha	Director	13.03.2015

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 2014.

Mr. A.P. Kurumbalapitiya	Director/Treasury Representative (Resigned on 05.03.2015)
Mr. G.V.A.W.D. Gamaarachchi	Director (Resigned on 12.03.2015)
Mr. J. Devapiran	Director (Resigned on 28.01.2015)

Annual Report of the Board of Directors

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 balance sheet date have been paid or, where relevant provided for.

Events after the Balance Sheet Date

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

Auditors

The Accounts for the year 2014 have been audited by the M/s. Dayananda Samarawickrema & Co., (Chartered Accountants).

Annual Report

The Board of Directors has approved the financial statements on 30th March 2015.

Annual General Meeting

The Annual General Meeting will be held at No.80, Dambulla Road, Kurunegala on Friday 26th June 2015 at 12.30 p.m

The notice of the annual general meeting is attached hereto.

For and on behalf of the Board of directors



A. M. Piyasoma Upali

Chairman



H.A.N. Saman Kumara

Director/Treasury Representative



Corporate Advisory Services (Pvt) Limited

Secretaries – Kurunegala Plantations Limited
Kurunegala, 02nd June 2015

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.7 of 2007, are set out in the report of the Auditors.

The financial statements comprise:

- An Income Statement, which presents a true and fair view of the profit and loss of the Company for the financial year; and
- A balance Sheet, which presents a true and fair view of the State of affairs of the Company as at the end of the financial year, and which complies with the requirement of the Act.

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 accounting standards, as relevant, have been followed;
- Judgments and estimates have been made which are reasonable and prudent.
- 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 Balance Sheet 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 FCA

K.G. Chandana Kumara ACA

Consultant

T.H. Dharmasena FCA, BA

No. 20/26, Station Lane, (Janatha Pola Road)
Nugegoda, Sri Lanka.

Tele : 2854614, 2809650, 2822940

Fax : 2820112

E-mail : dsandco@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 2014 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 2014 and the Financial Statements give a true and fair view of the Company's State of affairs as at 31st December 2014 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.

30th March 2015

Statement of Comprehensive Income

For the year ended 31st December 2014

	Note	2014 Rs.	2013 Rs.
Revenue	4	576,790,774	475,890,175
Cost of Sales	5	(325,990,679)	(268,796,818)
Gross Profit		250,800,095	207,093,357
Other Operating Income	6	103,029,740	95,827,085
Administration & General Expenses	7	(131,150,183)	(109,250,679)
Profit from Operating Activities		222,679,652	193,669,763
Net Financial Income / (Expenses)	8	5,335,281	19,959,222
Profit Before Taxation		228,014,933	213,628,985
Income Tax Expense	9	(13,776,911)	(5,483,047)
Profit For the year		214,238,022	208,145,938
Other Comprehensive Income			
Defined benefit plan actuarial gains/ (losses)		(683,093)	783,904
Total Comprehensive Income for the year		213,554,929	208,929,842
Earnings Per Share (Rs. Cts.)	10	10.71	10.41

The Accounting Policies & Notes form an integral part of these Financial Statements.

Figures in bracket indicate deductions

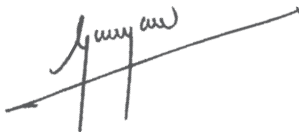
Statement of Financial Position

As at 31st December 2014

	Note	2014 Rs.	2013 Rs.
ASSETS			
Non Current Assets			
Leasehold Right to Bare Land	11	96,557,661	99,727,614
Immovable Lease Assets (Other than Bare Lands)	12	45,569,801	50,411,777
Bearer Biological Assets	13A	705,525,471	632,375,347
Consumable Biological Assets	13B	132,192,052	130,885,608
Property, Plant & Equipment	14	268,154,134	225,018,509
Other Financial Assets	15	5,529,152	4,848,097
Total Non Current Assets		1,253,528,271	1,143,266,952
Current Assets			
Inventories	16	43,373,473	41,909,937
Deposits & Pre-payments		5,549,623	4,529,765
Pre paid Expenditure on short term project	17	12,847,143	10,263,971
Income Tax Refund		6,829,501	7,571,822
Trade & Other Receivables	18	56,792,077	68,063,660
Other Financial Assets	15	5,557,270	5,099,968
Short Term Investments	19	400,000,000	326,000,000
Cash and Cash Equivalents	20	9,709,538	9,741,661
Total Current Assets		540,658,625	473,180,784
TOTAL ASSETS		1,794,186,896	1,616,447,736
EQUITY & LIABILITIES			
Capital and Reserves			
Stated Capital	21	200,000,010	200,000,010
Timber Reserves		203,478,239	183,160,698
Retained Earnings		1,043,150,677	889,230,196
Other Reserves		6,940,669	7,623,762
Total Equity		1,453,569,595	1,280,014,666
Non Current Liabilities			
Retirement Benefit Obligations - Gratuity	22	124,548,410	124,782,559
Net liability to the lessor	23	67,779,021	71,344,225
Deferred Tax Liabilities	24	65,321,092	55,944,676
Total Non Current Liabilities		257,648,523	252,071,460
Current Liabilities			
Net liability to the lessor	23	3,565,204	3,565,204
Advances received	25	948,352	1,675,873
Trade and other payables	26	78,455,222	79,120,533
Total Current Liabilities		82,968,778	84,361,610
TOTAL EQUITY AND LIABILITIES		1,794,186,896	1,616,447,736

The Accounting Policies & Notes form an integral part of these Financial Statements. Figures in bracket indicate deductions

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



P.M.D.G. Premathilaka

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 of Kurunegala Plantations Limited.



A.M. Piyasoma Upali

Chairman

Colombo.
30th March 2015



H.A.N. Saman Kumara

Director/Treasury Representative

Statement of Changes in Equity

For the year ended 31st December 2014

	Stated Capital Rs.	Timber Reserves Rs.	Retained Earnings Rs.	Other Reserves Rs.	Total Equity Rs.
Balance as at 01st January 2013	200,000,010	148,832,548	755,412,408	6,839,858	1,111,084,824
Profit for the year			208,145,938		208,145,938
Transferred to Timber Reserves		34,328,150	(34,328,150)		-
Other Comprehensive Income				783,904	783,904
Dividend Paid - 2012			(40,000,000)	-	(40,000,000)
Balance as at 31st December 2013	200,000,010	183,160,698	889,230,196	7,623,762	1,280,014,666
Balance as at 01st January 2014	200,000,010	183,160,698	889,230,196	7,623,762	1,280,014,666
Profit for the year	-	-	214,238,022	-	214,238,022
Transferred to Timber Reserves	-	20,317,541	(20,317,541)	-	-
Other Comprehensive Income	-	-	-	(683,093)	(683,093)
Dividend Paid - 2013	-	-	(40,000,000)	-	(40,000,000)
Balance as at 31st December 2014	200,000,010	203,478,239	1,043,150,677	6,940,669	1,453,569,595

The Accounting Policies & Notes form an integral part of these Financial Statements.

Figures in bracket indicate deductions

Statement of Cash Flows

For the year ended 31st December 2014

	2014	2013
	Rs.	Rs.
Cash Flows from Operating Activities		
Profit before Income Tax	228,014,933	213,628,985
Adjustments for		
Depreciation/Amortization	50,933,499	38,633,551
Interest on lease agreement	24,844,072	22,742,587
Interest on temporary bank loans	-	469,199
Amortization of staff loans	1,162,966	1,165,986
Provision for Retirement Benefit Obligations	24,114,591	23,593,586
Interest Income	(31,342,319)	(44,336,994)
Profit from Disposal of Property Plant & Equipments	(1,209,025)	74,868
Write off of WIP	309,677	-
Income Tax paid	(3,658,174)	(6,820,059)
Provision for Performance Incentive	28,779,734	27,429,989
Gain / (loss) arising from changes in fair value less cost to sell - Timber Trees	(20,317,541)	(34,328,150)
Provision for Bonus	12,319,147	8,614,940
Operating Profit Before Working Capital Changes	313,951,560	250,868,488
Changes in Working Capital		
(Increase)/Decrease in Inventories	(1,423,536)	(4,592,709)
(Increase)/Decrease in Deposits & Pre-payments	(1,019,858)	1,248,993
(Increase)/Decrease in Trade and Other Receivables	3,792,538	16,944,631
(Increase)/Decrease in pre paid Expenditure on short term project	(2,583,172)	(7,775,843)
Increase/(Decrease) in Rent received in advance	(727,521)	1,471,246
Increase/(Decrease) in Trade and Other Payables	(5,760,038)	(7,995,099)
Payment of Gratuity	(25,031,833)	(20,640,018)
Payment of Performance incentive	(27,338,254)	(22,765,896)
Payment of Bonus	(8,665,902)	(7,162,538)
Cash Received from sales of valuable trees	19,011,097	29,332,700
Net Cash From / (Used in) Operating Activities	264,205,081	228,933,956
Cash Flows From Investing Activities		
Purchase of Property, Plant & Equipment	(159,579,219)	(186,700,542)
Proceeds from disposal of Property, Plant & Equipment	1,231,250	1,578,214
Interest Received	37,658,398	40,522,256
Net Cash Flows From/(Used in) Investing Activities	(120,689,571)	(144,600,072)
Cash Flows from Financing Activities		
Lease Rentals Paid	(28,409,276)	(32,776,546)
Interest on temporary Bank Loans - BOC	-	(469,199)
Loans Given to Staff	(8,071,500)	(7,427,800)
Staff Loan Recoveries	6,933,143	6,422,291
Dividend paid	(40,000,000)	(40,000,000)
Net Cash Flows From/(Used in) Financing Activities	(69,547,633)	(74,251,254)
Net Increase/(Decrease) in Cash and Cash Equivalents	73,967,877	10,082,630
Cash and Cash Equivalents at the beginning of the year	335,741,661	325,659,031
Cash and Cash Equivalents at the end of the period (Note A)	409,709,538	335,741,661

(Note A)	As At	As At
Cash and Cash Equivalents at the end of the period	31.12.2014	31.12.2013
	Rs.	Rs.
Fixed deposit - BOC	65,000,000	40,000,000
Fixed deposit - People's Bank	175,000,000	168,000,000
Fixed deposit - NSB	160,000,000	118,000,000
REPOs	4,000,000	7,000,000
Cash at Bank	4,698,670	2,438,289
Cash in Hand	1,002,855	298,284
Postage /Stamps	8,013	5,088
	409,709,538	335,741,661

The Accounting Policies & Notes form an integral part of these Financial Statements.

Figures in bracket indicate deductions

Accounting Policies

1. GENERAL

1.1 Legal Status of the Reporting Entity

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 and re-registered under the Companies Act No. 7 of 2007. The registered office of the Company locates at No. 80, Dambulla Road, Kurunegala.

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

1.2 Principal Activities and Nature of Business

During the year, the principal activities of the Company were the cultivation, manufacture and sale of Coconut, Rubber & other agriculture produces. Its plantations are situated in the districts of Kurunegala, Gampaha and Anuradhapura which are organized under 08 Area Estates as described below.

Attanagalla	Katugampola
Dambadeniya	Kurunegala
Dodangaslanda	Narammala
Hiriyala	Mahayaya

1.3 Date of Authorization for issue

The Financial Statements of Kurunegala Plantations Limited for the year ended 31st December 2014 was authorized for issue by the Board of Directors on 30th March 2015.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes ("financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 07 of 2007.

2.2 Going Concern

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

2.2 Basis of Presentation

The financial statements were prepared on accrual basis and under the historical cost basis except for the following material items in the Statement of Financial Position.

- Leasehold Right to Bare Land of JEDB/SLSPC, which have been revalued as described in Note 11.
- Consumable Biological Assets are measured at fair value less costs to sell - Note 13B
- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS – 19) - Note 22
- Agricultural produce harvested from biological assets are valued at net realizable value. Net realizable value is the estimated selling price less the costs estimated for the realization of such sale.

No adjustments have been made for inflationary factors in the financial statements.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/ LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities income and expenses.

Judgments and estimates are based on historical experience, trends and other factors including expectations that are believed to be reasonable under the circumstances. Accordingly, the actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis to ensure the validity of the same. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes:

Note 13B – Consumable Biological Assets

Note 22 – Retirement Benefit Obligations - Gratuity.

Note 24 – Deferred Tax Liabilities

2.5 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Assets and the Basis of their Valuation

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

3.1.1 Property, Plant & Equipment

3.1.1.1 Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost for this purpose includes the cost of acquisition and any directly attributable expenditure incurred to bring the asset to its working condition or intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition or its intended use. This also includes cost of dismantling and removing the existing assets.

Capital Work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

When property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Permanent Land Development Costs are costs incurred to make major changes to land contours, to build

Accounting Policies

new access roads and on other major infrastructure development.

Gains and losses on disposal of an item of property, plant and equipment are determined as different between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized under other income in the statement of comprehensive income.

3.1.1.2 Subsequent Expenditure

Expenditure incurred on existing property, plant and equipment are capitalized when it is expected that such expenses would result in future economic benefits in excess of those originally assessed and its cost can be measured reliably. The carrying amount of the replaced asset is derecognized.

The costs of the day to day servicing/ maintenance of property, plant and equipment are recognized in Comprehensive Income Statement as incurred. When a revalued asset is disposed, the amount included in the revaluation surplus reserve is transferred to retained earnings.

3.1.1.3 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized under other income in statement of comprehensive income.

3.1.1.4 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset. The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 – Borrowing Costs.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred

and charged to the Statement of Comprehensive Income.

3.1.1.5 Depreciation and Amortization

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight line basis over the estimated useful life of each asset, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

Buildings	Over 40 years
Wells	Over 40 years
Fencing	Over 03 years
Motor Vehicles	Over 05 years
Machinery	Over 13 1/3 years
Furniture & Fittings	Over 10 years
Equipment	Over 08 years
Computers	Over 05 years
Computer Software	Over 05 years

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The leasehold assets are being amortized in equal amounts over the following periods.

Bare land	Over 53 years
Buildings	Over 25 years
Machinery	Over 15 years
Mature Plantations	Over 30 years
Improvements to Land	Over 30 years

3.1.1.6 Leased Assets

Assets obtained under the finance lease, which effectively transfer to the Company substantially, all risks and benefits incidental to the ownership of the leased assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception, less accumulated depreciation and accumulated impairment losses. The principal / capital elements payable to the lessor are shown as liability / obligation.

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

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

3.1.1.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment

testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Comprehensive Income in those expenses categories consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income.

3.1.2 Biological Assets

Biological assets are classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Accounting Policies

Biological assets are further classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include coconut and rubber trees that are not intended to be sold or harvested, but grown for harvesting agricultural produce from such Biological assets. Consumable Biological assets include un-planned forestry in estates having commercial exotic timber species such as Teak, Mahogany, Halmilla, Milla etc.

3.1.2.1 Bearer Biological Assets

The bearer biological assets are measured at cost less accumulated depreciation and impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the ruling issued by CASL.

The cost incurred on land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting, fertilizing, etc., up to the point of commercial harvesting is classified as immature plantations/ immature biological assets on which no depreciation is provided. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations.

The expenditure incurred on immature plantations which come into bearing during the year, is transferred to mature plantations at the end of the year and is depreciated over their useful lives as follows.

Mature Bearer Biological Assets

Coconut	Over 50 years
Rubber	Over 20 years
Other Crops	Over 20 years

Permanent impairments to Bearer Biological Assets are charged to the Statement of Comprehensive Income in full and reduced from the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.1.2.2 Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period whichever is lower.

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

3.1.2.3 Consumable Biological Assets

Consumable timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period are immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises All other assumptions are given in Note 13 B.

The main variables in DCF model concerns.

Variable	Comment
Currency valuation	Sri Lankan Rupees (Rs.)
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions.
Economic useful life	Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the company. Estimated based on the normal life span of each species by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 14%

3.1.2.4 Recognition and Measurement

The entity recognizes the Biological assets when, and only when, the entity controls the assets as a result of a past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the ruling issued by CASL.

Consumable timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young

plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.1.3 Financial Instruments

3.1.3.1 Financial Assets

3.1.3.1.1 Initial Recognition and Measurement

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 financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short term deposits, trade and other receivables and loans and receivables.

3.1.3.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Statement of Comprehensive Income.

Accounting Policies

The Company did not hold any financial asset designated as financial asset at fair value through profit or loss during the year ended December 31, 2014.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After 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 into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

Loans and receivables held by the Company comprise of trade receivables, deposits, advances and other receivables and cash and cash equivalents.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive income in finance costs.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified

as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Comprehensive Income in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

3.1.3.1.3 De-Recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.1.3.1.4 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset

or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Company did not recognize any impairment losses in respect of financial assets for the year ended December 31, 2013 and December 31, 2014.

3.1.3.2 Financial Liabilities

3.1.3.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings. Subsequent Measurement Financial liabilities at fair value through profit or loss financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss. Loans and borrowings after initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognized as well as through

the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Comprehensive Income.

3.1.3.2.2 De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

3.1.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.1.3.4 Financial Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Accounting Policies

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. However the company does not have material long term floating rate borrowings or deposits date which results a material interest rate risk.

3.1.4 Inventories

3.1.4.1 Agricultural Produce harvested from Biological Assets

Agricultural produce harvested are valued at the quoted prices net of point of sale costs in the sales contracts when sold after the reporting 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.

3.1.4.2 Agricultural Produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

3.1.4.3 Input Material, Consumables and Spares

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

3.1.4.4 Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly

attributable overheads, less provision for overgrown plants.

3.1.5 Cash & Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

3.2 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from reporting date. Non-current liabilities are those balances that fall due for payment after one year from reporting date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognized if, as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3.2.1 Employee Benefits

3.2.1.1 Defined Contribution Plans – EPF & ETF

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Pension Plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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

All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

3.2.1.2 Defined Benefit Plan – Retirement Gratuity

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The whole benefit plan is internally funded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19; Employee Benefits. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in statement of comprehensive income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The current gratuity formula of the company is as follows.

- Employees with less than 10 years' service to be given half month salary for each completed year of service, subject to a minimum of 05 years service.
- Employees with more than 10 years' service to be paid one month salary for each year of service.

As recommended by the Board, the Company has established an internal fund to meet its liabilities towards gratuity.

The key assumptions used in determining the Retirement Benefit Obligations are given in Note 22.

3.3 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Company's control.

All material Capital Commitments and Contingent Liabilities are disclosed in Note 27.

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, the grant is deducted in arriving the carrying amount of the asset. When the grants related to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Accounting Policies

3.5 Statement of Comprehensive Income

For the purpose of presentation of the Statement of Comprehensive Income the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 – Presentation of Financial Statements.

3.5.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Company. The following specific criteria are used for the purpose of recognition of revenue.

3.5.1.1 Sale of Goods

Revenue from the sale of goods is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is recorded at invoice value.

3.5.1.2 Interest Income

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

3.5.1.3 Gains or Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing

the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within the 'other income' in the Statement of Comprehensive Income.

3.5.2 Expenditure Recognition

3.5.2.1 Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income in arriving at the profit/ (loss) for the year. Provision has also been made for impairment of non-financial assets, slow moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

3.5.2.2 Finance Cost

Finance costs comprise of interest expense on external borrowings and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset recognized in profit or loss using the effective interest method. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

3.5.2.3 Tax Expense

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

3.5.2.3.1 Current Taxes

Current tax expense for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the

provisions of the Inland Revenue Act No 10 of 2006 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.5.2.3.2 Deferred Taxation

Deferred taxation is recognized using liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

The relevant details are disclosed in the Note 24 & 09 to the Financial Statements.

3.6 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method'. Lease rental paid, dividend paid and grants received are classified as financing cash flows while interest received and dividends received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows.

3.8 Earnings per Share

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.9 Events after the reporting period

Events after the reporting period are those events favorable and unfavorable occur between the end of the reporting period and the date when the Financial Statements are authorized for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

Notes to the Financial Statements

	2014	2013
	Rs.	Rs.
4 REVENUE		
Coconut (Note 4.1)	514,176,778	402,365,395
Rubber	39,698,357	62,405,810
Rambuttan	4,209,286	3,072,425
Pepper	3,189,240	1,499,150
Cashew	4,330,443	1,018,656
Cinnamon	376,950	871,474
Foliage & Ornamental Plants	4,558,466	-
Others (Note 4.2)	6,251,254	4,657,265
	576,790,774	475,890,175

4.1 Coconut Income		
Green nuts	444,456,824	342,821,037
Seed nuts	41,655,519	48,465,111
Oil income	23,330,346	11,061,380
Copra	4,734,089	17,867
	514,176,778	402,365,395

4.2 Other Revenue

Revenue classified as " Others " above, mainly comprises of revenue generated from intercrop sales such as mango, manioc, guava & dairy income.

5 COST OF SALES

Coconut	266,963,038	213,015,395
Rubber	42,054,702	48,417,543
Rambuttan	1,155,416	668,693
Pepper	427,462	387,097
Cashew	1,846,843	961,129
Cinnamon	151,673	573,612
Foliage & Ornamental Plants	8,658,404	-
Others	4,733,141	4,773,349
	325,990,679	268,796,818

	2014 Rs.	2013 Rs.
6 OTHER OPERATING INCOME		
Sales of coconut trees	29,081,400	12,622,984
Sales of rubber trees	8,778,518	5,631,860
Gain / (Loss) arising from changes in fair value less cost to sell - Consumable Biological assets	20,317,541	34,328,150
Sales of husks	25,190,659	22,000,033
Late removal & payment charge -coconut	7,286,474	5,018,553
Lease/ facility fee income	3,168,662	4,588,872
Profit / (Loss) on disposal & sale of PPE	1,209,025	(74,868)
Write back/ (Write off)	1,424,089	1,834,728
Profit / (Loss) on tractor unit (Note - 6.1)	-	262,342
Other miscellaneous income	6,573,372	9,614,431
	103,029,740	95,827,085

6.1 Profit / (Loss) on tractor unit

As per the decision taken by the management tractor unit was considered as a cost center. Therefore the cost associated with tractor unit was accounted under administration & general expenses.

7 ADMINISTRATION & GENERAL EXPENSES

Payroll Related Expenses	79,439,748	67,216,624
Maintenance & Repairs	14,153,358	12,493,403
Other Administration Expenses	37,557,077	29,540,652
	131,150,183	109,250,679

PROFIT FROM OPERATING ACTIVITIES

is stated after charging the followings

Directors emoluments	4,047,756	4,210,036
Auditors fees on statutory audit	635,000	590,000
Performance incentives	28,779,734	27,429,989
Bonus	12,319,147	8,614,940
Donations	4,564,825	1,993,996
Depreciation/Amortization-		
Leasehold rights to bare land of JEDB Estates	3,169,953	3,169,953
Immovable leased assets of JEDB Estates	4,841,976	4,841,976
Bearer Biological Assets	9,205,466	8,228,002
Property, plant and equipment	33,716,104	22,393,615
Personnel Cost		
Salaries, Wages, EPF & ETF	229,054,334	206,683,002
Defined benefit plan cost-Retiring Gratuity	24,114,591	23,593,586

Notes to the Financial Statements

	2014	2013
	Rs.	Rs.
8	NET FINANCIAL INCOME /(EXPENSE)	
8.1	INTEREST INCOME	
	28,878,489	41,252,290
Interest on Fixed Deposits		
	748,532	1,445,447
Interest on REPOs (Note 8.1.1)		
	552,332	473,271
Interest on Loans given to Staff		
	1,162,966	1,165,986
Unwinding of Pre-paid Staff Benefits		
	31,342,319	44,336,994
8.2	INTEREST EXPENSE	
	24,844,072	22,742,587
Interest on Lease - JEDB		
	-	469,199
Interest on Temporary Bank Loans		
	1,162,966	1,165,986
Amortization of Staff Cost		
	26,007,038	24,377,772
	5,335,281	19,959,222

8.1.1 Notional Credit for Withholding Tax on Government Securities on Secondary Market Transactions

Section 137 of the Inland Revenue Act No 10 of 2006 provides that a company which derives interest income from a secondary market transaction of government securities, the notional tax credit (being one ninth of the net interest income) charged upon such interest income forms part of the statutory income of the company for that year of assessment.

Accordingly, net income earned from secondary market transactions of Government securities for the year 2014 by the Company has been grossed up in the Financial Statements by adding 1/9th and the resulting notional tax credit amounted to Rs 74,853/=

	2014	2013
	Rs.	Rs.

9 INCOME TAX EXPENSES

9.1 Current Taxes

The Company in terms of section 48 (A) of the Inland Revenue Act No 10 of 2006 as amended by the Amendment Act No 22 of 2011, profits & income from agricultural undertaking referred to in section 16 of the Inland Revenue Act is liable at the rate of 10% as per the first schedule to this Act. Other profits are liable at normal rates.

Current Income Tax Expense (Note 9.2)	4,400,495	1,146,157
Under/(Over) provisions of income tax in previous year	-	(430,205)
Deferred Taxation (Note 9.3 & 24)	9,376,416	4,767,095
	13,776,911	5,483,047

9.2 Reconciliation between Accounting Profit to Income Tax

For the year ended 31st December

Accounting Profit Before Taxation	228,014,933	213,628,982
Income from other sources & exempt Income	(76,393,750)	(77,424,290)
	151,621,183	136,204,692
Aggregate Disallowable Items	81,892,433	66,810,551
Aggregate Allowable Items	(152,967,150)	(176,237,586)
Adjusted Profit from the Business	80,546,466	26,777,657
Income from Other Sources	30,179,353	43,171,008
Total Statutory Income	110,725,819	69,948,665
Qualifying payments	(66,720,873)	(58,487,095)
Taxable Income	44,004,947	11,461,570
Tax on agricultural activities 10%	4,400,495	1,146,157
Tax on other income 28%	-	-
Income Tax on Profits for the year	4,400,495	1,146,157

Notes to the Financial Statements

	2014	2013
	Rs.	Rs.

9.3 Deferred Tax

Provision has been made for deferred taxation under the liability method in respect of temporary differences arising from carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose as described in Note 24. Difference arising from the deferred tax liability has been recognized in the Financial Statements during the year.

Deferred Tax Expense / (Income) arises from :

Accelerated depreciation for tax purpose	(2,046,489)	(2,414,803)
Amortization of Mature & Immature Plantations	(7,315,012)	(8,407,163)
Provision for bad & doubt ful debts	8,500	155,787
Employee Benefit Liability	(23,415)	5,899,084
	(9,376,416)	(4,767,095)

10 EARNINGS PER SHARE

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.

10.1 Basic Earnings per Share

Profit attributable to Ordinary Shareholders (Rs.)	214,238,022	208,145,938
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings Per Shares (Rs. Cts.)	10.71	10.41

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2014. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

11 LEASEHOLD RIGHT TO BARE LAND OF JEDB

11.1 The leasehold rights to the lands of all the estates have been taken into the books of the company as at June 18, 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 March 08, 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 June 18, 1992 Balance Sheet was Rs. 168,007,552. The carrying values are given in Note 11.3 below.

However the Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRSs and introduced Statement of Recommended Practices (SoRP) on leasehold land on 19th December 2012. As per the SoRP, right to use land does not permit further revaluations.

11.2 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, Hiriya, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola) remain to be executed. These leases will be retroactive to June 22, 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.

11.3 Leasehold Right to Bare land (53 years)

Cost Balance as at 31.12.2014 Rs.	Accumulated amortization as at 01.01.2014 Rs.	Amortization for the year Rs.	Accumulated amortization as at 31.12.2014 Rs.	Written Down Value as at 31.12.2014 Rs.	Written Down Value as at 31.12.2013 Rs.
168,007,552	68,279,938	3,169,953	71,449,891	96,557,661	99,727,614

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

As explained in Note 11, 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 June 18th, 1992. For this purpose, the Board has decided at its meeting on March 08th, 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.

These assets are taken into the 18th June 1992 Statement of Financial Position as at and have been depreciated as follows :

Revaluation

		Rs
Land Development Cost	30 years	1,123,305
Building	25 years	22,130,873
Machinery	15 years	34,841
Mature plantations	30 years	43,001,122
Immature plantations		90,647,222
		156,937,363

Notes to the Financial Statements

The carrying values for such assets are as follows

Revaluation	Balance as at 01.01.2014	Transfer in / (out)	Additions / (Disposals)	Balance as at 31.12.2014
Land Development Cost	1,123,305	-	-	1,123,305
Building	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature Plantations	122,903,503	-	-	122,903,503
	141,755,401	-	-	141,755,401

Amortization	Balance as at 01.01.2014	Transfer in /(out)	Charge for the year	Balance as at 31.12.2014
Land Development Cost	806,522	-	37,444	843,966
Buildings	15,244,744	-	707,750	15,952,494
Machinery	34,841	-	-	34,841
Mature Plantations	75,257,517	-	4,096,782	79,354,299
	91,343,624	-	4,841,976	96,185,600

Carrying Value	Balance as at 01.01.2014		Balance as at 31.12.2014
Land Development Cost	316,783		279,339
Building	2,449,008		1,741,258
Machinery	-		-
Mature Plantations	47,645,986		43,549,204
	50,411,777		45,569,801

Carrying value

Investment in plantation assets which were categorized as immature at the time of handing over to the company 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 13A. When these plantations come in to bearing the additional investments incurred to bring them to such stage were transferred from the category immature plantations to mature plantations under Note 13A and a corresponding transfer from immature plantations to mature plantations in this Note.

13 A BEARER BIOLOGICAL ASSETS

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 11 and 12. Continuing investments in immature plantations, taken over under the said leases are shown in this 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. 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 12.

IMMATURE BIOLOGICAL ASSETS							
Cost	Coconut Rs.	Rubber Rs.	Cashew Rs.	Cinnamon Rs.	Rambutan Rs.	Others Rs.	Total Rs.
Balance as at 01st January 2014	277,127,744	34,647,705	12,054,746	2,564,139	1,701,101	18,492,646	346,588,081
Additions during the year	64,134,947	10,924,628	430,492	1,942,275	272,865	4,672,607	82,377,814
Transfers during the year	(1,477,510)	-	(1,461,156)	-	(361,429)	(4,616,586)	(7,916,681)
Disposals during the year	-	-	-	-	-	-	-
Balance as at 31st December 2014	339,785,181	45,572,333	11,024,082	4,506,414	1,612,537	18,548,667	421,049,214
MATURE BIOLOGICAL ASSETS							
Cost	Coconut 50 years Rs.	Rubber 20 years Rs.	Cashew 20 years Rs.	Cinnamon 20 years Rs.	Rambutan 20 years Rs.	Others Rs.	Total Rs.
Balance as at 01st January 2014	290,453,686	50,471,818	7,043,903	2,468,600	1,565,354	5,655,251	357,658,611
Additions during the year	1,477,510	-	1,461,156	-	361,429	4,616,586	7,916,681
Disposals during the year	-	-	(77,233)	-	-	-	(77,233)
Balance as at 31st December 2014	291,931,196	50,471,818	8,427,826	2,468,600	1,926,783	10,271,837	365,498,060
Amortization							
Balance as at 01st January 2014	45,918,404	22,239,377	932,964	1,596,410	357,421	826,769	71,871,345
Charge for the year	5,809,074	2,523,591	352,197	123,430	114,411	282,763	9,205,466
Disposals during the year	-	-	(55,008)	-	-	-	(55,008)
Balance as at 31st December 2014	51,727,478	24,762,968	1,230,153	1,719,840	471,832	1,109,532	81,021,803
Written Down Value as at 31.12.2013	244,535,282	28,232,441	6,110,939	872,190	1,207,933	4,828,482	285,787,266
Written Down Value as at 31.12.2014	240,203,718	25,708,850	7,197,673	748,760	1,454,951	9,162,305	284,476,257
TOTAL BEARER BIOLOGICAL ASSETS							
Written Down Value as at 31.12.2013	521,663,026	62,880,146	18,165,685	3,436,329	2,909,034	23,321,128	632,375,347
Written Down Value as at 31.12.2014	579,988,899	71,281,183	18,221,755	5,255,174	3,067,488	27,710,972	705,525,471

Notes to the Financial Statements

13 B CONSUMABLE BIOLOGICAL ASSETS

	31.12.2014	31.12.2013
	Rs	Rs
Balance As at 1st January	130,885,608	125,890,158
Gain / (loss) arising from changes in fair value less cost to sell	20,317,541	34,328,150
Decrease due to harvest	(19,011,097)	(29,332,700)
Balance As at 31st December	132,192,052	130,885,608

Consumable biological assets include timber trees grown in estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The valuation was carried by M/S Ariyatillake & Co (Pvt) limited , independent Chartered valuers, using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

Key assumption used in Valuation

1. The harvesting is approved by the PMMD and Forestry Department Based on the Forestry Department Plan.
2. The Prices adopted are net of expenditure.
3. Discount rate is 14%

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber trees. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable.

The Company is exposed to the following risks relating to its timber trees.

Regulatory and environmental risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible, the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Company's timber trees are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

14 PROPERTY, PLANT & EQUIPMENT

Following are the assets vested in the company vis - a vis the Gazette notification on the date of formation of the company on June 18th, 1992 and all additions, removals and value additions thereafter. The assets taken over by way of estate leases are set out in Notes 11 and 12 to the accounts.

Useful Life of the Assets	Acquisition of Land		Improvements to Land		Buildings		Wells		Fencing		Motor Vehicles		Machinery		Furniture & Fittings		Equipment		Computer		Work in Progress		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 2014	8,123,564	2,746,569	57,580,938	5,103,895	26,105,388	132,348,053	785,609	9,023,742	12,017,427	2,560,300	-	35,065,036	291,460,521	-	-	-	-	-	-	-	-	-	-	-
Additions during the year	-	881,154	34,754,192	83,220	12,144,580	9,519,123	1,064,000	1,957,014	1,897,776	747,625	220,000	13,932,721	77,201,405	-	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	(1,549,931)	(1,285,500)	-	-	-	(40,000)	-	(309,677)	(3,185,108)	-	-	-	-	-	-	-	-	-	-	-
Transferred (from) / to	-	-	33,484,420	-	-	-	-	-	-	-	-	(33,484,420)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2014	8,123,564	3,627,723	125,819,550	5,187,115	36,700,037	140,581,676	1,849,609	10,980,756	13,875,203	3,307,925	220,000	15,203,660	365,476,818	220,000	15,203,660	3,307,925	220,000	15,203,660	3,307,925	220,000	15,203,660	3,307,925	220,000	15,203,660
Accumulated Depreciation																								
Balance as at 01st January 2014	-	-	3,151,881	753,717	7,009,269	47,367,571	-	1,922,227	4,634,496	1,602,851	-	-	66,442,012	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	1,438,226	127,597	8,185,154	21,451,389	58,921	890,857	1,282,764	281,196	-	-	33,716,104	-	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	(1,549,931)	(1,285,500)	-	-	-	-	-	-	(2,835,431)	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2014	-	-	4,590,107	881,314	13,644,492	67,533,460	58,921	2,813,084	5,917,260	1,884,047	-	-	97,322,685	-	-	-	-	-	-	-	-	-	-	-
Written Down Value																								
As at 31st December 2013	8,123,564	2,746,569	54,429,057	4,350,178	19,096,119	84,980,482	785,609	7,101,515	7,382,931	957,449	-	35,065,036	225,018,509	-	-	-	-	-	-	-	-	-	-	-
As at 31st December 2014	8,123,564	3,627,723	121,229,443	4,305,801	23,055,545	73,048,216	1,790,688	8,167,672	7,957,943	1,423,878	220,000	15,203,660	268,154,134	220,000	15,203,660	1,423,878	220,000	15,203,660	1,423,878	220,000	15,203,660	1,423,878	220,000	15,203,660

The land called Polaththanapiya, 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. 4,623,564.00 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.

Notes to the Financial Statements

		31.12.2014	31.12.2013
		Rs.	Rs.
15	OTHER FINANCIAL ASSETS		
	Non Current		
	Loans given to Employees	15.1 5,232,250	4,366,450
	Pre paid Staff Benefits	15.2 296,902	481,647
		5,529,152	4,848,097
	Current		
	Loans given to Employees	15.1 4,834,481	4,187,149
	Pre paid Staff Benefits	15.2 722,789	912,819
		5,557,270	5,099,968
15.1	LOANS GIVEN TO EMPLOYEES		
		Rs.	Rs.
	Balance at the beginning of the year	9,948,065	8,942,555
	Loans granted during the year	8,071,500	7,427,800
	Loans recovered during the year	(6,933,143)	(6,422,291)
		11,086,422	9,948,064
	Transfer to prepaid staff benefits	(1,019,691)	(1,394,466)
	Balance at the end of the year	10,066,731	8,553,598
	Non Current	5,232,250	4,366,450
	Current	4,834,481	4,187,149
		10,066,731	8,553,599
15.2	PREPAID STAFF BENEFITS		
	Balance at the beginning of the year	1,394,466	1,149,659
	Additions during the year	788,791	1,410,793
	Amortization	(1,162,966)	(1,165,986)
	Balance at the end of the year	1,020,291	1,394,466
	Non Current	296,902	481,647
	Current	722,789	912,819
		1,019,691	1,394,466

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.

The loans given to employees are secured and interest is charged at the following rates.

	31.12.2014	31.12.2013
	Rs.	Rs.
Distress Loans		
Kurunegala Plantations Limited	5%	5%
Market interest rate	12%	20%

16 INVENTORIES

Produce Stocks	25,276,212	25,909,936
Spares & Consumables	7,447,110	9,199,581
Input Materials	6,619,387	4,748,123
Growing Nurseries	2,702,082	1,053,111
Live Stocks	460,182	600,051
Other Stocks	868,500	399,135
	43,373,473	41,909,937

17 PRE PAID EXPENDITURE ON SHORT TERM PROJECTS

Cut foliage Project - Attanagalla	12,512,380	9,399,286
Pineapple	191,378	504,324
Manioc	103,177	-
Others	40,208	360,361
	12,847,143	10,263,971

Notes to the Financial Statements

	31.12.2014	31.12.2013
	Rs.	Rs.
18	TRADE & OTHER RECEIVABLES	
Trade Debtors	45,662,620	51,943,982
Other Receivables		
Interest Receivable	7,951,946	15,430,991
Sundry Debtors	3,225,732	733,533
Staff Debtors	1,673,310	1,591,688
	58,513,608	69,700,194
Provision for Bad & Doubtful Debts	(1,721,531)	(1,636,534)
	56,792,077	68,063,660
19	SHORT TERM INVESTMENTS	
Fixed Deposits - Bank of Ceylon	65,000,000	40,000,000
Fixed Deposits - People's Bank	45,000,000	38,000,000
Fixed Deposits - National Savings Bank	160,000,000	118,000,000
Retiring Gratuity Fund - People's Bank	130,000,000	130,000,000
	400,000,000	326,000,000
20	CASH & CASH EQUIVALENTS	
Cash in Hand	1,002,855	298,284
Cash at Bank	4,698,670	2,438,289
REPOs	4,000,000	7,000,000
Postage/Stamps	8,013	5,088
	9,709,538	9,741,661
21	STATED CAPITAL	
Issued and Fully Paid		
20,000,000 Ordinary shares of Rs. 10/- each	200,000,000	200,000,000
01 Golden share of Rs. 10/- each (Note 21.1)	10	10
	200,000,010	200,000,010

21.1 The Golden Shareholder

The Golden Share is currently held by Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholder, special rights are vested with the Golden Shareholder.

	31.12.2014	31.12.2013
	Rs.	Rs.
22 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY		
Balance at the beginning of the year	124,782,559	122,612,895
Charged during the year	24,797,684	22,809,682
Payments made / transferred to payable during the year	(25,031,833)	(20,640,018)
Balance at the end of the year	124,548,410	124,782,559

According to the actuarial valuation report issued by the actuarial valuer as at 31st December 2014 the actuarial present value of promised retirement benefits amounted to Rs 124,548,410/= .If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service for the employees with less than 10 years service subject to the minimum of 05 years service and the employees with more than 10 years' service, 28 days wages & one month salary ,the liability would have been Rs 132,757,680/= . Hence there is a contingent liability of Rs 8,209,270/= , which would crystallize only if the company ceases to be a going concern.

The Valuation method used by the actuaries to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19 , 'Employee Benefits'. An actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2014 by Actuarial & Management Consultants (Pvt) Limited.

22.1 The movement in the retirement benefit obligations over the year is as follows

Interest Cost	12,478,256	11,332,296
Current Service Costs	11,636,335	12,261,290
Total included in the staff cost (Note 7)	24,114,591	23,593,586
Net Actuarial (Gain)/Loss recognized immediately	683,093	(783,904)
Amount Recognized in the statement of other comprehensive income	683,093	(783,904)
Total recognized in the comprehensive income	24,797,684	22,809,682

Notes to the Financial Statements

22.2 The Key Assumptions used by the M/S. Actuarial & Management Consultants (Pvt) Ltd include the following,

22.2.1 Financial Assumptions

Rate of Interest		10% p.a (2013- 10%)
Rate of Increase of Salaries	Estate Staff	2% p.a next increment due on 01/06/2015
	Executive Staff	2% p.a next increment due on 01/06/2015
	Non Executive Staff	3% p.a next increment due on 01/06/2015
	Daily Paid Staff	9% p.a next increment due on 01/06/2015

22.2.2 Demographic Assumptions

In addition to the above financial assumptions, demographic assumptions such as mortality, withdrawal, disability and retirement age were considered for the actual valuation. A 67/70 mortality table issued by Institute of Actuaries, London was used to estimate the gratuity liability of the company.

Retirements-Age	Male / Female	60 Years
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Rs. 25,031,833/= includes the payment of Rs. 23,545,160/= and Rs. 1,486,673/= as transferred to gratuity payable account.

The Company will continue as a going concern. The gratuity liability is fully internally funded.

	31.12.2014	31.12.2013
	Rs.	Rs.

23 NET LIABILITY TO LESSOR

Gross lease liability	249,405,031	257,591,031
Less: Finance charges applicable to future periods	(140,763,418)	(145,384,214)
Net Lease Liability	108,641,613	112,206,817
Less : Value of lands alienation	(37,297,388)	(37,297,388)
	71,344,225	74,909,429

a) Payable after 5 years;

Gross Liability	208,475,031	216,661,031
Less: Finance charges applicable to future periods	(117,659,438)	(122,280,234)
Net Liability	90,815,593	94,380,797
Less: Value of lands alienation	(37,297,388)	(37,297,388)
	53,518,205	57,083,409

	31.12.2014	31.12.2013
	Rs.	Rs.
b) Payable within 2 to 5 years;		
Gross Liability	32,744,000	32,744,000
Less: Finance charges applicable to future periods	(18,483,184)	(18,483,184)
Net Liability	14,260,816	14,260,816
c) Payable within 1 year;		
Gross Liability	8,186,000	8,186,000
Less: Finance charges applicable to future periods	(4,620,796)	(4,620,796)
Net Liability	3,565,204	3,565,204
	71,344,225	74,909,429

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.24,844,072/- 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. 37,297,388. 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

	31.12.2014	31.12.2013
	Rs.	Rs.
24 DEFERRED TAX LIABILITIES		
Balance at the beginning of the year	55,944,676	51,177,581
Charged during the year	9,376,416	4,767,095
Balance at the end of the year	65,321,092	55,944,676

24.1 Recognized Deferred Tax Assets & Liabilities

Deferred Tax assets and liabilities are attributable to the following originations of temporary differences

Taxable/ (Deductible) Temporary Differences:

Bearer Biological Assets	(705,525,471)	(632,375,347)
Property, Plant & Equipments	(73,955,397)	(53,490,509)
Provision for Doubtful Debts	1,721,531	1,636,534
Retirement Benefit Obligation	124,548,410	124,782,559
	(653,210,927)	(559,446,763)
Applicable Tax Rate	10%	10%
Net Deferred Tax Liabilities	(65,321,092)	(55,944,676)

The company recognized Deferred Tax Assets of Rs. 12,626,994/- as at the reporting 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 recognized as at reporting date is Rs77,948,087/= . Accordingly Net Deferred Tax Liability as at December 31st, 2014 is Rs 65,321,092/=

Future Applicable Tax Rate

As per the tax consultants' opinion, Profit derived by the Company from its normal course of business may be considered as Profits derived from "Agriculture" and would be liable for Income Tax at the rate of 10% commencing from the year of assessment 01st April 2011.

25 ADVANCES RECEIVED

For rent	512,427	669,719
For supply of cut foliage & foliage plants	323,925	1,006,154
Insurance Received - Fire Insurance Claims	112,000	-
	948,352	1,675,873

	31.12.2014	31.12.2013
	Rs.	Rs.
26		
TRADE AND OTHER PAYABLES		
Trade payables	1,225,072	1,750,133
Bonus payable	12,468,154	8,814,909
Performance incentives payable	28,820,099	27,378,619
Holiday pay provision	5,192,290	4,555,416
Refundable tender, security deposits & retentions	10,190,906	9,586,253
Other Creditors including accrued expenses	20,558,701	27,035,203
	78,455,222	79,120,533

27 CAPITAL COMMITMENTS

The Company had no material capital commitments outstanding as at the Reporting date.

28 EVENTS AFTER THE REPORTING PERIOD

There were no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

Notes to the Financial Statements

29 FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- * Credit risk
- * Liquidity risk
- * Market risks (Including currency risk and interest rate risk)

This note presents qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit Risk

Credit risk is the risk of financial Loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows,

	2014	2013
	Rs	Rs
Loans and Receivables		
Trade and other Receivables	56,792,077	68,063,660
Short Term Investments	400,000,000	326,000,000
Cash and Cash Equivalents	9,709,538	9,741,661
	466,501,615	403,805,321

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable Losses or damage to the Company's reputation.

To measure and mitigate liquidity risk, the Company closely monitored its net operating cash flow, maintained a level of Cash and Cash equivalents and secured committed funding facilities from financial institutions.

	2014	2013
	Rs	Rs
Non-derivative financial liabilities		
Net liability to the lessor	71,344,225	74,909,429
Trade and other payables	78,455,222	79,120,533
	149,799,447	154,029,962

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates, etc; will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future Cash Flows of financial instruments fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with floating Interest rates. However the Company does not have material long-term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

Ten Years Summary

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
COCOONUT										
Production (Nuts)	11,368,921	15,914,656	15,404,540	15,010,322	17,309,128	15,474,602	15,543,555	18,103,053	13,000,150	16,701,797
NSA (per 1000 nuts)	11,868	10,150	16,099	20,387	16,896	22,904	25,680	22,327	30,926	30,647.16
COP (per 1000 nuts)	7,935	7,780	9,005	11,691	9,627	12,364	12,872	13,531	16,386	15,984
RUBBER										
Production (Kg)	135,441	180,142	203,034	207,512	202,680	200,778	227,977	209,898	188,934	157,474
NSA (per 1Kg)	130	185	214	222	183	348	457	371	330	252
COP (per 1Kg)	115	113	132	156	149	185	200	213	256	267
EARNING HIGHLIGHTS										
Revenue										
Coconut	134,922,847	161,539,826	247,991,075	306,021,001	292,448,058	354,436,203	399,151,639	404,191,573	402,365,395	514,176,778
Rubber	17,587,575	33,326,923	43,497,656	46,103,417	36,999,577	69,911,163	104,284,153	77,964,363	62,405,810	39,698,357
Other	1,308,866	1,752,429	2,055,309	8,171,751	8,023,084	6,417,504	6,450,097	9,663,550	11,118,970	22,915,639
	153,819,288	196,619,178	293,544,040	360,296,169	337,470,719	430,764,870	509,885,889	491,819,486	475,890,175	576,790,774
Cost of Sales										
Coconut	(90,213,955)	(123,814,515)	(138,723,789)	(175,492,646)	(166,631,038)	(191,322,313)	(200,075,494)	(244,948,017)	(213,015,395)	(266,963,038)
Rubber	(15,598,550)	(20,385,806)	(26,817,758)	(32,341,535)	(30,296,350)	(37,072,837)	(45,615,137)	(44,646,298)	(48,417,543)	(42,054,702)
Other	(1,178,728)	(1,857,713)	(3,824,407)	(8,070,797)	(8,377,449)	(6,879,815)	(6,762,242)	(7,688,806)	(7,363,880)	(16,972,939)
	(106,991,233)	(146,058,034)	(169,365,954)	(215,904,978)	(205,304,837)	(235,274,965)	(252,452,873)	(297,283,121)	(268,796,818)	(325,990,679)
Gross Profit	46,828,055	50,561,144	124,178,086	144,391,191	132,165,882	195,489,905	257,433,016	194,536,365	207,093,357	250,800,095
Other Operating Income	17,763,828	23,977,560	28,456,198	36,529,836	55,808,066	41,112,867	63,714,382	89,353,353	95,827,085	103,029,740
Admin. and General Expenses	(30,619,580)	(35,595,006)	(55,657,826)	(69,506,682)	(72,982,545)	(73,440,475)	(89,787,664)	(107,147,020)	(109,250,679)	(131,150,183)
Profit from Operating Activities	33,972,303	38,943,698	96,976,458	111,414,346	115,011,403	163,162,297	231,359,734	176,742,698	193,669,763	222,679,652
Interest Income	-	376,774	3,373,863	9,236,529	11,386,989	18,103,874	22,232,991	38,200,820	44,336,994	31,342,319
Interest Expense	(14,215,915)	(16,027,368)	(18,326,367)	(20,464,060)	(23,602,575)	(26,737,125)	(28,429,380)	(21,892,306)	(24,377,772)	(26,007,038)
Net Financial Income/ (Expenses)	(14,215,915)	(15,650,594)	(14,952,504)	(11,227,531)	(12,215,586)	(8,633,251)	(6,196,389)	16,308,514	19,959,222	5,335,281
Profit before taxation	19,756,388	23,293,104	82,023,954	100,186,815	102,795,817	154,529,046	225,163,345	193,051,212	213,628,985	228,014,933
Income Tax Expense	-	-	(371,632)	(3,269,984)	(7,693,412)	(13,058,661)	(33,126,698)	(15,784,867)	(5,483,047)	(13,776,911)
Profit for the Year	19,756,388	23,293,104	81,652,322	96,916,831	95,102,405	141,470,386	192,036,647	177,266,345	208,145,938	214,238,022
Other Comprehensive Income	-	-	-	-	-	-	-	6,839,858	783,904	(663,093)
Total Comprehensive Income for the Year	19,756,388	23,293,104	81,652,322	96,916,831	95,102,405	141,470,386	192,036,647	184,106,203	208,929,842	213,554,929

BALANCE SHEET DETAILS											
Assets											
Non Current Assets	496,514,530	524,408,813	563,810,934	596,585,296	624,315,272	692,832,173	857,362,895	991,947,684	1,143,266,952	1,253,528,271	
Current Assets	46,018,142	72,423,762	108,220,975	177,926,604	240,573,754	354,097,893	476,633,700	459,074,756	473,180,784	540,658,625	
Total Assets	542,532,672	596,832,575	672,031,909	774,511,900	864,889,026	1,046,930,066	1,333,996,595	1,451,022,440	1,616,447,736	1,794,186,896	
Equity & Liabilities											
Capital & Reserves											
Stated 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 Earnings	113,754,106	137,047,210	218,699,532	305,616,363	381,161,381	522,631,767	644,668,414	755,412,408	889,230,196	1,043,150,677	
Timber Reserves	-	-	-	-	-	-	111,428,668	148,832,548	183,160,698	203,478,239	
Other Reserves	-	-	-	-	-	-	-	6,839,858	7,623,762	6,940,669	
Total Equity	313,754,116	337,047,220	418,699,542	505,616,373	581,161,391	722,631,777	956,097,092	1,111,084,824	1,280,014,666	1,453,569,595	
Liability											
Non Current Liabilities	149,220,602	152,857,977	161,196,724	165,570,260	168,709,437	179,951,047	201,441,218	248,699,905	252,071,460	257,648,523	
Current Liabilities	79,557,954	106,927,378	92,135,643	103,325,267	115,018,198	144,347,242	176,458,285	91,237,711	84,361,610	82,968,778	
Total Liabilities	228,778,556	259,785,355	253,332,367	268,895,527	283,727,635	324,298,289	377,899,503	339,937,616	336,433,070	340,617,301	
Total Equity & Liabilities	542,532,672	596,832,575	672,031,909	774,511,900	864,889,026	1,046,930,066	1,333,996,595	1,451,022,440	1,616,447,736	1,794,186,896	
CASH FLOW DETAILS											
Cash and Cash Equivalents at the beginning of the year											
	(6,730,864)	8,157,250	26,078,378	48,112,932	74,595,894	162,149,036	274,978,693	321,380,740	325,659,031	335,741,661	
Cash Flows From Operating Activities											
	62,412,220	70,174,487	106,019,826	82,236,880	170,228,691	206,895,556	196,643,897	203,658,090	228,933,956	264,205,081	
Cash Flows From Investing Activities											
Cash From Investing Activities	49,888	433,737	2,549,106	2,184,984	13,580,463	14,467,425	25,662,626	35,036,688	42,100,470	38,889,648	
Capital investments on PPE	(31,780,800)	(37,014,222)	(55,705,246)	(53,012,978)	(52,461,092)	(92,326,212)	(81,628,173)	(164,809,564)	(186,700,542)	(159,579,219)	
	(31,730,912)	(36,580,485)	(53,156,140)	(50,827,994)	(38,880,629)	(77,858,787)	(55,965,547)	(129,772,876)	(144,600,072)	(120,689,571)	
Cash Flows From Financing Activities											
Cash From Financing Activities	1,782,355	257,088	264,960	316,700	1,371,410	1,569,447	1,099,614	4,290,173	6,422,291	6,933,143	
Cash Used in Financing Activities	(17,575,549)	(15,929,962)	(31,094,092)	(5,242,624)	(45,166,329)	(17,776,559)	(95,375,917)	(73,897,096)	(80,673,545)	(76,480,776)	
	(15,793,194)	(15,672,874)	(30,829,132)	(4,925,924)	(43,794,919)	(16,207,112)	(94,276,303)	(69,606,923)	(74,251,254)	(69,547,633)	
Cash and Cash Equivalents at the end of the period											
	8,157,250	26,078,378	48,112,932	74,595,894	162,149,036	274,978,693	321,380,740	325,659,031	335,741,661	409,709,538	
Dividends											
	-	-	10,000,000	20,000,000	30,000,000	40,000,000	50,000,000	40,000,000	40,000,000	45,000,000	
Gross profit margin	30%	26%	42%	40%	39%	45%	50%	40%	44%	43%	
Net profit margin	13%	12%	28%	27%	28%	33%	38%	36%	44%	37%	
ROCE	7%	7%	22%	21%	18%	22%	25%	20%	20%	18%	
Current Asset Ratio	0.58	0.68	1.17	1.72	2.09	2.45	2.70	5.03	5.61	6.52	
Earnings per Share	0.99	1.16	4.08	4.85	4.76	7.07	9.60	9.21	10.41	10.71	
Net Asset per Share	15.69	16.85	20.93	25.28	29.06	36.13	47.80	55.55	64.00	72.68	

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited will be held at No. 80, Dambulla Road, Kurunegala on Friday, 26th June, 2015 at 12.30 p.m. for the following purposes.

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st December 2014 with the Report of the Board of 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, 2015.
3. To declare a Final Dividend of Rs. 45,000,000 payable from the profits for the year ending 31st December 2014.
4. Any other business.

BY ORDER OF THE BOARD OF KURUNEGALA PLANTATIONS LTD



CORPORATE ADVISORY SERVICES (PVT) LTD

SECRETARIES

Date: 2nd June, 2015

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. A M Piyasoma Upali | or failing him |
| Mr. D P Wijesinghe | or failing him |
| Mr. W A D D M Priyantha | or failing him |
| Mr. W M D B Abeyratne | or failing him |
| Mr. H A N Saman Kumara | or failing him |
| Mr S S Alles | or failing him |
| Mr. D M Bandaranayake | or failing him, or |

.....
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 Friday, 26th June 2015 at 12.30 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.

		For	Against
1	To receive, consider and adopt the Audited Financial Statements for the year ended 31st December 2014 with the Report of the Board of Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-appoint M/s. Dayananda Samarawickrema & Co., (Chartered Accountants) as auditors of the Company for the year ended 31st December, 2015.	<input type="checkbox"/>	<input type="checkbox"/>
3	To declare a Final Dividend of Rs. 45,000,000 payable from the profits for the year ending 31st December 2014	<input type="checkbox"/>	<input type="checkbox"/>
4	Any other business.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of2015

.....
Signature

Shareholders NIC/ PP/ Co. Reg.No.

Form of Proxy

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.

Corporate Information

NAME OF THE COMPANY

Kurunegala Plantations Limited

REGISTERED OFFICE

No. 80, Dambulla Road, Kurunegala.

Tel: 037 2223133

Fax: 037 2223191

Email: kurunegalapl@sltnet.lk

DATE OF INCORPORATION

18th June 1992

COMPANY REGISTRATION NO.

PB 1319

LEGAL STATUS

Fully Government Owned Public Company with Limited Liability.

Kurunegala Plantations Limited 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 Business Undertakings into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007.

BOARD OF DIRECTORS

Mr. A.M. Piyasoma Upali	Chairman
Mr. D.M. Bandaranayaka	Working Director
Mr. H.A.N. Saman Kumara	Director/ Treasury Representative
Mr. Sunil S. Alles	Director
Mr. D.P. Wijesinghe	Director
Mr. W.M.D.B. Abeyratne	Director
Mr. W.A.D.D.M. Priyantha	Director

EXTERNAL AUDITORS

Dayananda Samarawickrema & Co

Chartered Accountants

No 20/26, Station Lane, Nugegoda.

Tel: 0112 854614, 0112 809650

Fax: 0112 820112

E-mail: dsandco@sltnet.lk

BANKERS

Bank of Ceylon

Peoples' Bank

National Savings Bank

SECRETARIES

Corporate Advisory Services (Pvt) Ltd

No. 47, Alexandra Place,

Colombo 07.

Tel: 0112 695782

Fax: 0112 695410



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Kurunegala Plantations Limited

No. 80, Dambulla Road, Kurunegala, Sri Lanka.

Tel: 037 2223133, 037 2223191 Fax: 037 2229618 Email: kurunegalapl@sltnet.lk