

# Striving towards climate control



Annual Report 2016

**Kurunegala Plantations Limited**

Ministry of Public Enterprise Development



## OUR VISION

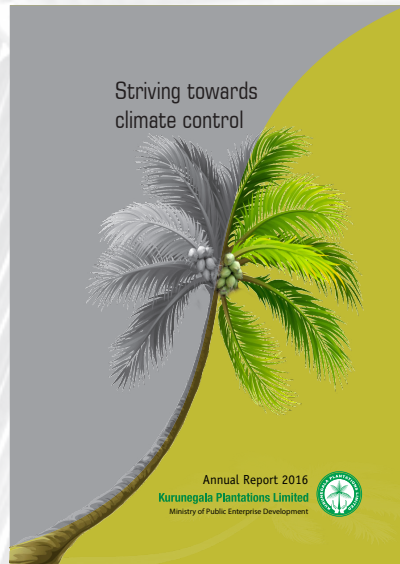
To be the model plantation and agribusiness management company in the South East Asian Region

## 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 who are focused on Quality, Productivity, Entrepreneurship, Value creation, Profitability, Eco-friendliness and Corporate Social Responsibility
- Quality provider** : Enhanced 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 while minimizing wastage
- Entrepreneurship** : Pro-actively striving towards innovative 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 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.



## STRIVING TOWARDS CLIMATE CONTROL

It's not all about **GROWING BUSINESS...** or having a **FABULOUS HARVEST.....** or reaching **OUR GOALS** it's how we get there and how we sustain ourselves for the long term which matters.

Kurunegala Plantations has throughout the years held a pivotal role in the development drive of Sri Lanka. Our approach to climate change, sustainability, organic growth and crop protection is what sets us apart from the rest. We strive to be different while battling the odds.

Our greatest pleasure lies in leveraging innovative crop solutions and crop management, while we strive towards climate control. We believe in adding value and quality to the lives of citizens everywhere through all our product offerings.

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## ABOUT US

Kurunegala Plantations Limited (KPL), incorporated in 1992, is a fully owned Government company, reregistered under the Companies Act No. 07 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 then State Privatization Policy. The Company operates as a single shareholder company being the Secretary to the General Treasury of Sri Lanka as the Golden Shareholder. The registered office of the company is located at No. 80, Dambulla Road, Kurunegala.

Kurunegala Plantations Limited, from its inception had its managerial roots embedded in the Private Sector, however due to being economically non-viable and in a state of downfall owing to lack of proper management over a period of nearly 13 years, the Government decided to reclaim the management of the Company with effect from 01st January 2005. This move brought the plantation directly under the purview of the Ministry of Plantation Industries. Throughout the years it changed hands under several ministries and now rests with the MINISTRY OF PUBLIC ENTERPRISE & KANDY CITY DEVELOPMENT since 01st May 2018.

KPL's core business interests continue to be in cultivation, production, processing and sale of coconut, rubber and ancillary crops with a portfolio of eight estates covering over 5,244.58 ha. which span varying agro climatic zones in the three districts of Kurunegala, Gampaha and Anuradhapura. Each estate is further broken up into small acreages known as divisions, which are scattered across two to three Divisional Secretariats.

The company provides direct employment to over 1,000 people and indirectly impacts the livelihoods of many others.

## MILESTONES

### 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.



### 01st January 2005

Due to poor management practices implemented by the Private Managing Agent over 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.

### 06th June 2006

KPL changed hands under the Ministry of Coconut Development

**21st September 2015**

KPL was brought under the purview of the Ministry of Public Enterprise Development.

**18th February 2015**

KPL was brought under the preview of the Ministry of Plantation Industries.

**16th November 2010**

KPL came under the preview of the Ministry of Coconut Development & Janatha Estate Development.

**18th June 2010**

KPL changed hands to the Ministry of State Resources and Enterprise Development.

**18th April 2007**

KPL came under the purview of the Ministry of Public Estate Management & Development.



# ACHIEVEMENTS

- **Won the Best Pepper Farmer Award – 2016 organized by International Pepper Community**



- **National Gold Award for Agribusiness**

KPL has created history in the Agribusiness sector as well as the Plantation sector by winning the National Gold Award for Agribusiness for the 3 consecutive years (2012 – 2014) and the Gold award for Large Category Producer (Plantations) for 4 consecutive years (2011 – 2014), thus becoming the only Company to win these awards in succession.



NAC - Gold Winner



NAC - Producer Large Category

2014

- **National Business Excellence Awards**

Runner up in the Agriculture & Plantations sector in 2015 at the National Business Excellence Awards organized by The National Chamber of Commerce of Sri Lanka



NAC - Gold Winner



NAC - Producer Large Category

2013



NAC - Gold Winner



NAC - Producer Large Category

2012







## CHAIRMAN'S REVIEW



*“Our resilient and farsighted management have led the Company into remarkable profitability, allowing us to be one of the few government owned companies who contribute to the General Treasury since 2007. A total sum of Rs. 280 Mn has been contributed for this purpose in the form of Dividends.”*

The financial year ended 31 December 2016 was indeed a testing time for Kurunegala Plantations Limited. Nevertheless, I am pleased to report that thanks to our diligent efforts to manage the numerous challenges that came our way, KPL is on track to achieving its goal of becoming one of the most sustainable plantation companies in our island nation. In this mindset I would like to extend a warm welcome to our shareholders to the Annual General Meeting of our company, as I present the Annual Report and Audited Financial Statements of our company, for the Financial Year ended December 31, 2016.

The year under review turned out to be one of the best for your plantation company in terms of yield which was a staggering 16.65 Mn nuts. However the down trend in the consumer price index dampened the company's profits; this performance is despite having to absorb a substantial wage increase which came into force during the financial year. Hence we could attribute the year's performance once again as a result of good management, farsighted and strategic diversification which has sustained the company during the last several years.

Sri Lanka's economy in the recent past has gone through a very uncertain period, coupled with the depreciation of the rupee, rising interest rates, and a challenging investment climate. Weather has also been negative for agriculture, with prolonged droughts, floods and other environmental issues facing the country in general and also the plantations in particular. Global warming and climate change has currently emerged as one of the biggest threats to the plantation sector, and strategies will have to be developed on a holistic level to mitigate its impact to the sector. According to the International Monetary Fund (IMF) reports, global growth has declined to 3.1% in 2016, affected by erratic commodity prices, the slowing down of major economies particularly China, and the issues of Brexit and other Geopolitical tensions across some of the developed countries and which has also had an impact in Sri Lanka. Oil prices also declined at the beginning of 2016 which has had an effect on

several global economies, mainly the Middle East and Russia. Sri Lanka's economy too recorded a growth of 4.4% affected by some of these global developments. The Government of Sri Lanka was also successful in requesting the European Union (EU) to restore the Generalized System of Preferences (GSP) plus concessions which will benefit mainly the apparel industry and other export products.

On the contrary the plantation sector has been badly affected by several issues one of which has been the Glyphosate issue which has placed plantations in a very challenging situation. At the same time there appears to be significant opportunities for coconut amongst the global markets, with the growing popularity of coconut being used as a 'healthy option'. On the contrary, rubber continues to be a loss-making industry, particularly for the producers who have been affected by both global rubber prices, incremental weather and a stagnant automobile industry.

Controlling COP (Cost of Production) particularly in coconut continues to be a major challenge. Productivity of lands and workers continues to be a major issue to all plantation companies and we are no exception. All stakeholders need to work on a sustainable model that will be a win-win for all parties, considering that commodity prices are cyclical and that producers have little or no control over this area. The coconut industry in particular is still very fragmented unlike the apparel industry and the need of the hour is for all stakeholders to get together and speak in one voice with one objective in mind.

The Minister of Plantation Industries has had discussions with the RPC managements with a view to extending the land leases. This will without doubt give more confidence to companies like ours to invest further in the business and bring new investors and new technologies that will sustain the company and bring long-term benefits. It is important that this decision be made without any further delay as we are on the brink of strategic investments that will take this company to new heights.



In our quest to expand our sustainable foot print we are aggressively pursuing the installation of solar power to our facilities. Further in order to combat the effects of global warming the company is practicing an aggressive sustainability strategy covering rain water harvesting, energy management, employee engagement and mechanization that will assist the company to meet some of the environmental challenges and also exploit some of the opportunities available. Sustainability as a core business strategy is being relentlessly pursued with a separate committee driving this entire initiative.

Our balance crop portfolio which comprises of intercrops has over the years under the management of the state, shown rich dividend. Our resilient and farsighted management have led the company into remarkable profitability, allowing us to be one of the few public owned company who contribute to the General Treasury. Since 2007, a total sum of Rs. 280 Mn has been contributed for this purpose in the form of Dividends, while a sum of Rs. 30 Mn has been proposed for the year under review.

Crop diversification was yet another strategy which we embarked on in the year under review. In this regard, we focused on expanding KPL's cinnamon cultivation program, which began a few years ago. Having previously cultivated Cinnamon on a limited scale alongside existing crops, our country's plantation sector which comprises of many small holders and estates remains in the portfolio of national interests. Hence it has been supported by subsidies and other forms of cut backs. Similarly this sector remains a labour intense industry which entails high wage costs and robust labour unions which can hamper the progress of the industry as a whole.

We thank all our stakeholders for their support and assistance in this last financial year. Our primary aim has always been to maintain good relations with our stakeholders. We are thankful to the Ministries and their staff for their support

in all our endeavours, and hope to further enhance these relationships in order to take greater steps in the future. We have trained and developed our employees throughout several years through both local and international training. This has helped to raise productivity in our estates and also adopt innovative techniques practiced in other countries. We consider it one of our primary objectives to upgrade the skills of our workers, staff and executives and will continue to do so.

My special thanks goes to Hon. Kabir Hashim - Minister of Public Enterprise Development; Hon. Lakshman Yapa Abeywardena - State Minister of Public Enterprise Development; Mr. Ravindra Hewavitharana - the Secretary of Ministry of Public Enterprise Development , Additional Secretaries and other Ministerial Officials for their directives and encouragement.

I take this opportunity to thank all the workers, staff and the plantation executives for bringing this company to its current status and it is their dedication and hard work that has borne fruitful results. Their unstinted support has been invaluable. They have always been at the forefront of every challenge and initiative. Their untiring efforts together with all the other staff and workers has been the back bone of this company and will continue to do so in the future. I also take this opportunity to thank the senior management led by the CEO and all other senior management including all the executives and staff at the head office for their hard work and dedication throughout the last financial year and in the past several years. I would be failing in my duty if I don't place on record my sincere thanks and appreciation to our shareholders and Board of Directors and the members representing the government for their advice and commitment extended to me in the discharge of my role as Chairman of the Company. I have always valued their contribution. In conclusion I wish to thank all our stakeholders for the trust and confidence placed in our company. I look forward to your continued patronage in the years ahead.



## CHIEF EXECUTIVE OFFICER'S REVIEW



*"It is why going forward, we remain fully committed to ensuring both business segments are consistently well positioned to ensure long-term success, whilst optimising emerging opportunities that will unlock value for all stakeholders of the business."*

I am pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2016.

For KPL, the year 2016 has been an exciting one where we have reached many milestones, amidst facing a fair share of challenges, which has deepened our resolve to work towards reaching our ultimate goal; to become the leading coconut producing company in Sri Lanka. The year 2016 saw the prospects of the local crop industries stricken by a combination of adverse elements. On the supply side, the erratic weather led to lower production volumes, while demand side pressures including low crude oil prices, and global economic uncertainties suppressed the buying power of key international markets. While the prices at the Colombo Auctions were biased to the downside, throughout a major part of the year. The global markets showed a glimpse of upward trend towards the later part of the year, we are enthusiastic and hopeful that this trend will continue into the new year, with a trickle down effect to the local market sentiments. While these setbacks weighed in on our overall financial performance for the year, I am pleased to report that thanks to our cohesive strategy and solid operating fundamentals, we were able to hold our ground in profitability while we strive for resilience through climate control.

Further in order to combat the effects of global warming the company is practicing an aggressive sustainability strategy covering rain water harvesting, energy management, employee engagement and mechanization that will assist the company to meet some of the environmental challenges and also exploit some of the opportunities available. Sustainability as a core business strategy is being relentlessly pursued with a separate committee driving this entire initiative.

## EMPLOYEE DEVELOPMENT

We have trained and developed our employees throughout several years through both local and international training. This has helped to raise productivity in our estates and also

adopt innovative techniques practiced in other countries. We consider it one of our primary objectives to upgrade the skills of our workers staff and executives and will continue to do so.

## INDUSTRY REVIEW

### Coconut Sector

Coconut prices decreased during the year reflecting higher supply. This situation could be attributed to the minimum numbers of brokers creating a monopoly at the auction. While this situation has been alerted to the higher authorities this has yet not been addressed, which has had a severe impact on the company's bottom line. While statistics show that Sri Lanka exports only 20% of its total coconut production, it is proven that the balance 80% is consumed within the country. The increase in the local consumption has a direct link to the positive attributes relating to the coconut, which has been proven over the past few years.

Our Company secured a harvest of 16.65 Mn coconuts during the fiscal year under review, as opposed to 14.07 Mn nuts during the previous year. This interprets an increase of 18%. The increase can be attributed to the good fertilization and other yield improving mechanisms which had been implemented by the company during the previous year. The introduction of organic manuring processes with coconut husks also helped in increasing the yield while reducing the sum utilized for manuring purposes. The effect of climate change was more severe in KPL Estates within the dry agro-climatic zone. However, adverse drought effects were mitigated by appropriate agronomic practices. KPL maintains its good agricultural and field management practices which have shown rich benefits during the past years.

Under-planting and infilling have showed exceptional positives, with the number of trees per acre increased to 57 by the end of the fiscal year under review assuring a robust yield in the years to come.



### Rubber Sector

National rubber production declined for the 5th consecutive year and recorded the lowest production in 2016 for the last 50 years. At a time when the industry is crumbling under the pressure of lower auction prices caused by a demand and supply mismatch in global markets, the remarkable results achieved by KPL are indeed a testament to the adaptability of our business model in response to market dynamics. I am particularly pleased with the results achieved through our yield maximization initiatives, which were taken in during the previous years. Although, KPL showed a marginal revenue decrease of 2.29% against previous year, there was a production growth of 2.63%.

### Other Crops

Since 2005, KPL has extensively diversified into intercropped with a great success. In 2005, the extent of other crops had been 71.79 ha. At the end of 2016 other crop extent accounted for 645.75 ha. 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. The other crop sector showed a remarkable growth over the years, while recording a 350% increase in profit compared to last year. The very important milestone of the year under review is KPL won the 'Best Pepper Farmer Award - 2016' organized by international Pepper Community.

### Strategy and Focus

Financials aside, we remained resolute in pursuing operational discipline and continuous process improvements, which I believe was the key to overcoming the challenges that were thrust upon us during the year. Further, we also focused on our core business. Consolidating our key strengths, we revisited the value chain and assessed our competitive position in each business segment, looking at alternative approaches to sustain the growth momentum in the long-term. The introduction of PPP (Private

Public Projects) which commenced from the previous year are yet in the pipeline, with eco tourism and alternate eco related projects been the trend of thought while we strive towards climate change. We addressed the issues arising from increasing labour wages, which has become a daunting challenge amidst the volatility of coconut and rubber prices. Our response was to develop a more sustainable wage model that would strike a balance between the Company's costs and the benefits accruing to the worker. Moreover, from a marketing perspective, we accelerated our direct marketing efforts by different strategies which has given us favourable results. Meanwhile, parallel to our replanting initiatives for coconut, we invested in crop diversification, as part of the ongoing strategy to move towards a more sustainable growth model for the future. Having already ventured into growing intercropped such as pepper, cinnamon, rambutan, mango and many other tropical fruits, we commenced a pilot project to grow spices on abandoned idle lands on certain estates and also looked into the possibility of diversification into other areas which will aid the eco tourism sector which we are about to step into.

### Governance and Stewardship

At KPL, we believe that strong corporate governance is the cornerstone in building a sustainable business and hence remain firmly committed to maintain high standards in governance processes as part of our accountability to all our stakeholders. I wish to reiterate that the Board works closely with the Management to analyze and proactively manage risks enabling the Company to overcome the challenges that the industry is vulnerable to.

### Future Outlook

I am optimistic that good times lie ahead. Although recovery appears to be at a slower pace while the demand in local coconut industry rises, it is important that we keep abreast in order to reap long term benefits. I am confident that the Rubber industry too will bounce back

in 2017, signaling an end to the difficulties of the past four years. It is why going forward, we remain fully committed to ensuring both business segments are consistently well positioned to ensure long-term success, whilst optimising emerging opportunities that will unlock value for all stakeholders of the business. At the same time, we will continue to uphold the core principles that have brought us success over the years. This means an unwavering focus on efficiency and continuous innovation to stay at the forefront of value creation.

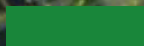
We are hoping to take our initial steps in our eco tourism ventures, which we are sure will reap tremendous benefits not only to the company but to the holistic island nation. We have these and many eco initiatives which we hope to be fruitful in the coming year. The year under review has been marked with adverse weather conditions which have hampered our growth momentum, we as a company are working towards climatic changes and the major initiatives which we hope to share with the entire plantation industry, ascertaining that Sri Lanka stays ahead in plantation crops though the initiatives taken against climatic changes are far behind.

### **Acknowledgments**

I take this opportunity to thank the management team and all employees who remain the cornerstones of our success. I would also like to thank Hon. Kabir Hashim - Minister of Public Enterprise Development; Hon. Lakshman Yapa Abeywardena - State Minister of Public Enterprise Development; Mr. Ravindra Hewavitharana - the Secretary of Ministry of Public Enterprise Development, Additional Secretaries and other Ministerial Officials for their directives and encouragement. My Chairman - Mr. Piyasoma Upali, who has tirelessly guided us, the rest of the Board for their valuable inputs, encouragement and support at all times. My sincere thanks also goes to Corporate Advisory Services (Private) Limited - Secretaries of KPL and 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 remarkable triumphs.

We will continue with the development and diversification program in line 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.







## BOARD OF DIRECTORS



### Mr. A. M. Piyasoma Upali

Chairman

Mr. Piyasoma Upali, joined the ranks of Kurunegala Plantations Ltd (KPL), as its Chairman from January 2015. He brought along with him immense knowledge which has contributed to the organization as a whole. His illustrious career record dates back to the 1980's and he was the first individual in the history to be elected as the Chairman of Kuliypitiya Pradesheeya Saba and was also the first person to be elected as the Deputy Chairman of the North Western Provincial Council, in which the North Western Provincial Council was 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 Cooperative Society Kuliypitiya and a Director of the National Co-operative Council. Mr. Upali became a Member of Parliament in 1988, representing Kuliypitiya Electorate and since 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. H.A.P. Thusitha Kumara Dias**

Executive Director

Appointed as Executive Director of KPL with effect from October 2016. Hailing from a business family deeply rooted in Kurunegala, Mr. Dias got involved in their family business at a very early stage in his life. After obtaining his education from Maliyadeva College, Kurunegala, he joined in developing their business of importing two wheel tractors to Sri Lanka from Japan. Dias Motor Engineers & Sales was one of the pioneers in importing of Kubota Hand Tractors to the country at that time. While travelling frequently between Japan and Sri Lanka to foster the growth of this business, he later ventured into other imports such as heavy machinery, agricultural equipment and tractors. Later the business was diversified into property development, building, renting and maintaining of commercial buildings for other businesses under LST trading. Further he is engaged in cultivation and managing of coconut and rubber estates. Mr. Dias is involved in the developing the under privilege community in the area and is a well-recognized philanthropist.

### **Mr. D. M. Bandaranayake**

Working Director

Appointed as Working Director of KPL with effect from March 2015, Mr. Bandaranayake is a product of Vijayaba National College Maho and counts for many years of experience in Agriculture, Farming and Private Transportation sectors. He brings in a wealth of experience working with people as a Politician and a Private sector as well as Public sector professional. He was a Member of Parliament from 1989 to 2004 representing the Kurunegala District and the Former Minister for Paddy Development.

Mr. Banadaranayaka also served as the Treasure 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. H. A. N. Saman Kumara**

Director / Treasury Representative

Appointed as a Director / Treasury Representative of KPL with effect from March 2015, while serving as the chairman of the Audit Committee of Kurunegala Plantations Limited. 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 member of board of directors. 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. W .M. D. B. Abeyratne**

Director

Appointed as a Director of KPL with effect from March 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. 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.

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. 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.





### Indunil Amarasinghe

Director B.Sc. (Plantation Management)

Mr. Indunil Amarasinghe who is a planter by profession, counts for an illustrious career in the plantation sector. His foray into this industry was at Kotagala Plantation in 1999 where he served as Junior Assistant Superintendent. He joined Finlay's Tea Estates in December 2003 and served in the position of Superintendent, managing an extent of 1100 Ha. He also served as Superintendent of the Alupola Estate, Blairlemond Estate, Dammeria Estate and Nahavila Estate though his stint at Finlays.

He later joined Multi Crop Estate in Passara Group. He is a veteran in all aspects relating to coconut, rubber, cinnamon, pepper and tea.

He obtained his BSc. in Plantation Management from the Wayamba University of Sri Lanka. He also served as secretary of the UVA Executives Association.



### Mr. R. Sydeny Kulathilaka

Director

Mr. Kulathilaka who heralds from Kurunrgala, has served as a Director of KPL since October 2016. While commencing his primary education at Pothubowa Madya Maha Vidyalaya, Mawathagama, he then moved on to University of Peradeniya, at which he obtained a Bachelor of Arts (Ceylon). Mr. Kulathilaka counts an illustrious career, he started off his career as a Geography teacher in a government school, however learning quite soon down that path that it was his calling he engaged in business activities and was a full time businessman. He currently bears the positions of Managing Director of S. A. Construction, Managing Director of Mawathagama Safety Fuse Industry and is a Director at TriStar Industries. He is also a Justice of Peace (All Island) and the Secretary of Explosive Dealers Association, Sri Lanka, while serving as Coordinator to Ministry of Public Enterprises Development.

## SENIOR MANAGEMENT - 2016



Chief Executive Officer  
**Mr. S. M. M. Samarakoon**  
*B. Sc. (Agriculture) Hons.  
M.Sc. (Agric. Econ.)*



Manager - Finance  
**Mr. P. M. D. G. Premathilaka**  
*B.Sc. Accountancy &  
Financial Management (Special),  
CBA, MCPM*



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



Manager - Human Resource & Administration  
**Mr. I. A. Gunawardana**  
*B.B. Mgt. (Human Resource) Hons.  
PG Dip M (SL)*



Manager - Estates Monitoring & Co-Ordination  
**Mr. S. M. R. P. Sathkumara**  
*B.Sc. (Agricultural Sciences) Specializing Plantation Management*



Manager - Marketing  
**Mr. J. K. J. P. Jayawardana**  
*B.Sc. (Agriculture) M.Sc. (Agricultural Extension)*



## AREA SUPERINTENDENTS - 2016



**Mr. M. L. A. P. Perera**  
*Dip. in Plantation Management*



**Mr. G. K. A. Jayawardana**



**Mr. K. L. H. C. Perera**  
*Dip. in Animal Husbandry*



**Mr. A. M. P. Abeykoon**  
*B.Sc. (Plantation Management),  
Dip. in Agriculture*



**Mr. K. P. D. N. Kalugalla**  
*Dip. in Plantation Management  
Dip. in Human Resource Management*



**Mr. U. P. R. M. Pathirana**  
*B.V.Sc.  
Registered Veterinary Surgeon & Practitioner  
(Regd. No. 1265)*



**Mr. M. T. J. Perera**  
*B. Sc. (Agriculture) (Special) Hons*



**Mr. J. M. A. A. Munasinghe**  
*NDT in Technology (Agriculture)  
B. Sc. (Plantation Management)*







# FINANCIAL REVIEW

## FINANCIAL REVIEW

To provide stakeholders with a clear and comprehensive understanding of the financial statements, KPL continues to adopt best practices on financial reporting. Furthermore, new developments in the financial reporting environment are closely monitored to assess possible changes that may be needed and the reporting framework realigned. Accordingly, the financial reports on pages 46 to 86 have been prepared in compliance with the Sri Lanka Financial Reporting Framework and Statements of Alternate Treatment promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL).

## PRINCIPAL ACTIVITIES AND NATURE OF BUSINESS

During the year, the principal activities of the Company: cultivation, manufacture and sale of Coconut, Rubber & other agriculture produce remains unchanged.

## OPERATIONAL SCOPE

KPL comprises of 08 Area Estates 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 over 26% (1,750.88 ha.) of the land originally handed over (6,722 ha.) to the Company in 1992 with the establishment of the Company. At the end of Financial Year 2016 the total land extent in possession is 4,971.12 ha.

## Land Extent of Area Estates

	Extent (ha.)
Attanagalla	668.27
Dambadeniya	462.18
Dodangaslanda	690.73
Hiriyala	980.21
Katugampola	617.12
Kurunegala	555.80
Mahayaya	446.26
Narammala	550.55

## PRODUCT PORTFOLIO

Coconut is the main crop in all 08 area estates while rubber had been confined to Attanagalla, Mahayaya and Dodangaslanda areas. KPL also maintains a range of other crops that are grown as intercrops under Coconut considering land & climatic suitability.

## REVENUE

The Company's revenue showed a drop from last year. However the Company ended up on a positive note closing its books at Rs. 472 Mn as opposed to Rs. 492 Mn in 2015. This is mainly due to the decrease in prices of main products: coconut and rubber.

### The composition of the revenue is as follows;

	2016	2015
Coconut	88%	90%
Rubber	6%	6%
Other Crops	6%	4%

## PROFIT

The Profit after Tax (PAT) of the Company during the year 2016 showed a decline of 19% from the previous year, with a PAT figure showing at Rs. 126.58 Mn against that of Rs. 155 Mn in 2015. Coconut production alone has largely contributed to the profit with over Rs. 159 Mn

in 2016, against Rs. 180 Mn in 2015. However, the contribution from the coconut sector shows a decrease of Rs. 22 Mn compared to last year, while the rubber segment shows an increased negative result compared to last year, which could be attributed to the decreased price which stagnated the tapping of mature trees and the lack of skilled labour. The rubber sector closed at Rs. 17 Mn loss against Rs. 07 Mn loss in the previous year. The contribution from other crops has increased by Rs. 08 Mn compared to last year. During the year under review Administrative Cost decreased by about 10% to Rs. 120 Mn compared to Rs. 133 Mn a year ago. Profit before Income Tax (PBT) declined by 13% to Rs. 144 Mn in 2016 compared to Rs. 166 Mn in 2015. During the year under review total income tax expenses amounted to Rs. 18 Mn compared to Rs. 11 Mn a year ago.

	2016 Rs. Mn	2015 Rs. Mn
Profit from Coconut	159	180
Loss from Rubber	(17)	(7)
Profit from other crops	10	2
Gross Profit	152	175
Profit from other operating activities	97	122
Administrative expenses	(120)	(133)
Profit from operating activities	129	164
Net Finance Income		
Finance Income	40	28
Finance expenses	(25)	(26)
	15	2
Profit before taxation	144	166
Income tax expense	(18)	(11)
Profit for the year	126	155

## COCONUT SECTOR

The bearing extent of Coconut at KPL was 3,108.97 ha., as at end 2016. Currently the Coconut under-plantation acreage is over 23% of the total Coconut extent. KPL Coconut estates have a density of 58 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 50 on 1st January 2005, the year in which the management of the Company had been taken over to by the Government. Coconut yields have continued on an increasing trend since 2005 to peak in 2012 recording 18.1 Mn Nuts. However, in 2013, KPL and other growers experienced a considerable draw back. KPL's production fell to 13.0 Mn nuts in 2013. The Company's Coconut production showed an increase in 2015 recording 14.7 Mn nuts. The production in the year under review increased to 16.7 Mn nuts by 18% compared to last year.

Coconuts harvested by KPL are sold in an ethical manner at the public auctions conducted by the Coconut Development Authority. Net sales average per nut was Rs. 24.71 in 2016 against Rs. 31.21 in 2015 which represents a drop of Rs. 6.50 per nut compared to last year. The loss of revenue due to decreased NSA is more than Rs. 109 Mn. Although the production has increased by 18%, which is approximately 2.6 Mn nuts, which does not compensate the revenue loss from decreased NSA.

	Rs. Mn.
Impact on Revenue due to decrease in NSA	(109.71)
Impact on Revenue due to increase in production	81.25
Decrease in Revenue compared to last year	(28.46)

However, the coconut remains as the main contributor to the Company revenue.

KPL focusing on reducing pilferage and enhancing the productivity, has introduced a bi-monthly harvesting schedule. This reduces the number of fallen nuts minimizing the avenues for pilferage. Further, an additional amount of Coconut could be harvested within the year since this method removes the mature crop immediately, so that water and nutrient needs for maintenance of the mature crop could be saved for the use of enhancing the productivity of the palm. The monthly harvesting extent has now reached its climax 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 by surrounding villagers, since the nut-fall is at lower level.

Cost of Production (COP) of Coconut has been decreased by around 3% to Rs. 255 Mn during the year under review from Rs. 262 Mn in 2015. Minimizing of wastage, increasing of labour output and introduction of alternatives in place of labour are the contributing factors in reducing this rate to an optimum level. The COP per nut decreased by 18% to Rs. 15.25 from Rs.18.50 in 2015 which is mainly due to the increase of production.

## RUBBER SECTOR

The Company maintains 178.48 ha. of mature Rubber which is our secondary plantation crop. The extent of mature Rubber has declined by 5.05 ha. from the previous year. This could be one of the reasons attributed to the reduction in turnover. In 2016 too the Rubber revenue continued its declining trend commenced from 2011 due to lower prices in international markets. Total income in 2016 was Rs. 29.9 Mn against Rs. 30.6 Mn in 2015. This been the NSA dropped by 3% to Rs. 211 per kilo in 2016 when compared to Rs. 218 in 2015. This been the lowest national Rubber production recorded in 2016 after 50 years. This was due to the reduction of both the extent under tapping and the number of tapping days. The impact of variation of NSA and production over rubber revenue is illustrated below.

	Rs. Mn.
Impact on Revenue due to decrease in NSA	(1.6)
Impact on Revenue due to increase in production	0.9
Decrease in Revenue compared to last year	(0.7)

The Cost of Production of Rubber is increased by over Rs. 9 Mn during the year under review to Rs. 47 Mn from Rs. 38 Mn in 2015 which is a 24% increase. A significant increase can be seen in the General Charges absorbed by the Rubber Sector.

The composition of the cost of sales of rubber is shown below.

	2016 Mn.	2015 Mn.
Mature Area Upkeep	3.2	4.1
Tapping & Collection	15.8	13.6
Manufacturing	2.8	0.6
General Charges	25.4	19.2
	<b>47.2</b>	<b>37.5</b>

Although, rubber sector shows a negative contribution, if the general charges component had been removed, the rubber sector would become profitable. Therefore, continuation with the rubber sector is still worthwhile.

	2016 Mn.	2015 Mn.
Revenue	29.9	30.6
Cost of Sales excluding General Charges	(21.8)	(18.4)
Contribution from Rubber Sector	8.1	12.2

## OTHER CROPS

Since 2005, KPL has extensively diversified into intercropped with a great success. In 2005, the extent of other crops had been 71.79 ha.. At the end of 2016 other crop extent accounted for 581.10 ha. Currently, KPL produces Pepper, Cinnamon, Rambutan, Durian, Dragon Fruit, Mango, Cocoa, Cashew, etc. as intercropped. 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.

Profit from other crops has increased by over 4.5% to Rs. 11 Mn during the year 2016 opposed to previous year.

### FINANCIAL POSITION STRUCTURE

Total assets increased by Rs. 110 Mn primarily due to increases in investment in Bearer Biological Assets (Rs. 95 Mn ) and Short Term Investment (Rs. 35 Mn). Investment on establishment of new under plantations and increased cost on maintenance of existing immature plantations were the main reasons for the increase in Bearer Biological Assets. Current assets of the Company at the end of 2016 were Rs. 651 Mn (2015 - Rs. 585 Mn) recording an increase of Rs. 66 Mn.

### LIQUIDITY MANAGEMENT

Net working capital of the Company increased to Rs. 564 Mn (2015 - Rs. 504 Mn) due to an increase in short term investments. Cash and short term investments improved during the current year to Rs. 497 Mn in 2016 from Rs. 445 Mn in 2015 as a result of prudent financial management practices applied by the Company. The Company held Rs.450 Mn in short term investments as at 31st December 2016 compared with Rs. 415 Mn in 2015. These investments comprised of fixed deposits at State Banks. The current ratio of the Company stood at 7.48 (no of times) compared to 7.23 (no of times) in 2015. The quick ratio improved to 7.03 from 6.79 when compared with last year.

### EQUITY CAPITAL

Equity Capital comprise of stated capital of 200 Mn and reserves of Rs. 1,460 Mn Mn. The reserves increased by 133 Mn. during the year.

	2016 Rs. Mn	2015 Rs. Mn
Retained Earnings	1,139	1,064
Timber Reserves	267	248

Other Reserves	54	15
Total	1,460	1,327

### PAYMENT OF DIVIDENDS

While most government institutions are a burden to the General 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, KPL continues to be a self-financing public enterprise under State Management.

After taking-over of the management of KPL by the Government in 2005, for the first time in its history, the Company paid dividends in 2007. We look forward to declare Rs. 30 Mn as dividends for the year 2016. With this amount, since 2007 a sum of Rs. 345 Mn in total would be paid to the General Treasury as dividend.

### FUTURE OUTLOOK

While weather conditions and the global financial crisis has an adverse effect on the local economy and the plantations sector in particular, KPL has managed to sustain its growth momentum throughout the last few years due to its farsighted managerial practices. However looking forward, the Company is eager to add value to its primary products as the way forward in further developing the Company while contributing to the national economy. This program which be under the guidance of the Ministry of Public Enterprise Development will entail establishing both local and foreign party collaborations towards sustainable investment. The suggested areas of sustainable growth include - Tourism Related Development, Mineral Development, Water Resources Development, Power and Energy Related Development, Agriculture Plantation Projects, Housing and Commercial Property Development, Plantation Product Development to name a few. While groundwork for this program is currently taking place the Company itself is looking at avenues to increase profitability, one such venture which being undertaken is to provide Coconut



lands on facility basis to out-growers for short term crops. This is one program which will be expedited in the next year. Also the mining of natural rock beds, is yet another path which will be looked into.

KPL is well set in reaping healthy benefits in the years to come, its non-burden to the General Treasury unlike other state sector organizations has placed it among the trend setters in the public and private plantation arena. KPL's management while implementing sustainable practices, have always stood fast to their vision, which could be cited as reason to the Company's success.

## SUSTAINABILITY REPORT

As a plantation Company, we at Kurunegala Plantations LTD (KPL) interpret sustainability as growth through economic, environmental and social cohesiveness. Economic sustainability translates primarily into the financial sustainability of the Company, which in turn ensures economic opportunities to the 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 ecosystems 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

Sustainable agricultural management practices has been our back bones from the inception of the Company. These practices are evident in all of our eight estates, 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 the increased number of palms per acre from 50 in 2005, year in which the management of the Company was taken over from private sector, to a staggering 58, which it currently stands at. Under plantation is rampant it every nook and cranny, with no extent

of land remaining untouched. The under planted acreage at the end of 2016 recorded as 23% (938.55 ha.) of the total Coconut area and during the year Rs. 71.7 Mn was invested in immature Coconut plantations. 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 usage of inorganic fertilizer, contour drains, mulching, etc. ensure the sustainable productivity improvements in our lands. 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.

### 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, 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 – Production of predator mite (*Neoseiulus baraki*) has been continued in fully-fledge laboratory at Katugampola. This technique is an eco-friendly process. This biological control has shown highly promising results.

Pheromone traps – to regulate fruit fly (*Drosophila* Species) in fruit plantations and Red Weevil (*Rhynchophorus ferrugineus*) in Coconut plantations.



Introduction of Red Ants (*Solenopsis* species) – for the control of *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 banned the usage of Glyphosate. 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. In addition to reduction of usage of chemicals in our plantations, we remain vigilant in monitoring of usage and handling of chemicals. The employees engaged in spraying and handling at field levels are well educated and trained of protective and control usage.

### 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.

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 systematically established timber plants for trees being 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 1,235 personnel.

### 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. 18.03 Mn was provided in the financial statements for the payment of performance based incentives for the year 2016. This figure for 2015 was Rs. 25.20 Mn. This provision has been made to pay a 1.09 months' gross salary to monthly paid employees and Rs. 15,000/- 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 without electricity.
- Insurance cover workmen compensation for all employees.
- Rs. 01 Mn 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.

## RESIDENCE FACILITIES

Over the past years, we have made a concerted effort to improve housing conditions across our plantations. During the year construction of 15 watch huts with related facilities such as water, electricity and sanitary has been commenced. 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. 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 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 for the 8th successful year.
- The 'Kiribath Dansela' at Head Office Premises at Kurunegala was held for the 10th 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.

## KPL AND THE 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 and 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 process traditional farming knowledge.

The Company undertakes the supply of 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.



## CORPORATE GOVERNANCE

The Board of Directors of Kurunegala Plantations Limited operates on the principles of honesty, corporate impartiality, transparency and accountability. With these governing principals been the foundation on which it endeavours to build strong relationship with all its stakeholders and nurture an environment within which the Company operates. The Company's activities are conducted in line with ethical standards and in the best interest of all its 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 (07) Non-Executive appointed Directors including the Chairman.

### BOARD MEETINGS

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 attendance of Board of Directors at these meetings during the year 2016 are as follows.

Name	Date of Appointment	Attendance
Mr. A. M. Piyasoma Upali Chairman	29.01.2015	13/13
Mr. H. A. P. Thusitha Kumara Dias Executive Director	07.10.2016	02/13
Mr. D. M. Bandaranayaka Working Director	26.03.2015	13/13
Mr. H. A. N. Saman Kumara Treasury Representative	06.03.2015	11/13
Mr. W. M. D. B. Abeyratne	13.03.2015	13/13
Mr. R. Sydney Kulathilaka	07.10.2016	02/13
Mr. M. G. D. I. Amarasinghe	07.10.2016	01/13

The following Members who resigned as at 31st December 2016 also served as the Board of Directors of Kurunegala Plantations Ltd.

Name	Date of Appointment	Date of Resigned	Attendance
Mr. Sunil S. Alles	06.03.2015	06.10.2016	11/13
Mr. D. P. Wijesinghe <b>Executive Director</b>	13.03.2015	06.10.2016	11/13
Mr. W. A. D. D. M. Priyantha	13.03.2015	06.10.2016	07/13

### AUDIT COMMITTEE

Please refer the "Report of the Audit Committee" set out in the page no. 39 of the Annual Report.

## **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.



## RISK MANAGEMENT

Kurunegala Plantations Limited is presented to a swarm of risks as some other organization and extra risks which are particular to the Plantation Sector. This particular risk is related with the development and producing of rubber and coconut and different intercrops and the financial condition in which it works. The Board of Directors in this way puts extraordinary consideration on the management of business risks together with the senior management Committee to guarantee sound Financial and Operational Control Systems are set up. Interior evaluators and management group time to time audit suitability of the systems to deliver winning risks to dispense with drawback of risks and make the utilization of upside of risks, keeping in mind the end goal to shield investor's speculation and resources.

### RISK CULTURE

The Board of Directors has recognized their position and unmistakable predictable tone has kept up in setting up a sound risk management framework inferring the adjustment to the underline prerequisites of such a framework. The management has mirrored the sense of duty regarding moral standards and basic leadership has been finished considering more extensive partner position. Holding fast to the administration, the staff has distinguished the significance and the take after the same moral standards of the BOD.

### RISK IDENTIFICATION

The company's management has resolved to make a risk culture inside the Company and adequate risk mindfulness among workers. The Company takes after a base up-way to deal with recognize inside risks and this energizes even operational level workers to distinguish risk emerging inside their particular practical territories. Top

management is constantly cognizant about the outside advancements to recognize outer risks. While the Company is presented to an extensive variety of risks, some particular to the Plantations Sector and some of them are basic to each organization. These recognized risks are ordered for powerful control purposes.

### OPERATIONAL RISK

Our foremost product – coconut has been the fundamental income generator of the Company. More than 70% of the national creation is expended locally as a culinary item leaving under 30% for the business. This situation makes showcase vacillations where high yield circumstances have dependably brought about low yearly turnovers. Delivering amazing nuts limiting the dismissal rates of the collect has earned the regard of the purchasers. This has brought about Kurunegala Plantations Limited getting a high Net Sales Averages at the closeouts led by the Coconut Development Authority. With a specific end goal to make high rivalry in the market, the Company has developed a nearby purchaser base, which has additionally turned into a win factor for transfer amid high harvest circumstances. Giving simple access to accumulation focuses, accommodation to coconut huskers, field transport to create harmonious spots amid unfavorable conditions, adaptability in stacking hours had high acknowledgment among purchasers as a client agreeable provider. Extraordinary climate conditions, which has now turned into a regular obstacle, has affected every single horticultural harvest including coconut. Delayed dry seasons and in addition substantial precipitation has limited the compelling collecting programs and completing of agrarian practices. To protect the dirt dampness and save the dirt, the organization have embraced the best rural practices, for example, mulching, burring husk, nerve racking form channels, utilizing of natural compost and so forth which

has given extremely encouraging outcomes. Elastic in measure up to extent has alleviated the unfavorable impacts on atmosphere changes. The organization has received reasonable horticultural practices, for example, TRI suggested clones and furthermore rain protects for elastic trees to limit the misfortune on edit because of unfavorable climate conditions.

## PEST AND DISEASE

Coconut mite “*Aceria guerreronis*”, “Plessispa” and “Weligama Wilt” which have now been added to the portfolio of pests and diseases prevalent in the plantation framework, have indeed caused tremendous damage and destruction of high quality coconuts. Coconut mite infestation has been successfully countered biologically by introduction of Predator Mite, which is also an eco-friendly method. We, in our laboratory, under the guidance of the Coconut Research Institute, produce the Predator Mite for use in our plantations and also, for the use by 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 by constantly updating their knowledge by giving them regular training in association with the Coconut Research Institute.

## CROP SECURITY

Other than the standard risks of flame, surges and cataclysmic events, coconut being a high consumable culinary item, is to a great extent helpless for stealing. Little acreages scattered-over numerous Divisional Secretariats have brought about naming of homes as Area Estates. This circumstance has expanded the need of high security to limit pilferage. Expanded month to month picking degrees to 90% of the revenue-extent has limited the rates of fallen nuts against the ordinary routine with regards to every other month picking which result in high rates of fallen nuts which turns out to be more helpless for stealing. This training with the fortifying

of edge wall, close observing and supervision by Superintendents, Assistant Superintendents, Field Staff and Internal Audit Officers, have demonstrated extremely encouraging outcomes in limiting pilferage. Motivating force installments for fallen nut accumulation for watchers too has energized the gathering 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

The shortage of skilled workers in this area has been an underlying issue which has been faced by the management of the company throughout the last few years. While this industry requires skilled workforce for harvesting, husking and tapping, these shortages have resulted in crippling of the day-to-day management practices. Coconut Plantations unlike Tea and Rubber, generally do not have resident labour forces, which results in them having to depend on the work force which are willing and able to engage in these duties in the vicinity of the plantations. 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 and 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.

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 and prompt attention to areas related to workmen compensation and labour issues have strengthened the industrial harmony.

## **RISK MONITORING & REVIEW**

This process of assessing the presence and functioning of Company's risk management components over time with the purpose of identifying weaknesses in the controls in addressing to internal and external changes. The ultimate responsibility for ongoing monitoring activities or separate evaluations lies with the top management and audit committee. Our internal audit team carries out frequent system base audits by visiting to each estate and reports the risk on matters require immediate responses. Effectiveness of the risk management process will be reviewed annually and adjustments made to the current process. At this stage relevant information is identified and communicated in order to facilitate the people who are responsible for risk management within the Company.







## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kurunegala Plantations Limited have pleasure in presenting their Annual Report together with the Audited Financial Statements for the fiscal year ended 31st December 2016.

### LEGAL STATUS OF THE COMPANY

Kurunegala Plantations Limited (KPL) was incorporated as a limited liability Company 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. It was 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 remains as a Single Shareholder Company, the Secretary to the Treasury of the Government of Sri Lanka being its Shareholder.

### PRINCIPAL ACTIVITIES AND NATURE OF BUSINESS

The company's principal activities of cultivation, manufacture and sale of Coconut, Rubber, Other crops and other agriculture produce continues during the year 2016 too. Company lands are scattered in Kurunegala, Gampaha and Anuradhapura districts, which form 08 Area estates, namely Attanagalla, Dambadeniya, Dodangaslanda, Hiriyala, Kurunegala, Katugampola, Mahayaya & Narammala.

### GOING CONCERN

The Board of Directors are satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the Financial Statements are prepared based on the Going Concern Concept.

### FINANCIAL STATEMENTS & AUDITOR'S REPORT

The duly completed Financial Statements for the year ended 31st December 2016, signed by the Directors and the Auditor's Report for the same period are given in page no. 46 to 86.

### ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are further elaborated in pages 51 to 64 of this Report. The Accounting Policies adopted in the previous year are applied without changing.

### PROFIT BEFORE TAX & PROFIT AFTER TAX

The total revenue of the Company for the year 2016 is Rs. 472 Mn (2015 - Rs. 492 Mn). The other operating income for the year is Rs. 97 Mn (2015 - Rs. 122 Mn). The profit-after tax of the Company the year 2016 is Rs. 126 Mn (2015 - Rs. 155 Mn). Financial results of the Company are given in the Statement of Comprehensive Income.

	2016 Rs. Mn	2015 Rs. Mn
Profit from Coconut	159	180
Loss from Rubber	(17)	(7)
Profit from other crops	10	2
Gross Profit	152	175
Profit from other operating activities	97	122
Administrative expenses	(120)	(133)
Profit from operating activities	129	164
Net Finance Income		
Finance Income	40	28
Finance expenses	(25)	(26)
	15	2
Profit before taxation	144	166
Income tax expense	(18)	(11)
Profit for the year	126	155

## CAPITAL EXPENDITURE & INVESTMENTS

During the fiscal year under review, Rs. 129.32 Mn (2015 - Rs. 135.17 Mn) had been invested in Fixed Assets of the Company out of which Rs. 87.86 Mn (2015 - Rs. 98.08 Mn) had been incurred on immature plantations.

## SHORT TERM INVESTMENTS

The Company held a sum totaling Rs. 450 Mn in short term investments as at 31st December 2016, as opposed to Rs.415 Mn in the previous year. This investment comprises of fixed deposits at Government Banks. (Rs. 76 Mn at Bank of Ceylon, Rs. 234 Mn at People's Bank and Rs. 140 Mn at National Savings Bank).

## STATED CAPITAL

This refers to the total amounts received by the Company in respect of the issue of shares. The total Stated Capital of the Company as at 31st December 2016 was Rs. 200,000,010. This comprises 20,000,000 in Ordinary Shares and 01 Golden Share held by the Secretary to the General Treasury of Sri Lanka. No allotments of shares were made during the year.

## RESERVES

The Company Reserves as at 31st December 2016 are represented by Retained Profit of Rs.1,139 Mn, Timber Reserves of Rs. 267 Mn and Other Reserves of Rs. 54 Mn, totaling Rs. 1,460 Mn.

## DIRECTORATE

The Board of Directors had been changed during the year 2016. The names of the Directors who held office during the year are given below.

Name	Date of Appointment
Mr. A. M. Piyasoma Upali Chairman	29.01.2015
Mr. H. A. P. Thusitha Kumara Dias Executive Director	07.10.2016
Mr. D. M. Bandaranayaka Working Director	26.03.2015
Mr. H. A. N. Saman Kumara Treasury Representative	06.03.2015
Mr. W. M. D. B. Abeyratne	13.03.2015
Mr. R. Sydney Kulathilaka	07.10.2016
Mr. M. G. D. I. Amarasinghe	07.10.2016

## Directors Resigned during the Year

Name	Date of Appointment	Date of Resigned
Mr. Sunil S. Alles	06.03.2015	06.10.2016
Mr. D. P. Wijesinghe	13.03.2015	06.10.2016
Mr. W. A. D. D. M. Priyantha	13.03.2015	06.10.2016

## 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 2016.

Name
Mr. H. A. N. Saman Kumara Director/ Treasury Representative
Mr. W. M. D. B. Abeyratne
Mr. R. Sydney Kulathilaka
Mr. Sunil S. Alles (Resigned on 06.10.2016)



## 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 were paid by the Company as at the Reporting Date.

## EVENTS AFTER THE REPORTING DATE

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

## AUDITORS

The Accounts for the year 2016 have been audited by the Auditor General's Department.

## ANNUAL REPORT

The Board of Directors has approved the Financial Statements on 28th February 2017.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Kurunegala Plantations Limited, Colombo Office, No. 712/3, Baseline Road, Dematagoda, Colombo 09 on 23rd August 2018. 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

01st August 2018, at Kurunegala.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors Responsibilities in relation to the Financial Statements are set out in the following statement. All responsibilities pertaining to the Auditors in relation to the Financial Statement are prepared in accordance with the provision of the Companies Act No. 07 of 2007, and are set out in the report of the Auditors.

### THE FINANCIAL STATEMENTS COMPRISE:

A Statement of Comprehensive Income - which presents a true and fair view of the profit and loss of the Company for the financial year;

and

A Statement of Financial Position - which presents a true and fair view of the state of affairs of the Company as at the end of the financial year, and which complies with the requirement of the Companies Act No. 07 of 2007.

The Directors are required to ensure that, in preparing these Financial Statements:

- The appropriate Accounting Policies have been chosen and used 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 are entrusted with 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. 07 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 provide the Auditors with every opportunity to take needed steps and accept whatever assessments they may consider to be appropriate to enable them to give their audit opinion.

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

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

### COMPLIANCE REPORT

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

By Order of the Board



**Corporate Advisory Services (Pvt) Limited**  
Secretaries - Kurunegala Plantations Limited

01st August 2018, at Kurunegala.



## REPORT OF THE AUDIT COMMITTEE

The Members of the Audit Committee of the company are appointed by the Board. The Audit Committee comprises of three Non-Executive Directors. The Audit Committee Meetings were scheduled as needed under the Chairmanship of the Audit Committee, who is the Board Member representing the Treasury.

The Executive Director, Working Director, Chief Executive Officer, Senior Managers and Area Superintendents participate to these meetings by invitation and the meetings were coordinated by the Manager- Audit.

The below mentioned Board Members were served to the Audit Committee during the year 2016 and their attendance are as follows.

Name of the Committee Member	25.02.2016	05.05.2016	13.05.2016	05.07.2016	13.09.2016	24.11.2016
Mr. H.A.N. Saman Kumara Chairman - Audit Committee Director/ Treasury Representative	√	√	√	√	√	√
Mr. Sunil S. Alles Director (Resigned on 06.10.2016)	√	√	√	√	√	--
Mr. W. M. D. B. Abeyratne Director	√	√	√	√	√	√
Mr. R. S. Kulathilaka Director (Appointed to the Board on 07.10.2016)	--	--	--	--	--	√

The main Role and Responsibility of the Audit Committee Exercising oversight responsibilities relating to the quality and integrity of the Company's financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of the company in accordance with the Sri Lanka Accounting Standards. Exercising responsibilities over processes to ensure that the company internal controls and risk management are adequate and compliance by the Company with legal and statutory requirements including circulars and guidelines issued by the General Treasury time to time.

### PROGRESS DURING THE FINANCIAL YEAR

The proceedings of the Audit Committee are regularly reported to the Board of Directors for approval and implementation.

The audit committee reviews and monitor the scope of the audit, the objectivity and its effectiveness. The committee also review the operations of KPL along with future prospects.

Action taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units/ Superintendents and corrective measures were recommended.

Report of the Auditor General on the financial statements of KPL for the year ended 31 December 2016, together with management's responses, were discussed with management and the auditors and made arrangements to rectify those mistakes highlighted by the auditors. Weaknesses of internal controls and mistakes of coconut estates identified by internal audit division were discussed with CEO and superintendents, and highlighted the significant areas along with suitable recommendations to the Board of directors to take appropriate action.

The audit committee identified several weaknesses in the internal audit division of the Company and made necessary arrangements to restructure the functions of internal audit division with the aim of improving the effectiveness of the internal audit functions in addition to the routine works carried out during past years by the division. Accordingly, functions were more concentrated on the effective internal controls, review of operations and also reviewing the compliance with laws and regulations applicable to Government Owned Enterprises focusing on applicable Guidelines and Circulars issued by the General Treasury in order to ensure the good governance and the accountability of the company.

The audit committee emphasized the issues to the Board of Directors regarding the current benefits given to employees, highlighting the importance of obtaining the required approval from the appropriate authorities before giving additional benefits to the employees. The committee also instructed the present Board to rectify the inappropriate decisions taken by the previous Boards of KPL.



**H.A.N. Saman Kumara**

Chairman -  
Audit Committee



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය }  
எனது இல. } PLA/A/KPL/01/16/01  
My No. }

මගේ අංකය }  
உமது இல. }  
Your No. }

දිනය }  
திகதி } 24 September 2017  
Date }

The Chairman  
Kurunegala Plantation Limited.



**Report of the Auditor General on the Financial Statements of the Kurunegala Plantation Limited for the year ended 31 December 2016**

The audit of the financial statements of the Kurunegala Plantation Limited for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**Board's Responsibility for the Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis for Qualified Opinion

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#### (a) Sri Lanka Accounting Standards

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The following observations are made.

##### (i). Sri Lanka Accounting Standard 16

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Though the fixed assets cost of Rs. 30,239,420 were fully depreciated, had further being utilized due to non-reviewing of effective life time of non-current assets annually. Therefore actions had not been taken to revise the estimation error occurred as per the Sri Lanka Accounting Standard 08.

##### (ii). Sri Lanka Accounting Standard 19

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Planned assets had not been maintained by the Company to minimize the risk on future defined employee benefit obligations.



**(b) Accounting Deficiencies**

The following observations are made.

- (i). Though it was informed by Ministry of Plantation Industry that a sum of Rs. 138,979,605 had to be received from Kurunagala Plantation Limited as at 31 December 2016 due to the decision taken to stop payment of lease rental with relating to 1750.88 hectares released by the Company; according to the financial statements of Kurunagala Plantation Limited, a sum of Rs. 19,051,007 were remained as lease rental payments in advance to Janatha Estate Development Board.
- (ii). Even though lease rental income of the year under review was shown in accounts as Rs. 5,234,575, the income for the year was Rs. 4,924,526. Therefore lease rental income of Rs. 310,049 of the previous year had been accounted as income of the year under review.

**(c) Lack of Evidence for Audit**

Evidence mentioned in following items was not presented to the audit.

Items	Amount	Evidence not Presented
-----	-----	-----
	Rs.	
(i) Released lands of 550.88 hectares	16,214,000	Land Releasing Documents
(ii) Land of 6722 hectares received on lease basis	189,137,238	Survey plans and confirmation documents of related lands





## Qualified Opinion

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In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Kurunagala Plantation Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Report on Other Legal and Regulatory Requirements

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As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion :
  - \* I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company
  - \* The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

## Report to Parliament

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My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

**Sgd./ H.M. GAMINI WIJESINGHE**  
**Auditor General**

**H.M. Gamini Wijesinghe**  
**Auditor General**

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> December 2016

	Note	2016 Rs.	2015 Rs.
Revenue	4	471,974,070	492,140,403
Cost of Sales	5	(319,957,299)	(316,643,654)
Gross Profit		152,016,770	175,496,749
Other Operating Income	6	96,683,454	121,733,181
Administration & General Expenses	7	(119,655,132)	(132,937,239)
Profit from Operating Activities		129,045,092	164,292,691
Net Financial Income / ( Expenses )	8	15,045,573	1,630,256
Profit before Taxation		144,090,665	165,922,947
Income Tax Expense	9	(17,513,372)	(10,807,068)
Profit for the Year		126,577,293	155,115,879
Other Comprehensive Income			
Defined benefit plan actuarial gains/ (losses)		38,527,114	8,098,729
Total Comprehensive Income for the year		165,104,407	163,214,608
Earnings Per Share (Rs.)	10	6.33	7.76

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

All values are in Rupees, unless otherwise stated.

Figures in bracket indicate deductions



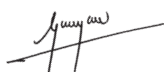
# STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2016

	Note	2016 Rs.	2015 Restated Rs.
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Leasehold Right to Bare Land	11	74,452,624	93,387,704
Immovable Lease Assets (Other than Bare Lands)	12	32,021,352	40,727,824
Bearer Biological Assets	13A	851,917,867	785,952,344
Consumable Biological Assets	13B	143,159,531	140,140,673
Property, Plant & Equipment	14	266,164,493	264,684,411
Other Financial Assets	15	6,593,493	5,706,257
<b>Total Non Current Assets</b>		<b>1,374,309,360</b>	<b>1,330,599,213</b>
<b>CURRENT ASSETS</b>			
Inventories	16	39,198,884	35,007,421
Deposits	17	2,134,540	2,218,840
Pre-Payments	18	21,920,175	20,893,636
Pre-Paid Expenditure on Short Term Projects	19	8,220,767	11,187,730
Income Tax Refund		8,646,415	9,116,377
Trade & Other Receivables	20	67,808,240	56,359,580
Other Financial Assets	15	6,035,878	5,528,514
Short Term Investments	21	450,000,000	415,000,000
Cash and Bank Balance	22	47,454,497	30,142,753
<b>Total Current Assets</b>		<b>651,419,398</b>	<b>585,454,851</b>
<b>TOTAL ASSETS</b>		<b>2,025,728,758</b>	<b>1,916,054,064</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>CAPITAL &amp; RESERVES</b>			
Stated Capital	23	200,000,010	200,000,010
Retained Earnings		1,139,457,881	1,064,381,104
Timber Valuation Reserve		266,883,194	247,398,848
Other Reserves		53,566,512	15,039,398
<b>Total Equity</b>		<b>1,659,907,597</b>	<b>1,526,819,360</b>
<b>NON-CURRENT LIABILITIES</b>			
Retirement Benefit Obligations	24	79,733,753	117,628,140
Net Liability to Lessor	25	97,911,250	101,511,205
Deferred Tax Liability	26	101,115,045	89,347,366
<b>Total Non Current Liabilities</b>		<b>278,760,048</b>	<b>308,486,711</b>
<b>CURRENT LIABILITIES</b>			
Net Liability to Lessor	25	3,565,204	3,565,204
Advance Received	27	2,351,952	1,745,841
Trade and Other Payables	28	81,143,957	75,436,948
<b>Total Current Liabilities</b>		<b>87,061,113</b>	<b>80,747,993</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,025,728,758</b>	<b>1,916,054,064</b>

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

All values are in Rupees, unless otherwise stated. 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.



**Premathilaka PMDG**  
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.



**Piyasoma Upali AM**  
Chairman  
Kurunegala, 28th February 2017



**Saman Kumara HAN**  
Director/ Treasury Representative

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31<sup>st</sup> December 2016

	Stated capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at January 01, 2015	200,000,010	203,478,239	6,940,669	1,036,042,220	1,446,461,139
Net Book Value of Assets Alienated (Note A)				(37,297,388)	(37,297,388)
Adjustment of Finance cost (Note B)				17,660,208	17,660,208
Adjustment of Deferred Taxation (Note C)				(13,219,206)	(13,219,206)
Balance as at January 01, 2015 - Restated	200,000,010	203,478,239	6,940,669	1,003,185,834	155,115,879
Net profit for the year 2015 - Restated				155,115,879	155,115,879
Other Comprehensive Income			8,098,729		8,098,729
Transferred to Biological Assets Reserve		43,920,609		(43,920,609)	-
Dividend - 2014				(50,000,000)	(50,000,000)
Balance as at December 31, 2015	200,000,010	247,398,848	15,039,398	1,064,381,104	1,526,819,361
Net Book Value of Assets Alienated (Note A)				(29,715,923)	(29,715,923)
Adjustment for the Net Book vale of Disposed Coconut & Rubber Trees from 18.06.1992 - 31.12.2015 (Note D)				(2,300,248)	(2,300,248)
Net profit for the year 2016				126,577,293	126,577,293
Other Comprehensive Income			38,527,114		38,527,114
Transferred to Biological Assets Reserve		19,484,346		(19,484,346)	-
Dividend - 2015				-	-
Balance as at December 31, 2016	200,000,010	266,883,194	53,566,512	1,139,457,881	1,659,907,597

## Note A

"The values of assets alienated since 18.06.1992 to 31.12.2003, which has been calculated based on the taking over values from Janatha Estate Development Board (JEDB) or the cost incurred by the Company, as applicable amounting to Rs. 37,297,387.96 has been adjusted in the books accounts, thereby reducing the value of the assets. The other corresponding entry has been shown as a deduction from Lease liability to Lessor (JEDB) as at 31.12.2015.

As per the decision taken at the AGM-2015 dated 21st December 2016, it was decided to calculate the net book vale of the assets alienated from 01.01.2004 as well and to deduct the corresponding entry of reducing assets on alienation of lands/ changing of controlling interest of assets and the above said Rs. 37,297,387.96 from retained earnings.

Accordingly, said Rs. 37,297,387.96 was adjusted retrospectively and Rs. 27,831,281 was adjusted in this year."

## Note B

In consequent to the above adjustments the interest cost of lease rental on the assets taken over by Janatha Estate Development (JEDB) is re-calculated and the impact of which upto 31.12.2015 is adjusted retrospectively.

## Note C

The temporary difference arised on Consumable Biological assets were not taken into consideration when calculating deferred tax in previous years. The impact of the same was adjusted retrospectively.

## Note D

The cost & the amortization of disposed coconut & rubber trees (excluding trees in alienated lands) has not been recognized since 18.06.1992 to 31.12.2015, in the year in which they were disposed. This was adjusted retrospectively.

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

All values are in Rupees, unless otherwise stated.

Figures in bracket indicate deductions



# STATEMENT OF CASH FLOW

For the year ended 31<sup>st</sup> December 2016

	2016 Rs.	2015 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax expense	144,090,665	165,922,947
Adjustments for		
Depreciation/Amortization	57,300,367	57,984,958
Interest on lease agreement	24,658,296	25,393,663
Interest on temporary bank loan	-	52,397
Amortization of staff loans	779,453	1,032,463
Provision for Retirement Benefit Obligations	19,651,574	23,787,118
Interest Income	(40,483,322)	(28,108,779)
Profit/(Loss) on Disposal of Property Plant & Equipment	-	1,054,006
Adjustment made to Net Liability Lessor	(34,751)	-
Income tax paid	-	-
Withholding Tax Paid	(2,528,259)	(2,286,876)
Economic Service Charge Paid	(1,323,420)	-
Provision for Performance Incentive	18,031,000	25,203,842
Provision for Bonus	10,732,681	11,297,741
Net book value of disposed coconut & rubber trees	201,838	-
Gain / (Loss) arising from changes in fair value less cost to sell - Consumable Biological assets	(19,484,346)	(43,920,609)
<b>Operating Profit/(Loss) Before Working Capital Changes</b>	<b>211,591,776</b>	<b>237,412,872</b>
(Increase)/Decrease in Inventories	(4,191,463)	8,366,052
(Increase)/Decrease in Deposits	84,300	(246,000)
(Increase)/Decrease in Pre-payments	364,260	343,355
(Increase)/Decrease in Trade and Other Receivables	2,342,287	1,673,343
(Increase)/Decrease in Pre-paid Expenditure on short term projects	2,966,963	1,659,413
Increase/(Decrease) in Rent Received in advance	606,111	797,489
Increase/(Decrease) in Trade and Other Payables	9,357,014	1,639,445
Payment of Retirement Benefit Costs	(19,018,847)	(22,608,659)
Payment of Performance incentive	(25,042,487)	(28,917,006)
Payment of Bonus	(8,795,250)	(12,242,295)
Cash received from sale of valuable trees	16,465,488	35,971,988
<b>Net Cash From/(Used in) Operating Activities</b>	<b>186,730,152</b>	<b>223,849,997</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of Property, Plant & Equipment	(100,552,823)	(141,215,895)
(Increase)/Decrease in Work-in-Progress	(28,769,608)	6,041,257
Proceeds from disposal of Property, Plant & Equipment		82,000
Interest Received	25,912,922	25,835,469
<b>Net Cash Flows From/(Used in) Investing Activities</b>	<b>(103,409,508)</b>	<b>(109,257,168)</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Lease Rental Paid	(29,614,299)	(28,958,867)
Interest on temporary Bank Loans - Bank of Ceylon	-	(52,397)
Loan Given to Staff	(9,452,000)	(8,892,850)
Staff Loan Recoveries	8,057,400	8,744,500
Dividend paid		(50,000,000)
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>(31,008,899)</b>	<b>(79,159,614)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	52,311,744	35,433,214
Cash and Cash Equivalents at the beginning of the year	445,142,753	409,709,538
<b>Cash and Cash Equivalents at the end of the period (Note A)</b>	<b>497,454,497</b>	<b>445,142,753</b>

## STATEMENT OF CASH FLOW cont.

For the year ended 31<sup>st</sup> December 2016

### Note A

<b>Cash and Cash Equivalents as at</b>	<b>31.12.2016 Rs.</b>	<b>31.12.2015 Rs.</b>
Term Deposits - Bank of Ceylon	76,000,000	166,000,000
Term Deposits - Peoples' Bank	234,000,000	130,000,000
Term Deposits - National Savings Bank	140,000,000	119,000,000
Repo	37,000,000	21,000,000
Cash at Bank	4,826,554	7,559,909
Cash in Hand	5,620,095	1,570,876
Postage/Stamps	7,849	11,968
	<b>497,454,497</b>	<b>445,142,753</b>

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

All values are in Rupees, unless otherwise stated.

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 is located at No. 80, Dambulla Road, Kurunegala.

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

### 1.2 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

## 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. 07of 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.

### 2.3 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 13 B)
- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS - 19) (Note 24)

## ACCOUNTING POLICIES

- 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.

### 2.4 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.

### 2.5 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 12 - Immovable lease assets other than leasehold right to bare land

Note 13B - Consumable biological assets

Note 24 - Measurement of defined benefit obligation.

Note 26 - Deferred taxation

### 2.6 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.



## ACCOUNTING POLICIES

### 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 asset.

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 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 difference 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 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.

## ACCOUNTING POLICIES

### 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 Statement of Comprehensive Income 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 are 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

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.



## ACCOUNTING POLICIES

### 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 asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using 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 expense 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 asset's 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. Biological assets are further classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include Coconut, Rubber and other seasonal cropping trees that are not intended to be sold or harvested, but grown for harvesting agricultural produce from such Biological assets. Consumable Biological assets includes 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

## ACCOUNTING POLICIES

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.

Disposal of trees are done on FIFO basis.

### 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 Statement of Comprehensive Income 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
<b>Currency</b>	Sri Lankan Rupees (Rs.)
<b>Timber content</b>	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced for harvesting of timber.
<b>Economic useful life</b>	Estimated based on the normal life span of each species.
<b>Selling price</b>	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
<b>Discount Rate</b>	Future cash flows are discounted at 14%



## ACCOUNTING POLICIES

### 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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income,

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 Statement of Comprehensive Income**

A financial asset at fair value through Statement of Comprehensive Income includes financial assets held for trading and financial assets designated upon initial recognition at fair value through Statement of Comprehensive Income. 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 Statement of Comprehensive Income 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.

#### **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

## ACCOUNTING POLICIES

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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

#### 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



## ACCOUNTING POLICIES

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.

### 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 Statement of Financial Position 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.

#### 3.1.3.2.2 Subsequent Measurement

Financial liabilities at fair value through Statement of Financial Position include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of Financial Position. 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. 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.

#### 3.1.3.2.3 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

## ACCOUNTING POLICIES

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.

### 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.

### 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



## ACCOUNTING POLICIES

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 Statement of Comprehensive Income 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

## ACCOUNTING POLICIES

arises only on completion of 5 years of continued service.

The key assumptions used in determining the Retirement Benefit Obligations are given in Note 24.

### 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 29.

### 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.

### 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



## ACCOUNTING POLICIES

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 Statement of Financial Position using the effective interest method. Payments made under operating leases are recognized in Statement of Comprehensive Income 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 the Statement of Financial Position 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 Statement of Financial Position, 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

## ACCOUNTING POLICIES

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 respective Notes 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.

### 3.7 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.

### 3.8 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 to or disclosures are made in the Financial Statements, where necessary.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

	2016 Rs.	2015 Rs.
<b>4 REVENUE</b>		
Coconut (Note 04.1)	413,661,122	442,113,846
Rubber (Note 04.2)	29,902,334	30,606,278
Rambutan	6,151,698	4,087,610
Pepper	5,435,210	1,461,660
Cashew	6,107,902	2,034,769
Mango	1,769,494	2,526,435
Foliage & Ornamental Plants	5,378,131	4,140,575
Others	3,568,179	5,169,230
	471,974,070	492,140,403

## 4.1 Coconut Income

Green nuts	390,091,817	432,980,437
Seed nuts	11,430,920	-
Oil income	6,948,260	9,133,409
Copra	5,190,126	-
	413,661,122	442,113,846
Production (Nuts)	16,652,531	14,067,173
Sales (Nuts)	16,739,571	14,167,242
Net Sales Average (per 1000 nuts)	24,712	31,207
Cost of Sales (per 1000 nuts)	15,254	18,503
profit (per 1000 nuts)	9,458	12,704

## 4.2 Rubber Income

RSS	5,563,765	-
Latex	22,774,720	29,189,899
Scrap & Cuttings	1,563,850	1,416,379
	29,902,334	30,606,278
Production (Kg)	144,376	140,678
Sales (Kg)	141,837	140,245
Net Sales Average (per 1 Kg)	211	218
Cost of Sales (per 1 Kg)	328	267
profit (per 1 Kg)	(117)	(49)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

	2016 Rs.	2015 Rs.
<b>5 COST OF SALES</b>		
Coconut	255,344,179	262,136,535
Rubber	47,296,161	37,551,747
Rambutan	1,236,467	1,163,883
Pepper	2,118,916	630,147
Cashew	1,967,027	1,482,611
Mango	1,442,534	896,662
Foliage & Ornamental Plants	6,056,475	7,834,008
Others	4,495,541	4,948,061
	319,957,299	316,643,654

## 6 OTHER OPERATING INCOME

Profit on sales of coconut trees ( Note 6.1)	34,469,384	34,925,181
Profit on sales of rubber trees (Note 6.2)	4,244,065	4,380,317
Profit / (Loss) on disposal & sale of Property Plant & Equipment	-	(1,054,006)
Gain arising from changes in fair value less cost to sell - Consumable Biological assets	19,484,346	43,920,609
Sales of excess husk	16,801,241	21,146,756
Late removal & payment charge -coconut	10,490,117	5,124,795
Lease/ facility fee income	5,206,259	4,512,441
Write back/ (Write off)	1,791,916	1,351,194
Sand	977,124	3,984,481
Other miscellaneous income	3,219,002	3,441,413
	96,683,454	121,733,181

6.1 Rs. 803,466 and Rs. 657,248 have been charged as cost and its amortization of disposed coconut trees during the year 2016

6.2 Rs. 209,249 and Rs. 153,452 have been charged as cost and its amortization of disposed rubber trees during the year 2016

## 7 ADMINISTRATION & GENERAL EXPENSES

Payroll Related Expenses	74,297,931	84,193,373
Maintenance & Repairs	10,396,329	11,957,144
Other Administration Expenses	34,960,872	36,786,722
	119,655,132	132,937,239

### PROFIT FROM OPERATING ACTIVITIES

is stated after charging the following;

Directors emoluments	5,405,016	4,390,964
Auditors fees on statutory audit - 2016	575,000	-
Auditors fees on statutory audit - 2015	563,730	-
Donations	791,286	4,133,752
Depreciation/Amortization-		
Leasehold rights to bare land of JEDB Estates	2,621,779	3,169,957
Immovable leased assets of JEDB Estates	4,324,152	4,841,977



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

	2016 Rs.	2015 Rs.
Mature Plantation	10,374,106	9,516,970
Property, plant and equipment	39,980,330	40,456,054
Personal Cost includes		
Defined Benefit Plan - Retirement Gratuity	19,651,574	23,787,118
Defined Contribution Plan Cost - EPF and ETF	30,737,059	25,207,897
Performance incentive	18,031,000	25,203,842
Bonus	10,732,681	11,297,741
Holiday Pay	4,182,727	6,431,144
Medical Leave	3,828,489	3,893,848
Salaries & Wages	222,391,933	201,000,848

## 8 NET FINANCIAL INCOME /( EXPENSE )

### 8.1 FINANCE INCOME

Interest on Term Deposits	37,763,823	25,798,714
Interest on REPOs (Note 8.1.1)	1,366,273	727,789
Interest on Loans given to Staff	573,773	549,813
Un-winding of Pre-paid Staff Benefits	779,453	1,032,463
	40,483,322	28,108,779

### 8.2 FINANCE COST

Interest on Lease - JEDB	24,658,296	25,393,663
Interest on Temporary Bank Loans	-	52,397
Amortization of Staff Cost	779,453	1,032,463
	25,437,749	26,478,523
	15,045,573	1,630,256

#### 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 2016 by the Company has been grossed up in the Financial Statements by adding 1/9th and the resulting a notional tax credit amounted to Rs. 136,627/-

## 9 INCOME TAX EXPENSE

### 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 )	5,745,693	-
Deferred Taxation ( Note 9.3 & 25 )	11,767,679	10,807,068
	17,513,372	10,807,068

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

	2016 Rs.	2015 Rs.
<b>9.2 Reconciliation between Accounting Profit to Income Tax</b>		
Accounting Profit Before Taxation (Note 09.2.1)	144,090,665	165,922,947
Income from other sources & exempt Income	(60,165,339)	(69,860,919)
	83,925,326	96,062,028
Aggregate Disallowable Items	78,162,484	86,346,028
Aggregate Allowable Items	(150,183,069)	(170,210,322)
Adjusted Profit from the Business	11,904,741	12,197,734
Income from Other Sources	39,703,870	27,076,315
Total Statutory Income	51,608,611	39,274,049
Qualifying payments	(31,088,278)	(39,274,049)
Taxable Income	20,520,333	-
Tax on agricultural activities 10%	-	-
Tax on other income 28%	5,745,693	-
	5,745,693	-

## 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 26. Difference arising from the deferred tax liability has been recognized in the Financial Statements during the year. The company's agriculture activities is taxed on 10% and other income at 28%. The average tax rate of 19% where the effective income tax rate is around 4%. The calculation of deferred tax either on average tax rate or effective tax rate seems not fair and hence, deferred tax is calculated on 10% tax rate.

Deferred tax Expense / ( Income ) arises from :		
Property Plant & Equipment	(1,328,028)	(1,302,760)
Bearer Biological Assets	(6,596,553)	(8,042,687)
Consumable Biological Assets	(301,886)	(794,862)
Provision for bad & doubtful debts	248,227	25,268
Employee Benefit Liability	(3,789,439)	(692,027)
	(11,767,679)	(10,807,068)

## 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.)	126,577,293	155,910,741
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings Per Shares (Rs. Cts.)	6.33	7.80

### 10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31<sup>st</sup> December 2016. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

## 11 LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD

**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 June 18, 1992 Balance Sheet was Rs. 189,234,932. 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 18, 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)

	Rs.
<b>COST</b>	
Capitalized Value as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2003 (Adjusted in 2004)	(21,227,380)
Balance as at 31.12.2016	168,007,552
Disposals due to change in controlling interest from 01.01.2004 - 31.12.2016 (Adjusted in 2016)	(29,358,787)
Balance as at 31.12.2016	138,648,765
<b>AMORTIZATION</b>	
Accumulated amortization as at 01.01.2015	71,449,891
Amortization for the year 2015	3,169,957
Accumulated amortization as at 31.12.2015	74,619,848
Amortization for the year 2016	2,621,779
Disposals due to change in controlling interest from 01.01.2004 - 31.12.2016	(13,045,487)
Balance as at 31.12.2016 (Note - A)	64,196,140
<b>WRITTEN DOWN VALUE</b>	
As at 31.12.2015	93,387,704
As at 31.12.2016	74,452,625
Balance as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2003 (Adjusted in 2004)	(21,227,380)
Disposals due to change in controlling interest from 01.01.2004 - 31.12.2016 (Adjusted in 2016)	(29,358,787)
Balance as at 31.12.2016	138,648,765
Note - A	
# Days for the lease period from 18.06.1992 - 17.06.2045	19,358
# Days for the period from 18.06.1992 - 31.12.2016	8,963
Amortization as at 31.12.2016 (138,648,765 / 19,358 x 8,963)	64,196,140

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

### 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 18, 1992. For this purpose, the Board has decided at its meeting on March 08, 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.

Revaluation	Life of the Asset years	As at 18.06.1992 Rs.	Transfer in/ (Out)	Disposals due to change in controlling interest Adjusted in 2004	Balance as at 31.12.2015
Land Development Cost	30	1,127,305		(4,000)	1,123,305
Buildings	25	22,130,873		(4,437,121)	17,693,752
Machinery	15	34,841		-	34,841
Mature plantations	30	43,001,122	90,335,750	(10,433,369)	122,903,503
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	-	(15,185,962)	141,755,401

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2016	Disposals due to change in controlling interest	Balance as at 31.12.2016
	Rs.	Rs.	Rs.
Land development cost	1,123,305	-	1,123,305
Buildings	17,693,752	-	17,693,752
Machinery	34,841	-	34,841
Mature plantations	122,903,503	(16,579,977)	106,323,526
	141,755,401	(16,579,977)	125,175,424

Amortization	Balance as at 01.01.2016	Charge for the year	Disposals due to change in controlling interest	Balance as at 31.12.2016
	Rs.	Rs.	Rs.	Rs.
Land development cost	881,410	37,472	-	918,882
Buildings (Note A)	16,660,244	707,963	-	17,368,207
Machinery	34,841	-	-	34,841
Mature plantations (Note B)	83,451,082	3,578,717	(12,197,656)	74,832,143
	101,027,577	4,324,151	(12,197,656)	93,154,072

Carrying value	Balance as at 01.01.2016	Balance as at 31.12.2016
	Rs.	Rs.
Land development cost	241,895	204,423
Buildings	1,033,508	325,545
Machinery	-	-
Mature plantations	39,452,421	31,491,383
	40,727,824	32,021,352

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

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 bring the additional investments incurred to bring them to such stage were transferred from the category immature plantations under Note - 13A and a corresponding transfer from immature plantations to mature plantations.

Note - A Buildings	
# Days for the Period from 18.06.1992 - 17.06.2017 (25 Years)	9,131
# Days for the period from 18.06.1992 - 31.12.2016	8,963
Amortization as at 31.12.2016 (16,484,018 / 9,131 x 8,963)	17,368,207
Note - B Mature plantations	
COST	
Mature Plantations as at 18.06.1992	
Balance as at 18.06.1992	43,001,122
Disposals of mature plantations	
due to change in controlling interest from 18.06.1992 - 31.12.2016	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2016	(10,102,690)
	25,918,845
Immature Plantations as at 18.06.1992 which has been transferred to mature plantations over the period at their maturity.	
Balance as at 18.06.1992	90,647,222
Disposals at immature stage due to change in controlling interest	(311,472)
Disposals after being transferred to mature plantations due to change in controlling interest	(8,730,966)
Value of Rubber Trees disposed (other than alienation) upto 31.12.2016	(1,200,102)
Balance as at 31.12.2016	80,404,681
Mature Plantations as at 31.12.2016	106,323,526
AMORTIZATION	
Mature Plantations as at 18.06.1992	
# Days for the Period from 18.06.1992 - 17.06.2022 (30 Years)	10,957
# Days for the period from 18.06.1992 - 31.12.2016	8,963
Amortization as at 31.12.2016 (25,918,845 / 10,957 x 8,963)	21,202,026



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

Immature Plantations as at 18.06.1992 which has been transferred to mature plantations over the period at their maturity.

Economic Life time 30 Years

Year of Transfer	Description	Date of Disposal	COST		AMORTIZATION	
			Balance as at 18.06.1992	Alienation	Balance as at 31.12.2016	Balance as at 31.12.2016
31/12/1994	Value of the Immature plantation		37,756,930			
	Disposal - Korakaha - Disposed at immature stage			(311,473)		
	Disposal - Mahayaya	7/8/1997		(2,957,425)		
	Disposal - Malwatta	7/8/1997		(355,313)		
	Disposal - Ambana (Rubber)	10/9/1994		(223,374)		
	Disposal - Suriyapura	6/6/2000		(92,705)		
	Disposal - Polgammana	1/1/2016		(322,347)		
	Disposal - Polgammana	1/1/2016		(410,721)		
	Disposal - Rubber Trees 2013-2015	1/1/2016		(990,854)		
	Disposal - Rubber Trees - 2016	31/12/2016		(209,249)		
			37,756,930	(5,873,461)	31,883,469	23,381,598
31/12/1995	Value of the Immature plantation		8,429,585			
	Disposal - Mawathagama	15/8/1997		(493,832)		
	Disposal - Walbotale	31/5/2011		(721,401)		
			8,429,585	(1,215,232)	7,214,353	5,050,310
31/12/1996	Value of the Immature plantation		12,394,880	-	12,394,880	8,263,630
31/12/1997	Value of the Immature plantation		8,045,288			
	Disposal - Mawathagama	15/8/1997		(412,325)		
	Disposal - Pannala	9/4/1999		(748,578)		
	Disposal - Pethiyakanda	6/6/2000		(242,922)		
			8,045,288	(1,403,825)	6,641,463	4,206,604
31/12/1998	Value of the Immature plantation		9,962,094			
	Disposal - Polgammana	1/1/2016		(684,684)		
			9,962,094	(684,684)	9,277,410	5,566,615
31/12/1999	Value of the Immature plantation		8,676,654			
	Disposal - Mawathagama	15/8/1997		(420,467)		
	Disposal - Polgammana	1/1/2016		(604,222)		
			8,676,654	(1,024,689)	7,651,965	4,336,439
31/12/2000	Value of the Immature plantation		4,666,747			
	Disposal - Polgammana	1/1/2016		(40,648)		
			4,666,747	(40,648)	4,626,099	2,467,365
31/12/2001	Value of the Immature plantation		715,044		715,044	357,555
			90,647,222	(10,242,540)	80,404,682	53,630,117
	Amortization - Mature Plantations as at 31.12.2016					74,832,143

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

### 13A 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 these leases are shown in the above Note. When such plantations come into bearing, the additional investments incurred since taking over to bring them to bearing had been transferred from immature to mature plantations in this note. A corresponding transfer had been made from immature to mature plantations being the investment undertaken by JEDB on the particular plantation prior to the formation of the company as described in Note 12.

#### IMMATURE BIOLOGICAL ASSETS

	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Others	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>							
Balance as at 01.01.2016	383,384,769	54,283,902	10,054,347	6,182,988	2,265,624	17,922,608	474,094,238
Additions during the year	71,739,291	6,882,176	888,717	1,270,571	1,176,740	5,904,524	87,862,019
Transfers during the year	(66,349,953)	-	(7,051,670)	(2,840,935)	(781,343)	(4,435,998)	(81,459,899)
Disposals during the year		-	-	-	-	-	-
Balance as at 31.12.2016	388,774,106	61,166,078	3,891,394	4,612,624	2,661,021	19,391,134	480,496,358

#### MATURE BIOLOGICAL ASSETS

Cost	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Others	Total
Useful life of the asset	50 years	20 years	20 years	20 years	20 years	Rs.	Rs.
	Rs.	Rs.	Rs.	Rs.	Rs.		
Balance as at 01.01.2016	315,005,376	54,562,740	10,261,219	2,468,600	1,926,783	18,172,161	402,396,879
Transfers during the year	66,349,953	-	7,051,670	2,840,935	781,343	4,435,998	81,459,899
Disposals during the year	(14,778,855)	-	-	-	-	-	(14,778,855)
Balance as at 31.12.2016	366,576,474	54,562,740	17,312,889	5,309,535	2,708,126	22,608,159	469,077,923

#### Amortization

Balance as at 01.01.2016	57,566,103	27,286,559	1,651,545	1,843,270	568,172	1,623,124	90,538,773
Charge for the year	6,004,530	2,728,137	513,062	123,430	96,339	908,608	10,374,106
Disposals during the year	(3,256,466)	-	-	-	-	-	(3,256,466)
Balance as at 31.12.2016	60,314,168	30,014,696	2,164,607	1,966,700	664,511	2,531,732	97,656,414

#### Written down value

As at 01.01.2016	257,439,273	27,276,181	8,609,674	625,330	1,358,611	16,549,037	311,858,106
As at 31.12.2016	306,262,307	24,548,044	15,148,282	3,342,835	2,043,615	20,076,427	371,421,510

#### TOTAL BEARER BIOLOGICAL ASSETS

#### Written down value

As at 01.01.2016	640,824,042	81,560,083	18,664,021	6,808,318	3,624,235	34,471,645	785,952,344
As at 31.12.2016	695,036,413	85,714,122	19,039,676	7,955,459	4,704,636	39,467,561	851,917,867

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.
<b>13B CONSUMABLE BIOLOGICAL ASSETS</b>		
Balance as at the beginning of the year	140,140,673	132,192,052
Gain / ( loss ) arising from changes in fair value less cost to sell	19,484,346	43,920,607
Decrease due to harvest	(16,465,488)	(35,971,986)
Balance as at the end of the year	143,159,531	140,140,673

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.

### Key assumption used in Valuation

1. The harvesting is approved by the Line Ministry and Forestry Department.
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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

## 14. PROPERTY, PLANT AND EQUIPMENT

Following are the assets vested in the company vis-a vis the Gazette notification on the date of formation of the company on June 18, 1992 and all 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 Asset (Years)	Acquisition of land	Improvements to Land	Buildings	Wells	Fencing	Motor Vehicles	Machinery
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 01.01.2016	8,123,564	3,869,754	149,157,275	5,471,198	44,740,604	144,167,724	1,849,609
Additions during the year	-	150,000	491,487	753,101	7,254,553	1,678,672	-
Disposals during the year	-	-	-	-	-	-	-
Transferred (from)/ to							
Balance as at 31.12.2016	8,123,564	4,019,754	149,648,762	6,224,299	51,995,157	145,846,396	1,849,609
Depreciation							
Balance as at 01.01.2016			7,736,894	1,010,993	20,644,242	90,346,671	197,642
Charge During the year			3,728,935	136,782	12,090,139	20,663,700	138,721
Disposals during the year			-	-	-	-	-
Balance as at 31.12.2016	-	-	11,465,829	1,147,775	32,734,381	111,010,371	336,363
Written down value							
As at 01.01.2016	8,123,564	3,869,754	141,420,381	4,460,205	24,096,362	53,821,053	1,651,967
As at 31.12.2016	8,123,564	4,019,754	138,182,933	5,076,524	19,260,776	34,836,025	1,513,246
Fully depreciated assets still in use as at 31st December 2016					20,658,978	47,330,489	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

	Furniture & Fittings	Equipment	Computer Equipment	Computer Software	Total	Work-in- progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Useful life of the asset (Years)	10	8	5	5			
Cost							
Balance as at 01.01.2016	12,810,244	14,956,542	3,579,425	220,000	388,945,939	9,162,402	398,108,341
Additions during the year	383,923	1,712,868	266,200	-	12,690,804	28,778,712	41,469,516
Disposals during the year	-	-	-	-	-	-	-
Transferred (from)/ to						(9,104)	(9,104)
Balance as at 31.12.2016	13,194,167	16,669,410	3,845,625	220,000	401,636,743	37,932,010	439,568,753
Depreciation							
Balance as at 01.01.2016	3,898,381	7,230,339	2,314,768	44,000	133,423,930		133,423,930
Charge During the year	1,250,358	1,526,749	400,946	44,000	39,980,330		39,980,330
Disposals during the year	-	-	-	-	-	-	-
Balance as at 31.12.2016	5,148,739	8,757,088	2,715,714	88,000	173,404,260	-	173,404,260
Written down value							
As at 01.01.2016	8,911,863	7,726,203	1,264,657	176,000	255,522,009	9,162,402	264,684,411
As at 31.12.2016	8,045,428	7,912,322	1,129,911	132,000	228,232,483	37,932,010	266,164,493
Fully depreciated assets still in use as at 31st December 2016	509,968	3,591,413	1,894,370				73,985,218

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.
The land called Pollaththapitiya, 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 15, 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. to H.L. De Mel and Company which it has paid through the Divisional Secretary, Kurunegala on condition suggested by the Ministry that the land will be transferred to the company by the government. The legal interest payable on Rs. 3.5 Mn. for delaying the payment for 18 years was calculated to be Rs. 4,623,563.92 and 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. 8,123,563.92. The full amount is disclosed in these accounts as acquisition cost of the land. The title of land has been transferred to Kurunegala Plantations Ltd with effect from 2015.11.16 (Reg No. G146/78).		
<b>15 OTHER FINANCIAL ASSETS</b>		
Non Current		
Loan given to Employees (Note 15.1)	6,271,235	5,446,034
Pre paid Staff Benefit (Note 15.2)	322,258	260,223
	6,593,493	5,706,257
Current		
Loan given to Employees (Note 15.1)	5,449,390	4,994,299
Pre paid Staff Benefit (Note 15.2)	586,488	534,215
	6,035,878	5,528,514
15.1 - Loan Given To Employees		
Balance at the beginning of the year	11,234,771	11,086,421
Loan granted during the year	9,452,000	8,892,850
Loan recovered during the year	(8,057,400)	(8,744,500)
	12,629,371	11,234,771
Transfer to prepaid staff benefit	(908,746)	(794,438)
Balance at the end of the year	11,720,625	10,440,333
Non Current	6,271,235	5,446,034
Current	5,449,390	4,994,299
	11,720,625	10,440,333
15.2 - Prepaid Staff Benefits		
Balance at the beginning of the year	794,438	1,019,691
Addition during the year	893,761	807,210
Amortization	(779,453)	(1,032,463)
Balance at the end of the year	908,746	794,438
Non Current Assets	322,258	260,223
Current	586,488	534,215
	908,746	794,438



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

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.

	2016	2015
Distress Loans		
Kurunegala Plantations Limited	5.0%	5.0%
Market interest rate of similar loans		
01.01.2016 - 20.11.2016	11.5%	20.0%
21.11.2016 - 31.12.2016	13.0%	20.0%

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.

### 16 INVENTORIES

Produce Stocks	19,021,854	16,711,223
Spares & Consumables	8,572,319	8,084,049
Input Materials	9,474,873	6,799,632
Growing Nurseries	1,341,839	1,990,900
Live Stocks	470,394	522,330
Other Stocks	317,606	899,287
	39,198,884	35,007,421

### 17 DEPOSITS

Deposits on purchase of Fuel	520,000	620,000
Deposits on purchase of other products & Services	41,700	31,000
Deposits for rented Colombo office	600,000	600,000
Deposit kept at Labour Tribunal for Gratuity	967,840	967,840
Others	5,000	
	2,134,540	2,218,840

### 18 PRE-PAYMENTS

Over Payment of Lease Rental to JEDB (Note A)	19,051,007	17,660,207
Insurance	1,149,561	1,201,599
Pre-paid subscriptions	85,989	85,989
Pre-paid amount on service agreements	50,354	55,516
Pre-paid Rents	8,000	265,734
Cadastral Survey	1,107,316	1,002,414
Others	467,950	622,177
	21,920,175	20,893,636

Note A - The Lease rental to JEDB was re-calculated on the alienation of lease assets and Rs. 19,051,007 was recognized as overpayment.  
(Refer Statement of Changes in Equity - Note A)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.
<b>19 PRE PAID EXPENDITURE ON SHORT TERM PROJECTS</b>		
Cut foliage Project - Attanagalla	7,935,013	10,544,985
Pineapple		114,428
Manioc	184,034	142,636
Compost Manufacturing	33,006	153,369
Pasture	66,955	100,432
Papaya		45,244
Paddy	1,760	86,636
	8,220,767	11,187,730
<b>20 TRADE AND OTHER RECEIVABLES</b>		
<b>Trade Debtors</b>		
Produce Debtors - Coconut	39,815,545	37,068,546
Less: Rejection provision	(1,430,683)	(1,449,872)
Recoverable loss on sale of Coconut	3,331,718	1,444,441
Produce Debtors - Seedlings		
Produce Debtors - Rubber	3,424,524	2,646,322
Debtors on Sale of Timber	-	5,091,560
Produce Debtors - Others	108,729	150,203
Rent Receivables	11,054	210,455
<b>Other Receivables</b>		
Withholding Tax	-	-
Notional Withholding Tax	-	-
Economic Service Charges	-	-
Insurance claim Receivable	132,029	23,068
Staff debtors	2,386,327	2,263,384
Interest Receivable	22,983,740	9,192,792
Sundry Debtors	1,501,734	1,692,889
Less: Provision for Bad & Doubtful Debts	(4,456,478)	(1,974,208)
	67,808,240	56,359,580
<b>21 SHORT TERM INVESTMENTS</b>		
Term Deposits - Bank of Ceylon	76,000,000	166,000,000
Term Deposits - Peoples' Bank	234,000,000	-
Term Deposits - National Savings Bank	140,000,000	119,000,000
Term Deposits - Peoples' Bank - Retiring Gratuity Fund	-	130,000,000
	450,000,000	415,000,000
<b>22 CASH &amp; BANK BALANCES</b>		
Stamps	7,849	11,968
Repo	37,000,000	21,000,000
Cash at Bank	4,826,554	7,559,909
Cash in Hand	5,620,095	1,570,876
	47,454,497	30,142,753

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.
<b>23 STATED CAPITAL</b>		
Issued and Fully Paid		
20,000,000 Ordinary shares Rs. 10/- each	200,000,000	200,000,000
Golden share held by Secretary to the Treasury (Note 23.1 )	10	10
	200,000,010	200,000,010

### 23.1 The Golden Shareholder

The Golden Share is currently held by Secretary to the General 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.

### 24 RETIREMENT BENEFIT OBLIGATIONS

Balance as at the beginning of the year	117,628,140	124,548,410
Charged during the year	(18,875,540)	15,688,389
Gratuity paid /payable during the year	(19,018,847)	(22,608,659)
Balance as at the end of the year	79,733,753	117,628,140

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

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'. The actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2016 by Actuarial & Management Consultants (Pvt) Limited.

24.1 The movement in the retirement benefit obligations over the year is as follows.	2016	2015
Interest Cost	11,762,814	12,454,841
Current Service Costs	7,888,760	11,332,277
Total included in the staff cost [Note 07]	19,651,574	23,787,118
Past Service Cost	(73,403,509)	-
Actuarial (Gain)/Loss recognized immediately	34,876,395	(8,098,729)
Amount Recognized in the statement of other comprehensive income	(38,527,114)	(8,098,729)
Total recognized in the comprehensive income	(18,875,540)	15,688,389
Revision of Gratuity Formula		

The Board Decision of 281/10 dated 24th January 2013 to pay, with effect from 01st of February 2013, one month salary per year for each completed years of service as gratuity at the retirement of a employee, who has completed a service of 10 years and above was revoked with effect from 25th April 2016. Accordingly, with effect from 25th April 2016, half month salary for each completed year of service, subject to a minimum of 5 years' service is paid.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

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

## 24.2.1 Financial Assumptions

### for 2016

Rate of Interest	11% p.a
Rate of Increase of Salaries	
Executive Staff	15% p.a next increment due on 01/06/2017
Non Executive Staff - Head office	12% p.a next increment due on 01/06/2017
Estate Staff	25% p.a once in 3 years next increment due on 01/06/2017
Watchers	9% p.a next increment due on 01/06/2017
Daily Paid Staff	9% p.a. Next increment due on 01/06/2017
Daily Paid Staff's wage rates	Rs.480 or Rs. 555 or Rs. 725 as applicable.

### in 2015

Rate of Interest	10% p.a
Rate of Increase of Salaries	
Executive Staff	2% p.a next increment due on 01/06/2016
Non Executive Staff - Head office	3% p.a next increment due on 01/06/2016
Estate Staff	2% p.a next increment due on 01/06/2016
Watchers	9% p.a next increment due on 01/06/2016
Daily Paid Staff	9% p.a. Next increment due on 01/06/2016
Daily Paid Staff's wage rates	Rs.380 or Rs. 455 or Rs. 625 as applicable.

## 24.2.2 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 1967/70 Mortality Table issued by Institute of Actuaries, London for Monthly Paid Staff and A 1949/52 Mortality Table for Daily Paid Staff/Workers were used to estimate the gratuity liability of the company.

Retirements-Age : Male/Female 60 Years (2015 - 60 Years)

## 24.2.3 Gratuity Formula

### for 2016

#### For monthly paid Staff:

Half month salary for each completed year of service, subject to a minimum of 5 years' service.

#### For Executive and, Non Executive Staff - Head office:

Monthly Salary = Basic Salary + COLA (Rs. 7,800/-)

Matching Allowance of Rs. 10,000/- is added for the Executives, who entitles for the said allowance.

#### For Estate Staff:

Monthly Salary = Basic Salary

#### For Daily Paid Staff/ Workers:

Half month salary (Daily Wage x 14 Days) for each completed year of service, subject to a minimum of 5 years' service.

### in 2015

#### Employees with less than 10 years service:

Half month salary for each completed year of service, subject to a minimum of 5 years' service.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

### Employees with more than or equal 10 years service :

One months salary for each completed year of service from the date of employment.

### Executive & Non Executive Staff:

Monthly Salary = Basic Salary + Budgetary Allowance of 15% of Basic Salary +  
Budgetary Allowance of 5% of Basic Salary limited to maximum of 2500 + COLA  
(Rs. 7,800/-)

Matching Allowance of Rs. 10,000/- is added for the Executives, who entitles for the said allowance.

### Estate Staff:

Monthly Salary = Basic Salary

### Daily Paid Staff/ Workers:

One month salary = Daily Wage x 28 Days

AS AT	18.06.1996	31.12.2016	31.12.2015
	Rs.	Rs.	Restated Rs.
<b>25 NET LIABILITY TO LESSOR</b>			
Gross lease liability	401,114,000	232,998,230	241,219,031
Less: Finance charges applicable to future periods	(226,419,004)	(131,521,776)	(136,142,622)
Net lease liability	174,694,996	101,476,454	105,076,409
a) Payable after 5 years;			
Gross Liability		192,068,230	200,289,031
Less: Finance charges applicable to future periods		(108,417,796)	(113,038,642)
Net Liability		83,650,434	87,250,389
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 to the Lessor		3,565,204	3,565,204
		101,476,454	105,076,409

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 present value of the lease payments and interest in suspense. The Net Present Value discount rate of 4% has been used. 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 Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

The lease of the estates have been amended with effect from June 18, 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/- x (1+'GDP Deflator for year 1995'/100) = 8,873,624 (from June 18, 1996 to June 17, 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 18, 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 Income Statement during the current period is Rs. 24,658,296 which comprises the fixed interest portion and a contingent interest portion of the lease rental .

Restatement: The values of assets alienated since 18.06.1992 to 31.12.2003, which has been calculated based on the taking over values from Janatha Estate Development Board (JEDB) or the cost incurred by the Company, as applicable amounting to Rs. 37,297,387.96 has been adjusted in the books accounts, thereby reducing the value of the assets. The other corresponding entry has been shown as a deduction from Lease liability to Lessor (JEDB) as at 31.12.2015.

As per the decision taken in the AGM-2015 dated 21st December 2016, it was decided to deduct the corresponding entry of reducing assets on alienation of lands/ changing of controlling interest of assets from retained earnings. Refer Note A shown in the Statement of Changes in Equity.

AS AT	31.12.2016	31.12.2015
	Rs.	Restated Rs.
<b>26 DEFERRED TAX LIABILITIES</b>		
Balance as at the beginning of the year	89,347,366	65,321,092
Charged during the year (2015 - Restated)	11,767,679	10,807,068
Previous year Adjustment		13,219,206
Balance as at the end of the year	101,115,045	89,347,366

Deferred Tax is calculated on temporary differences between carrying value of taxed assets and written down value of such assets, as analyzed by each taxable activity. The reconciliation of tax effect arising from the timing differences related to carrying amounts of assets and liabilities of the statement of financial position is as follows.

Bearer Biological Assets	(851,917,877)	(785,952,344)
Consumable Biological Assets	(143,159,541)	(140,140,673)
Property, Plant & Equipment	(100,263,260)	(86,982,983)
Provision for doubtful debts	4,456,478	1,974,208
Retirement Benefit Obligation	79,733,753	117,628,140
	(1,011,150,447)	(893,473,652)
Applicable Tax Rate	10%	10%
Net Deferred Tax Liabilities	(101,115,045)	(89,347,366)



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

The company recognized Deferred Tax Assets of Rs. 8,419,023 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. Deferred Tax Liabilities recognized as at reporting date is Rs. 109,534,066. Accordingly, Net Deferred Tax Liability as at December 31st, 2016 is Rs. 101,115,043.

### 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.

### 27 ADVANCE RECEIVED

For Sub Lease/ Land given on facility basis	2,157,992	1,551,881
Others	193,960	193,960
	2,351,952	1,745,841

### 28 TRADE AND OTHER PAYABLES

Trade & Other Creditors & Accrued Expenses	7,328,483	4,508,157
Checkroll Wages & Salaries	9,533,523	8,805,905
Refundable Bid Securities, Security Deposits & Retentions	13,470,257	11,838,255
Gratuity Payable	4,593,806	1,260,361
EPF Payable	2,981,775	2,634,901
ETF Payable	493,290	424,139
Economic Service Charge Payable	1,424,051	-
Provision for Brokerage-Coconut	745,999	635,170
Provision for Bonus Payment	13,461,031	11,523,600
Provision for Performance Incentives	18,095,448	25,106,935
Provision for Medical Leave Payment	3,828,489	3,893,848
Provision for Holiday Pay Payment	5,187,805	4,805,677
	81,143,957	75,436,948

### 29 CAPITAL COMMITMENTS

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

### 30 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.

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.

### 31 RELATED PARTY TRANSACTIONS

There are no related party transaction during the year.

#### 31.1 Key Management Personnel

Key Management Personnel includes all Board of Directors and Chief Executive Officer.

Short term employment benefits	8,791,033	10,129,991
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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

## 32 GOVERNMENT GRANTS

### Non-monetary Grants received during the year

From PHDT (Grants related to income)	1,756,609
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Non-monetary grants (roofing sheets) have been received from the Plantation Human Development Trust (PHDT) for workers' welfare facilities including latrines and re-roofing of line rooms, watchers quarters.

### Monetary Grants received during the year

From Department of Rubber Development (Capital Grants) for rubber new planting	912,757
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The subsidy received for the new or re-planting of rubber has been deducted from the relevant immature plantation (bare biological asset) in arriving the carrying value of the asset.

From Department of Rubber Development (Grants related to income)	225,149
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The subsidy received for fixing of rain guards has been deducted from the related cost

## 33 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,

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2016

AS AT	31.12.2016	31.12.2015
	Rs.	Rs.
Loans and Receivables		
Trade and other Receivables	67,808,240	56,359,580
Short Term Investment	450,000,000	415,000,000
Cash and Cash Equivalents	47,454,497	30,142,753
	565,262,738	501,502,333

### 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 finance assets. 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.

### FINANCIAL RISK MANAGEMENT

Non-derivative financial liabilities		
Net liability to the lessor	101,476,454	105,076,409
Trade and other payables	81,143,957	75,436,948
	182,620,411	180,513,357

### 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.



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited - 2016 will be held at Kurunegala Plantations Limited, Colombo Office, No. 712/3, Baseline Road, Dematagoda, Colombo 09 on 23rd August 2018 at 4.00 p.m. for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2016 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditors of the Company for the year 2017.
3. To declare a Final Dividend of Rs. 30 million payable from the profits for the year ending 31st December 2016.
4. Any other business.
  - 4.1. EXTENSION OF LEASE PERIOD – The present lease agreement signed with the Janatha Estates Development Board will expire on 17th July 2045.
  - 4.2. EXECUTION OF LEASE AGREEMENT FOR THE LANDS FOR WHICH ONLY THE MEMORANDUM OF RECORD HAS BEEN SIGNED - 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, Nammala and Wariyapola) remain to be executed. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed.
  - 4.3. REVISION OF LEASE RENTAL – As Kurunegala Plantations Ltd has lost lease assets which was originally handed over to the Company due to alienation of lands for national and public requirements and for statutory declarations. In turn the lease rental, which was originally calculated based on the value of net asset as at 31.12.1994, is required to recalculate. Although Kurunegala Plantations Ltd has been paying re-calculated lease rentals neither Janatha Estates Development Board as the other party of the agreement or the Plantation Management Monitoring Division as the appointed authority by the General Treasury for the collection of lease rentals on behalf of the General Treasury has not been given their consent for this process. The General treasury as the Golden Share holder of Kurunegala Plantations Ltd is requested to regularize the above process.

- 4.4. Execution of powers vested by the clause 03 of Part B – “Ancillary Powers” of the Memorandum of Association of Kurunegala Plantations Ltd.

Clause 03 of Part B – “Ancillary Powers”

To take over, own, possess, import, purchase, take on lease or in exchange, receive, hire or otherwise acquire and hold any mines, mineral rights, gemstones, buildings, factories, mills, processing plants, easements, rights, privileges, concessions, patents, patent rights, license, secret process, machinery, plant, stock in trade and any real or personal property of any kind or interests thereof necessary, useful or for the purpose of or in connection with the company’s, business or any branch or department thereof and search for ores, minerals and gemstones and mine such ores minerals and gemstones and grant license for mining in or over any lands which may be acquired by the company and to lease any such lands for building or any use of the company.

BY ORDER OF THE BOARD OF **KURUNEGALA PLANTATIONS LTD**



**CORPORATE ADVISORY SERVICES (PVT) LTD**

SECRETARIES OF KURUNEGALA PLANTATIONS LTD

Date: 01st August 2018

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. H. A. P. Thusitha Kumara Dias	or failing him,
Mr. D. M. Bandaranayake	or failing him,	Mr. H. A. N. Saman Kumara	or failing him,
Mr. W. M. D. B. Abeyratne	or failing him,	Mr. Indunil Amarasinghe	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 - 2016 of the Company to be held at Kurunegala Plantations Limited, Colombo Office, No. 712/3, Baseline Road, Dematagoda, Colombo 09 on 23rd August 2018 at 4.00 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 Number

	For	Against
1 To receive and consider the Statement of Accounts for the year ended 31st December 2016 with the Report of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To appoint Auditor General's Department as Auditors of the Company for the year 2017.	<input type="checkbox"/>	<input type="checkbox"/>
3 To declare a Final Dividend of Rs. 30 million payable from the profits for the year ending 31st December 2016.	<input type="checkbox"/>	<input type="checkbox"/>
4 Any other business.		
4.1. EXTENSION OF LEASE PERIOD – The present lease agreement signed with the Janatha Estates Development Board will expire on 17th July 2045.		
4.2. EXECUTION OF LEASE AGREEMENT FOR THE LANDS FOR WHICH ONLY THE MEMORANDUM OF RECORD HAS BEEN SIGNED - 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, Nammala and Wariyapola) remain to be executed. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed.		



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4.4. Execution of powers vested by the clause 03 of Part B – “Ancillary Powers” of the Memorandum of Association of Kurunegala Plantations Ltd.

Clause 03 of Part B – “Ancillary Powers”

To take over, own, possess, import, purchase, take on lease or in exchange, receive, hire or otherwise acquire and hold any mines, mineral rights, gemstones, buildings, factories, mills, processing plants, easements, rights, privileges, concessions, patents, patent rights, license, secret process, machinery, plant, stock in trade and any real or personal property of any kind or interests thereof necessary, useful or for the purpose of or in connection with the company’s, business or any branch or department thereof and search for ores, minerals and gemstones and mine such ores minerals and gemstones and grant license for mining in or over any lands which may be acquired by the company and to lease any such lands for building or any use of the company.

Signed this ..... day of ..... 2018

.....

Signature

Shareholders NIC/ PP/ Co. Reg.No.

**INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY**

1. Kindly perfect the form of proxy by signing in the space provided and please fill 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. H. A. P. Thusitha Kumara Dias - Executive Director  
Mr. D. M. Bandaranayake - Working Director  
Mr. H. A. N. Saman Kumara - Treasury Representative  
Mr. W. M. D. B. Abeyratne  
Mr. R. Sydney Kulathilaka  
Mr. Indunil Amarasinghe

## COMPANY'S AUDITORS

Auditor General's Department

306/72, Polduwa Road,

Battaramulla.

Tel: 0112 887028-34

Fax: 0112 887223

E-mail: oaggov@sltnet.lk

Web site: www.auditorgeneral.gov.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

**Kurunegala Plantations Limited**

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

Tel: 037 2223133, 037 2223191 | Fax: 037 2229618 | Email: [kurunegalplt@sltnet.lk](mailto:kurunegalplt@sltnet.lk)