IMPACTFUL DIVERSITY

Annual Report 2017

Kurunegala Plantations Limited

Ministry of Public Enterprise Development

Impactful Diversity

Productivity, Profitability and Sustainability remain core in our approach to managing plantation and other agribusinesses. With a high emphasis on these core values, we have led the Company towards profitability focusing on our key product categories of coconut and rubber while being open to diversification in our long term strategy towards sustainable development of our plantations.

In our vision of being a model Plantation and Agribusiness Management Company in the South East Asian Region, we have consistently focused on effective business strategies in response to the fluctuating business environment. In better adjusting ourselves to the changing industry dynamics and retaining our profit margins we constantly encourage diversification into other profitable alternative product lines besides our key product categories. It is this bold effort of ours to bring about a positive impact through a constructive diversification strategy that has eventually led us towards remarkable success. Moving into the future, we continue to take the same path relentlessly encouraging impactful diversity in ushering prosperity to all our stakeholders and the country at large.

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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 1st 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 since 1st September 2015 to the end of the year 2017, it rests with the MINISTRY OF PUBLIC ENTERPRISE DEVELOPMENT.

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 4971.12 hectares 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.

OUR VISION, MISSION & CORE VALUES

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.

ACHIEVEMENTS

2011 – National Agri-Business Gold award for Large Category Producer (Plantations)

National Agri-Business 2nd Runner-up for Agribusiness

2012 – National Agri-Business National Gold Award for Agribusiness

National Agri-Business Gold award for Large Category Producer (Plantations)

2013 – National Agri-Business National Gold Award for Agribusiness

National Agri-Business Gold award for Large Category Producer (Plantations)

2014 – National Agri-Business National Gold Award for Agribusiness

National Agri-Business Gold award for Large Category Producer (Plantations)

2015 – 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

2016 – Best Pepper Farmer Award organized by International Pepper Community

2017 – Best Pepper Farmer Award organized by International Pepper Community

MILESTONES

18th June 1992
KURUNEGALA PLANTATIONS LIMITED (KPL) was established under the Companies Act No. 17of 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.

1st 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 1st January 2005 and was brought under the purview of the Ministry of Plantation Industries.

6th June 2006
KPL changed hands under the Ministry of Coconut Development.

18th April 2007
KPL came under the purview of the Ministry of Public Estate Management & Development.

18th June 2010
KPL changed hands to the Ministry of State Resources and Enterprise Development.

16th November 2010
KPL came under the purview of the Ministry of Coconut Development & Janatha Estate Development.

18th February 2015
KPL was brought under the purview of the Ministry of Plantation Industries.

21st September 2015
KPL was brought under the purview of the Ministry of Public Enterprise Development.

CHAIRMAN'S MESSAGE

I would like to extend a warm welcome to our shareholders at the Annual General Meeting 2017 of Kurunegala Plantations Limited (KPL). On behalf of the Board of Directors, I present to you the Annual Report and Audited Financial Statements of our Company, for the Financial Year ended 31st December 2017.

OPERATING ENVIRONMENT

Global Economy

Global growth continued to strengthen in 2017 with a growth rate of 3.7% while the GDP continuing to accelerate over three quarters of the world in the broadest cyclical upswing since the start of the decade. This accelerated growth has been broad based, with notable upside surprises in Europe and Asia. A growth surge was witnessed both among advanced economies, notably in countries like Germany, Japan, Korea, and the United States as well as key emerging and developing economies, including Brazil, China, and South Africa.

Moreover, some of the countries that had high unemployment for some time also progressed experiencing strong employment growth while larger emerging market economies such as Argentina, Brazil and Russia existing from their recession. Nevertheless, in terms of per capita, growth in almost half of emerging market and developing economies lagged behind advanced economies, while almost a quarter witnessing a decline. The countries that struggled included fuel exporters and low-income economies suffering from civil strife or natural disasters.

The global trade also grew stronger during the year, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia in the run up to the launch of new smartphone models.

Crude oil prices also observed an upward trend supported by the improved global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East. The prices increased by about 20% between August 2017 and mid-December 2017 to over $60 per barrel, with some further increase as of early January 2018. The increase in fuel prices raised headline inflation in advanced economies, though wage and core-price inflation remain weak. Among emerging market economies, headline and core inflation ticked up slightly after declining earlier in 2017.

Local Economy

Despite the progress encountered in the global front, the Sri Lankan economy grew at a moderate pace in 2017. Although the industry and the services sectors performed well during the year, agricultural sector contracted for the second year running owing to bad weather with the construction sector also showing a slow progress.

The industry and the services sector contributed positively to economic growth with industry activities complimented by the reinstatement of GSP+ giving a boost to the manufacturing activities and the service sector expanding largely due to the growth in financial services, and wholesale and retail trade activities. However, a moderate growth was observed in the construction activities. The rationalization of government expenditure and the tight monetary policy stance also affected the economic growth during the year.

The set back in the agricultural sector due to the adverse weather conditions was felt across the principal agricultural crops leading to a decline in production. Severe drought conditions affected the major cultivation areas hindering the growth of agricultural activities. Although the recovery in paddy cultivation during the last quarter led to a rebound, the setback in agricultural activities continued.

SECTORAL PERFORMANCE

Coconut Production Declined

The Coconut industry that recorded a marginal drop of 1.4% in 2016, declined further by 18.7%, in 2017. This decline in production was mainly due to the drought situation that severely affected the major coconut growing areas of the country leading to lower coconut production throughout the year. Even though, the amount of rainfall remained the same during the year, unusual shift in rainfall patterns led to a drop-in produce with plantations either receiving too much or too little water at a given time.

The decline in the coconut production in turn created severe shortages of nuts for domestic consumption and for industrial usage resulting in price hike despite government effort to ease the supply shortfall and the price pressure. While the CDA temporary discontinued the export of fresh nuts since June 2017, the coconut processors further requested to liberalize coconut imports considering the inadequate supply of coconuts for domestic industry. Accordingly, a policy decision was reached to import coconut kernel required for the industries.

Rubber Sector – Less Attractive

As opposed to this, the rubber production witnessed a growth of 5.1%, a 4 Million Kilograms increase in 2017 compared to 2016. The growth of natural rubber production continued irrespective of the unfavorable weather conditions. However, the average yield for rubber per hectare displayed only a marginal increase compared to the previous year mainly due to the slowdown in the tapping operations in the smallholder sector in response to adverse weather conditions. The rubber production further became less attractive to the smallholder due to the increase cost involved in production and the preference of domestic industries for low cost imported raw material for their value-added product, leading to a decline in domestic rubber consumption.

Minor Export Crops Declined

Likewise, minor export crops (MECs) declined also due to unpredictable weather conditions in MEC growing areas, increase cost of production and price fluctuations in the export markets. The production of crops such as cardamom, coffee, cocoa, arecanut, betel leaves, ginger, turmeric and citronella declined while production of some crops such as cinnamon, pepper, cloves and nutmeg increased considerably.

Company Performance

In the above milieu, our Company recorded an outstanding profitability in 2017. KPL earned the highest ever profit before tax of Rs. 248 Million in 2017, a 72% increase compared to the previous year. All our area estates performed better than the previous financial year with coconut and rubber produce chiefly contributing to this income and diversified crops also contributing a considerable portion.

We were able to keep the increase of Company's administrative cost below 10% in comparison to the previous year. The earnings per share showed a 27% increase against last year. The total asset base increased by over Rs. 210 Million during the year 2017.

Our success is largely determined by our continued effort in improving the coconut cultivation by adopting various techniques and methods that fortify an increased harvest. Likewise, our diversification strategy which was implemented at a large scale during the past recent year also played a crucial role in making the Company a profitable entity. Culminated with this, our commitment to ethical practices including obligation to zero deforestation and government land conservation, improved employee welfare, adherence to industry best practices all contributed to the success of the organization.

This performance of KPL should be scrutinized through a realistic lens with due regard to the background in which it operates. KPL was under private ownership for nearly 13 years, during which there was no large-scale initiative to encourage neither coconut under-planting/replanting nor intercropping. Therefore, its negative impact was felt another 10 years ahead. It was only in 2005, under the government ownership, that coconut under-planting and intercropping instigated, where the harvest could be reaped after year 2015. Therefore, comparison of progress statistics should be carried out under scrutiny considering the foundation laid under the previous ownership.

However, KPL's progression during the year is worth a highlight considering its challenging path to success. The adverse climate conditions, labor scarcity, degraded soil fertility and government rules and restrictions remain primary obstacles for KPL's advancement. Nevertheless, the improved performance of the Company is commendable considering the Company's complete non-dependency on the General Treasury for our sustenance and our commitment to ensuring worker welfare amidst obstacles. Besides, at a time when most of the government owned institutions are not financially viable and depend on the General Treasury for their survival, KPL was able to pay the General Treasury a dividend of Rs. 355 Million since 2007.

Corporate Governance

We are committed to upholding high standards of corporate governance and business conduct through adherence to industry best practices, government policies, rules and regulations that apply to the plantation sector and to State Owned Enterprises. However, the regulatory boundaries have created practical difficulties in carrying out our tasks curtailing our full potential in view of the financial strength and the capacity we possess. Although, we have brought this to the attention of the relevant authorities including CORP Committee and Ministerial meetings at Ministry of Public Enterprises at many occasions, thus far, no solution has been granted in this aspect.

The Way Forward

Going forward, we plan to progress in terms of extra value addition to our products while removing the existing barriers to our further progression. Our potential for future success and profitability ultimately lies in the removal of these regularity barriers and exploring every possible avenue for impactful diversity that ensures our long term sustainability as a Company.

Appreciation

I take this opportunity to express my gratitude to Hon. Lakshman Kiriella Minister of Public Enterprise Development; Hon. H.M.M. Harees – Deputy Minister of Public Enterprise Development; Mr. Ravindra Hewavitharana, the Secretary of Ministry of Public Enterprise Development and other officials who have extended their fullest support and tireless service towards us.

I also thank my fellow Board of Directors for their enthusiastic participation in all board matters and the abundant support extended to me at all times. I also wish to thank the Management Team and all employees for their commitment during this year, and which I look forward to in the coming years.

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.

Mr. A.M. Piyasoma Upali
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

It is with great enthusiasm, that I extend a warm welcome to all our stakeholders and take pride in presenting you with the Annual Report and the Financial Statements of Kurunegala Plantations Limited (KPL) for the financial year ended 31st December 2017. I am pleased to announce that we have completed another successful year driving the Company towards remarkable success with our diversification strategy in the sustainable development of our plantations.

The year under review was a challenging year with natural disasters, geo political tension and deep political division in many countries. However, the GDP improved world over ending 2017 with a high note. Nevertheless, as opposed to the growth in the global front, the Sri Lankan economy declined to 3.1% in 2017 from 4.5% in 2016. Agricultural sector was severely hit by droughts and flood related disturbances. Severe drought conditions that prevailed particularly in the major cultivation areas hindered the growth in agriculture activities, even though a rebound was observed during the last quarter of the year due to the recovery in paddy production during the 2017 Maha season.

The construction sector also presented slow growth picture while the industry and the services sectors contributed positively to economic growth with industry activity best owing the second highest contribution to GDP.

PLANTATION SECTOR REVIEW

Coconut Sector

At the national level Coconut production which recorded a marginal drop of 1.4% in 2016, further declined by 18.7% in 2017. A key reason was the drought situation that had a major impact on the coconut growing areas such as Kurunegala, Puttalam and Gampaha districts resulting in low coconut production throughout the year. By the last quarter of 2017, the coconut production declined by 28.2% in comparison to the corresponding quarter of 2016.

The low coconut yield led to a severe shortage of nuts for domestic consumption as well as for industrial usage. As a result, the coconut prices escalated to unprecedented levels in 2017 with wholesale price of fresh nuts in the local market increasing significantly by 95.2% to Rs. 62.71 per nut. Subsequently, the average retail price of fresh nuts also increased by 47.1% to Rs. 67.40 per nut during the year.

Besides, factors such as utilizing coconut land for other purposes, government importing coconut kernel in order to ease out the shortage of coconuts in the local market for domestic consumption, coconuts being sold through Coconut Development Authority (CDA) by way of auction creating an oligopoly market situation also contributed to the coconut price fluctuations during the year.

Rubber sector & Other Crops

Although the national rubber production grew by 5.1% in 2017 witnessing an increase in all major categories of rubber products, the average yield displayed only a marginal increase (1.1%) in 2017 compared to the average yield recorded in 2016. The reason for low yield in rubber was mainly due to the decline in the number of tapping days, in response to the severe weather conditions, predominantly amongst the smallholder producers.

While the cost of rubber production also increased by 8.3% to Rs. 195 per kg, domestic rubber consumption also declined by 9.2% with local industries preferring to import raw material for their value-added products due to low price of imported raw material, creating a less favorable situation for the rubber industry.

Furthermore, minor export crops also declined with dry weather conditions and unusual rainfall patterns hampering the production during the year. While the production of some crops increased, others witnessed a decline. Pepper imports to Sri Lanka were also banned by the government to avoid low quality imports being re-exported to other countries under existing trade agreements.

KPL POSITION IN THE ABOVE MILIEU

Indubitably, KPL performance was also affected by the antagonistic operational environment, with coconut and rubber being the Company's two main product focus. While Coconut accounts for almost 80% of KPL income, rubber also contributed 6% for the Company revenue. Although we managed to keep up with the Coconut production through various alternative initiatives to confront the challenges, our rubber production suffered immensely despite the favorable national level growth of rubber produce. In fact, KPL rubber yield came down by 17% with most of our rubber plantations running at a loss compelling us to uproot rubber plantations and opt for other crop varieties.

Nevertheless, KPL achievement during the year can be attributed to two significant factors. Our farsighted management practices and our approach towards impactful diversity as a long term strategy of sustainable development of our plantations, culminated with our commitment and dedication to achievement.

OPERATIONAL PERFORMANCE

I am pleased to announce that we as a government entity have achieved remarkable success amidst challenging operating environment, recording the highest ever profit before tax of Rs. 248 Million in 2017 in the history of KPL. This is a 72% increase of profit compared to the previous year. Our Coconut production largely contributed to this profit in addition to the revenue generated from rubber production and the considerable income manifested from our intercrops such as Pepper, Mango and Rambutan plantations.

CHIEF EXECUTIVE OFFICER'S REVIEW

Our Coconut production generated Rs. 459.16 Million revenue during the year 2017, an 11% increase compared to the previous year. As for the around 173 ha. of the rubber extent of the Company, there was a Rs. 6 Million revenue increase in 2017 compared to 2016.

Our diversified crops, recoding the highest ever income, contributed to financial stability by bringing in Rs. 32 Million revenue from intercrops, a Rs. 5 Million increase compared to the previous year. Pepper, Mango and Rambutan remained the highest income generating intercrops; black pepper production increased by 4000kg, Mango income increased by over Rs. 3.5 Million and rambutan income increased by over Rs. 1.5 Million.

CONFRONTING CHALLENGES

In addition to the above climatic changes that harshly affected all our crops, our plantations were also affected by degraded soil fertility, labor scarcity, rigid government rules and regulations as well as pests and diseases. The continuous regrowth of the same crops has led to fertile soil being washed away leading to lower yield where countries like Kenya have been able to outperform the local produce in the global arena by producing a higher yield. In this regard, a crucial step taken by the KPL was the diversification into other crops in continuing our income generation.

Of the diversification program that commenced in 2005, KPL was able to reap that harvest during last year. Unproductive rubber plantations are used to diversification with crops such as rambutan, durian, avocado, cinnamon, pepper, mango and cashew reaping a good income. Additional focus was also given to crops such as cinnamon and pepper considering its growth potential and market profitability. As a result, last year saw the introduction of cinnamon cultivation in Kurunegala district. Some estates were also dedicated for mono cultivation where they produce or grow a single crop.

Labor scarcity also remains another deterrent to our progression. Due to large number of youth moving into other jobs, high older population in the labor force, reluctance amongst the younger generation to come into the plantation sector have led to a severe dearth of labor in the plantations. For instance, some estates that require a minimum workforce of 150, have only managed to sustain 89 laborers. In response, KPL is in the process of introducing farm mechanization techniques to carry out the tasks with less dependency on human labor.

Furthermore, rigid government policies, rules and restriction also have an adverse impact on the performance of KPL. KPL being a government entity is expected to seek the approval of various ministries and government authorities, particularly, the Ministry of Public Enterprise Development in carrying out its tasks. In the process, a significant amount of time was wasted leading to a delay in implementation thereby hindering the performance of the Company. For instance, marketing decisions were constantly delayed due to such government procedures. In light of this, KPL is exploring the possibility of public-private partnership projects in adding value to our primary products.

Pest and diseases as well as wild animal attacks on the harvest too had a negative impact on the performance of the Company. As a problem mitigation measure KPL has decided to lease out land for out growers for intercropping.

KEY HIGHLIGHTS OF THE YEAR

The year 2017 witnessed the highest income of 248 Million in the 26 years of KPL history that was largely attributed to the diversified plantation projects in addition to the continuing coconut and rubber cultivation. In terms of the diversified crops, the highest income contribution was recorded from rambutan and mango cultivations.

Introduction of mono cultivation and inter crops at a large scale in some estates was another critical step taken during the last fiscal year. As for the short term crop cultivation, land was leased out for a maximum of five years for the farmers in the surrounding villages to grow crops in between the tree crops. Intercropping brought benefits in many ways. While around thousands of acres were utilised in this regard, intercropping was also seen as a practical solution for the labor scarcity. Further, it is also considered as an ideal method for creating a micro climate conducive for the coconut growth. Since the year 2015 to the present, the Company has leased out 792 acres of land to the out growers.

Diversification into alternative crops is a major step taken towards Company progression. Diversification into new crops was carried out in order to obtain maximum productivity from the land. KPL remained at the top in terms of diversification as a plantation sector Company as well as a smallholder Company. A clear indication of our success is the awarding of "Best Pepper Grower" by the International Pepper Community.

Last fiscal year also saw KPL taking initiatives to introduce under plantation where along with the old generation tree crops KPL started growing the new generation of crops in sustaining the long term profitability.

Furthermore, our initiation of converting unproductive rubber plantation into cinnamon cultivations, introducing irrigation systems to the coconut plantation through digging deep wells, making husk pits for water retention using coconut husk, introducing sprinkler systems and drip irrigation systems were critical measures taken during the year in enhancing productivity.

Investing on our human capital was another critical aspect on our agenda. In this regard, we focused on infrastructure development of staff from the managerial level to the field level where staff were provided with additional facilities along with renovation of their quarters. Last year, renovation of 15 Officer in Charge (OIC) quarters were completed and currently in the process of renovating another 26 quarters. Besides, Electricity facilities were also provided for some staff members who are posted in remote areas with no electricity. They were provided with solar power systems and kerosene free of charge. KPL also obtained solar power energy to the Head Office building in minimizing the consumption of electricity from the national grid. Free coconuts were also given for the workers as an incentive.

In terms of monetary incentives, in 2017 KPL paid Rs. 27.6 Million to employees as incentives. In addition, a salary increments of Rs. 7,800 was granted to all estate staff in par with the renewal of the collective agreement in the year 2017.

As a CSR initiative, last year, two scholarships were also given to the children of plantation workers.

Aligned with our minimum cost marketing approach, we have initiated a leasing system in marketing the harvest from the diversified crops such as rambutan, mango, pepper, and durian cultivations. This leasing system allows the out growers or people in the nearby villages to reap the harvest minimizing the post-harvest lost for the Company while the risk of protection of the ripped fruits is also borne by the buyer.

THE WAY FORWARD

In moving ahead, KPL is exploring every possible avenue in adding value to the primary product lines such as coconut, rambutan, and mango produce. Besides, KPL is also exploring at present (during last two years) the possibility of public-private partnership initiatives and eco-tourism projects in further enhancing Company profitability.

We are further exploring the possibility of introducing similar leasing systems for coconut harvest where the Coconut trees are leased out to people in addition to considering the prospect of creating end products such as organic coconut oils in the coming years.

In the long term, we will continue on the same path focusing on the development of our diversification program in line with our long term strategy of sustainable development of our plantations. We earnestly intend to progress diversification into more land areas where we can commence the next step of horizontal diversification, having completed at present the vertical diversification.

APPRECIATION

I wish to convey my gratitude to Hon. Lakshman Kiriella, Minister of Public Enterprise Development; Hon. H.M.M. Harees, Deputy 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 the 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.

Mr. S.M.M. Samarakoon
Chief Executive Officer

BOARD OF DIRECTORS

Left to Right

1. Mr. R. Sydeny Kulathilaka | 2. Mr. D.M. Bandaranayake – Working Director |
3. Mr. A.M. Piyasoma Upali – Chairman | 4. Mr. W.M.D.B. Abeyratne |

Left to Right

5. Mr. M.G.D.I. Amarasinghe | 6. Mr. H.A.N. Saman Kumara – Treasury Representative |
7. Mr. H.A.P. Thusitha Kumara Dias – Executive Director

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 and exposure, actively contributing to the organization to achieve the present status where it is today. During his illustrious career spanning well over three decades in political administration, he became the first individual in the history to be elected as the Chairman of Kuliyapitiya Pradesheeya Saba and was also the first person 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 too he provided his services to the Public as a member of the very first Development Council of the Kurunegala District in 1980, then holding positions of the Chairman of the Multi-Purpose Cooperative Society Kuliyapitiya and a Director of the National Co-operative Council. Since then Mr. Upali represented the Kuliyapitiya Electorate as a Member of Parliament in 1988, and then held the position as a Member of Parliament continuously for 16 years from 1989-2004 representing the Kurunegala District.

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

Mr. H.A.P. Thusitha Kumara Dias
Executive Director

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 of 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 traveling 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. Thusitha is involved in the developing of the under privilege community in the area and is a well-recognized philanthropist.

Mr. D.M. Bandaranayake
Working Director

Appointed as a 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 the Agriculture, Farming and Private Transportation sectors. He brings in a wealth of experience working with people in the Political and Private sector as well as Public sector professionals. He was a Member of Parliament from 1989 to 2004 representing the Kurunegala District and the Former Minister for Paddy Development under the Ministry of Agriculture.

Mr. Banadaranayaka also served as the Treasurer to the Private Bus Operators Association of Galgamuwa from 1985 to 1986, and the President of Vilawa Gramodaya Development Board from 1985 to 1989 whilst being an active member and the President of the Task Force of the Vilawa Divisional Secretariat. He was also the President of Yapahuwa Milk Farmers Association from 1985 to 1989 and has contributed largely to the development of religious temples and institutes in Yapahuwa while he also served as President of the Yapahuwa Temple Pageant Organization Committee from 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 with effect from April 2015. Mr. Kumara counts years of experience in the Public Sector organizations in Sri Lanka where he served as member of the Senior Management Team or a Director on the Board. He served as the Assistant Director (Finance), at the Department of Meteorology from May 2002 to August 2005, Assistant Director at the Department of Public Enterprises from August 2005 to December 2010, Deputy Director at the Department of State Accounts from December 2010 to July 2013, Deputy Director at the Department of Public Enterprises from July 2013 to September 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 also served as the Chairman of the Audit Committee of those institutions. 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 counts years of experience in the Accounting and Auditing field. Further, he serves as a member of the Audit Committee of Kurunegala Plantations Limited with effect from April 2015. He began his career at Thornton Panditharatna & Company and later served at the Milk Industries of Lanka Co. Ltd., Holiday Island Resort in Maldives, D.B. Abeyrathna & Company and State Timber Corporation.

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

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

Mr. R. Sydney Kulathilaka
Director

Mr. Kulathilaka who heralds from Kurunegala, 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 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 Industrial Explosives (Pvt) Ltd. He is also a Justice of Peace (All Island) and the Secretary of Explosive Dealers Association, Sri Lanka, while serving as Coordinator, Ministry of Public Enterprises Development.

Mr. M.G.D. Indunil Amarasinghe
Director

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, of Alupola Estate, Blairlemond Estate, Dammeria-A Estate, Nahavila Estate and at present he is managing a 1100 ha. multi crop Dammeria-B Estate in Passara Group under Finlays. He is a veteran in all aspects relating to Coconut, Rubber, Cinnamon, Pepper and Tea. He obtained his B.Sc in Plantation Management from the Wayamba University of Sri Lanka. He also served as Secretary of the UVA Executives Association.

SENIOR MANAGEMENT

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

Mr. A.M.S.B. Attanayaka
B.Sc. Agriculture
M.Sc. Agriculture
Deputy General Manager

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

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

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

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

Mr. M.M.J. Cooray
Manager – Audit

AREA SUPERINTENDENTS

Mr. G.K.A. Jayawardana

Mr. K.L.H.C. Perera
Dip. In Animal Husbandry

Mr. R.M.P.U. Prasantha
B.V.Sc. Registered Veterinary Surgeon & Practitioner

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

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

Mr. W.M.G.K.B. Weerasinghe
B.Sc. Plantation Management, MBA

OPERATIONAL REVIEW

Kurunegala Plantation Limited (KPL) strives to be the model plantation and agribusiness management Company in the South East Asian Region. In fulfilling this vision, KPL relentlessly continues to manage its plantations and other agribusinesses productively, profitability and sustainably through harnessing its natural, physical and human resources to the optimum. While doing so, KPL adheres to the fundamental principles of environmental sustainability and social responsibility in benefiting all stakeholders of the Company and the country at large.

GLOBAL ECONOMY STRENGTHENED

Since mid-2016, local economy has shown signs of strengthening with some 120 countries (almost three quarters of the world's GDP) picking up growth in 2017. This is the broadest synchronized global growth upsurge witnessed since 2010. Rapid growth is witnessed in advanced economies, notably in countries like Germany, Japan, Korea, and the United States, while key emerging markets and developing economies including Brazil, China, and South Africa also witnessed stronger growth in the third quarter compared to the fall quarter forecasts indicating a continuation of strong momentum in the fourth quarter.

World trade also observed an upsurge mainly due to the pickup in investments in advanced economies, increased manufacturing output in Asia, a notable improvement in emerging Europe, and signs of recovery in several commodity exporters.

Despite the improved global growth outlook, crude oil prices displayed an upward trend in 2017. Adverse weather conditions in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have affected the crude oil prices leading to 20% increase between August 2017 and mid-December 2017, to over $60 per barrel, with some further increase as of early January 2018. However, the markets expect prices to gradually decline over the next 4-5 years. Nevertheless, the increase in fuel prices led to high inflation in advanced economies, though wage and core-price inflation remain weak. Besides, in emerging market economies core inflation ticked up slightly in recent months after declining earlier in 2017.

SLOW GROWTH WITNESSED IN THE LOCAL ECONOMY

Despite the growth upsurge in the global arena, the local economy grew at a moderate pace of 3.1% in 2017, compared to the growth of 4.5% in 2016, amidst the challenges arising from both domestic and external fronts. Agricultural sector was harshly hit by the severe drought conditions affecting the major cultivation areas hindering the growth of agricultural activities. Even though a rebound was observed in the last quarter of the year due to the recovery in the paddy cultivation during 'Maha' season, the setback in agricultural activities were felt across the sector.

Nevertheless, the local industry and the services sector positively contributed to the economic growth in the backdrop of spill over effects of the low agricultural performance. Industry activities were complimented by the reinstatement of GSP+ giving a boost to the manufacturing activities while services sector expanded largely supported by the growth in financial services, and wholesale and retail trade activities. However, a moderate growth was observed in the construction activities. Besides, the rationalization of government expenditure and the tight monetary policy stance also affected the economic growth in 2017.

Investment expenditure also grew at a slower pace compared to the previous year, though the consumption expenditure accelerated in 2017 despite the slowdown in the previous year. While the exports also grew at a higher rate considering the stronger recovery of some of Sri Lanka's major export destinations such as the US and Europe, the substantial increase in imports resulted in a further deterioration of the net external demand.

AGRICULTURAL SECTOR IMPERILLED BY HOSTILE WEATHER CONDITIONS

The adverse weather conditions, either marked by acute droughts or flood situations led to the contracting of agriculture, forestry and fishing activities by 0.8% in value added terms in 2017, compared to 3.8% contraction observed in 2016. According to the Agriculture Production Index that measures the output of the Agriculture and fisheries sectors, recorded a decline of 10.9% in 2017. As per the index, the sub-indices of paddy, coconut and other crops (fruits, vegetables and other field crops) decreased, while tea and rubber sub-indices increased during the 'Yala' season by 49.2% and 40.1%, respectively.

Tea

Reversing the decreasing trend in the last four years, Tea sector displayed an accelerated growth. The tea production improved by 5.2%, resulting in an output of 307.7 Million kilograms in 2017, compared to 292.6 Million kilograms in 2016. This upsurge in tea production is witnessed amidst crop losses resulting from dry weather conditions that prevailed in major tea growing areas since 2015 and restrictions on the application of selected weedicides such as glyphosate and labor constraints leading to high cost of production.

Rubber

Rubber production also witnessed an improvement with a growth rate of 5.1% in 2017. Although there was an increase in all the major categorize of rubber, this growth was considered marginal compared to the average yield recorded in 2016. A primary factor was the reduction in the number of tapping days amongst the smallholder sector due to grave weather conditions. Moreover, reasons such as increase in the cost of rubber production and decline in local demand for rubber with the local industries preferring to import low cost raw material for value added goods, contributed negatively to the growth of the rubber sector.

Coconut

Despite the upsurge in the tea and rubber produce, the coconut production recorded a substantial drop at national level, from 1.4% in 2016 to 18.7% in 2017. This was mainly due to the prolonged drought conditions that continued into 2017 affecting major coconut growing areas resulting in low coconut yield. The decline in coconut production was severe in the last quarter of 2017 in comparison to the corresponding quarter of 2016, which in turn had a negative impact on all coconut related industries.

Meanwhile, the low coconut yield created a scarcity of nuts for domestic consumption and industrial benefit. This led to a rise in the coconut prices in the local market with whole sale prices of fresh nuts increasing significantly. The price hike was also supported by factors such as use of coconut land for other purposes, government importing coconut kernel to ease out the domestic shortage, and the oligopoly market situation created at the Coconut Development Authority (CDB) at the auctioning of produce.

Minor Export Crops and other field Crops

Production of minor export crops also declined in 2017 compared to 2016. The minor export crops (MECs) which consist of 12 major types of crops declined by 5.9% in 2017. Similarly, the production of other field crops was also hampered by adverse weather situation recording a decline of 20% in 2017 compared to 2016 while the cultivation extent recorded a drop of 24.5%.

PRINCIPAL ACTIVITIES AND THE NATURE OF BUSINESS

At KPL, our principal activities remain cultivation, manufacture and sale of Coconut, Rubber and other Intercrops.

PRODUCT PORTFOLIO

Coconut remain our main crop in eight estates covering mature area of 3,124.60 hectares while rubber had been confined to 03 estates covering mature area extent of 173.48 hectares. KPL also maintains a range of intercrops namely, pepper, mango, rambutan, dragon-fruits, cinnamon, cashew, etc., which are grown mainly in between coconut plantations.

Overall KPL holds a land extent of 4971.12 hectares as of 2018, out of which 586.63 hectares are uncultivable.

COMPANY RECORDED AN OUTSTANDING PERFORMANCE

During the year under review, KPL recorded a remarkable performance with the highest ever profit before tax of Rs. 248 Million, a substantial increase of 72% compared to the previous year. Rs. 459 Million revenue was generated from our coconut cultivation while Rs. 35 Million revenue was generated from the rubber cultivations. Our intercrop cultivation contributed an income of Rs. 32 Million for our revenue during the year under review.

Our outstanding success and profitability can be attributed to our farsighted strategic direction. One of the critical strategic steps taken during recent past in this regard was the large-scale initiation of diversification into intercrops in minimising our dependency on the major crop of coconut that accounts for approximately 80% of our income. As a result, we have been able to maximise the income generated from a land unit while generating an additional income from intercrops. During the year KPL made Rs. 32 Million revenue from the intercrops which is a Rs. 5 Million increase in intercrop revenue compared to year 2016. Intercrops such as black pepper, mango and rambutan contributed largely to this income while bringing about many other benefits including a positive impact on creating bio-diversity.

In enhancing the existing cultivation systems, in par with its low-cost marketing approach, KPL introduced leasing of intercrop harvest where it is economical by evaluation. In this way, the responsibility of plucking and selling the harvest will be vested on the buyer minimising the post-harvest risk on the Company.

Along with intercrop cultivations, drip irrigation systems, sprinkler systems and husk pit systems for water sustenance during drought season were introduced as additional measures to support the development of intercrop as well as coconut cultivation.

Nevertheless, the Rubber cultivation took a setback during the year under review. Even though a favorable growth of rubber production was witnessed at national level, the Company's rubber production suffered massively with rubber yield coming down by 17% during the year leading to rubber plantations running at a loss. A critical step taken in this regard was the uprooting of our rubber plantations and introduction of other crop varieties to sustain the profitability of rubber land extent.

This focused strategy remained the key to our success during the year where in acknowledging the future risks we have taken the required measures in evading the challenges. Receiving of the "Best Pepper Grower" award in two consecutive years, 2016 & 2017 awarded by International Pepper Community is a further attribution of our far-sighted strategy.

OUR PEOPLE

We believe in building an honest, qualified and committed workforce who are focused on quality, productivity, entrepreneurship, value creation, profitability, eco friendliness and corporate social responsibility. In empowering our staff, we have taken two-fold approach: firstly, we have provided financial benefits to our employees including performance-based incentives and non-financial benefits such as better quarter facilities. As a result, during the year, 15 quarters for Officers in Charge (OIC) were built in addition to commencing the construction of another 26 quarters. Besides, the employees who are posted in remote areas were provided with electricity, water and sanitary facilities while some were also provided with solar power systems as well as free of charge kerosene and Coconuts.

Secondly, we have nurtured their existing knowledge and skills through continuous training and development activities. During the last fiscal year, we conducted a number of training programs covering employees at all levels.

COMMITTED TO ZERO DEFORESTATION AND RESPONSIBLE PLANTING

We remain committed to responsible planting through utilization of every possible land extent under our purview for plantation purposes. In addition, we have constantly made effort to protect the government land from deforestation and further misuse. Our effort towards responsible planting is further proven by the introduction of intercrop cultivation between major crop cultivations to obtain the maximum output from a land area and improve the soil quality. Further, during the year, we commenced surveying the land extent of each estate under KPL to clearly demarcate the legal boundaries thereby establishing realistic KPLs for progress measurements.

PROGRESS DELAYED DUE TO REGULATORY BARRIERS

KPL being under the government ownership since 2005, abide by the relevant government policies, rules and regulations when carrying out its tasks. However, the delay in carrying out tasks due to prolonged approval processes have brought to the forefront the necessity to ease out the system through removal of unnecessary approval procedures. This is imperative to the autonomy of the state-owned enterprises particularly in independent decision making.

SOCIAL AND NATIONAL CONTRIBUTION

In maximizing its contribution to society and the nation at large, KPL has been pragmatic in leasing out land to surrounding villagers and other interested parties/out growers to cultivate short term crops. This created a win-win situation where it reduced our weeding cost on one hand while the out growers were able to make a good profit on their products making a considerable contribution to the GDP, on the other hand.

Further, in realizing this objective KPL adhere to high quality management practices which has been recognized both at the national and international level through awards and accolades received during the past several years. Our Company's agricultural and financial performance is also further evidence of our sound management practices presenting us as one of the most professionally managed agribusiness entities in the country. This keeps us well poised on the direction of our vision of being a 'Model Plantation Company' in the South East Asian Region.

FUTURE LOOKS OPTIMISTIC

KPL looks to the future with confidence and optimism considering its ability to withstand adversity. In further enhancing the profitability of the Company, KPL continue to explore every possible avenue to add value to its products, including the prospect of creating end products such as organic coconut oils. Besides, KPL strive to venture on eco-tourism projects as another income generation prospect.

In the long run, KPL endeavor to continue in the same path focusing on further development of the diversification program through extending it to a wider land area. In doing so, KPL wishes to explore the possibility of public-private partnership initiatives in surpassing bottlenecks described above.

As a plantation Company, KPL remains committed to ensuring sustainability by fortifying growth through creation of economic, environmental and social unity. Economic sustainability which translates into financial sustainability of the Company, creates economic opportunities for the communities while bringing in economic benefits to the stakeholder. Being an Agriculture based Company, the financial sustainability is inseparably intertwined with environmental sustainability where the Company continues to conserve and protect the natural environment and the ecosystems in terms of sustainable use of land and water, and application of sustainable agricultural practices, including conserving natural resources, in support of our business activities.

Social sustainability is encouraged by the Company through community interaction in the locality of plantation estates. As people living in the surrounding villages remain an integral part of our business, we believe that interaction with these communities undoubtedly fortifies social unity.

Besides, being a government owned Company, we remain committed to good governance through public accountability. In this regard, we ensure good governance through application of transparent processes, regular monitoring, evaluating and reporting systems that prevent corruption and misconduct.

SUSTAINABLE AGRICULTURE PRACTICES

We have consistently encouraged sustainable agricultural management practices in ensuring maximum productivity. Hence, these practices have been applied in all our eight estates, through increased land use for efficiency, crop diversification, inter cropping and under planting. In maximizing the land for increased productivity, we have taken immense effort to establish the 'maximum possible palms per acre'.

Under-plantation is spread across covering every possible land available. The under planted acreage at the end of 2017 recorded as 22% (877.96 ha.) of the bearing coconut extent area and during the year Rs. 78.2 Million was invested in immature Coconut plantations. This increased number of palms per acre will undeniably encourage the growth of the future Coconut yield from all our estates thereby enduring the sustainability of the Company.

Our good agricultural practices such as harrowing, increased usage of organic manure with systematic usage of inorganic fertilizer, contour drains, mulching etc. have contributed to the sustainable productivity improvement of our lands. Besides, the usage of organic manure contributed to the improvement of soil fertility, moisture retention capacity, soil aeration, texture and the microbial activity of soil. These agricultural practices are evidence of our dedication to sustainability of our lands.

REDUCTION OF USAGE OF SYNTHETIC CHEMICALS ON PLANTATIONS

The environmental protection being a critical focus of the Company, we have taken every possible step to reduce the usage of synthetic chemicals such as herbicides, pesticides and fungicides, by practicing biological and mechanical controls, while 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 baraka) has been continued in full fledge laboratory at Katugampola. This eco-friendly technique has shown highly promising results.
- Pheromone traps – to regulate fruit fly (Drosophila Species) in fruit plantations and Red Weevi (Rhynchophorus ferrugineus) in Coconut plantations.
- Introduction of Red Ants (Solenopisis 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. In its place, as a weed controlling mechanism we have submitted into;

- Using of machinery for ploughing, harrowing, slashing
- Grazing of cattle
- Establishment of cover crops
- Mulching the fertilizer circles

APPLICATION OF ORGANIC MANURE

A significant step taken by the Company in reducing the usage of chemical fertilizer, is opting for using organic manure. In addition, we have reduced the use of chemicals in our plantations while remaining vigilant in monitoring of usage and handling of chemicals. The employees who are engaged in spraying and handling such chemicals at field level are trained and educated on the protective and controlled usage.

BIO DIVERSITY

We work actively across all our estates in enhancing biodiversity. We have successfully carried out assessments to identify both current area of plantation and the potential future area for expansion of suitable varieties of intercrop, Timber.

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 pleased to state that our Company has systematically established timber plants for trees being harvested in enhancing the sustainability.

OUR EMPLOYEES

Employee Benefits and Encouragements

KPL remains steadfast in its commitment to providing a safe, pleasant and rewarding environment for our employees. Our employees possessing the competitive advantage as qualified, experienced and credible professionals remain our most valuable asset. In comprehending the need for a high degree of professionalism and expertise in the profitable management of our plantations, KPL constantly attempts to acquire and foster a human capital base that has the relevant skills and knowledge. As of end 2017, the total workforce of KPL comprises 1,166 personnel.

Payment of Performance Based incentives

The Company has started and continued a performance-based incentive scheme since 2005 in encouraging our employees for better performance. A sum of Rs. 27.54 Million was provided in the financial statements for the payment of performance-based incentives for the year 2017. The figure for 2016 was Rs. 18.03 Million. This provision has been made to pay 2 months Provident Fund Salary to monthly paid employees and Rs. 18,000 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. 1 Million personal accident insurance cover for executives
- Health insurance cover of Rs. 400,000 per family unit of executives
- Financial assistance for higher education of staff members
- Scholarships for higher education of the children of employees
- Payment of one month's salary for un-availed medical leave

Residence Facilities

Over the past years, we have made an intensive effort to improve housing conditions across our plantations. The Company has always been concerned about the resident workers and we have provided better residences with electricity and sanitary facilities. During the year, we have constructed 15 watch huts with related facilities such as water, electricity and sanitary.

Employee Training and Development

KPL continues to invest on training and development of our staff in sustaining them with the required skills, knowledge and attitudes to enhance their productivity. A wide range of training programs have been offered both in-house and externally, aimed at our employee's continued learning as well as personal development. During the year, 22 training programs were offered covering all levels of employees. In addition, we also support a number of diploma, degree and master programs for our employees. For our field staff, on the job training is provided in addition to arranging 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 10th successful year
- The 'Kiribath Dansela' at Head Office premises at Kurunegala was held for the 9th successful year on account of Annual Poson Festival
- Annual get together for staff and their families
- Inter estates cricket tournament
- Annual excursion

Our Human Resources management strategy intended towards motivation of employees and has resulted in higher productivity, loyalty and commitment of the employees towards the Company.

KPL AND THE SOCIETY

KPL has continuously facilitated neighboring farmers for the usage of land for grazing and holding for their cattle, which has in turn provided KPL with the benefits of obtaining organic manure from cattle dung and control of weeds as a result of grazing. This process contributes to the enhancement of national milk production and for the increase of cattle population at large. The Company has also facilitated neighboring villagers to cultivate cash and semi perennial crops in our plantations which are of economic significance for them. While this initiative improves their family income and the national production levels of agriculture, it also creates a biological and ecological balance in the soil structure of the plantations. This mechanism also enables us to identify and absorb skilled labour, who possess traditional farming knowledge.

KPL also undertakes the supply of Copra for cultural pageants such as Kandy Sri Dalada Perehara, Pereharas of local temples and Devalayas. The Company also favorably considers request for timber for construction/renovation of places of religions worship and schools. The values of sustainability that we uphold are embedded in our operations with all our business activities confirming to Economic, Social and Environment stability. KPL being a plantation Company remains dedicated to economically viable farming whilst protecting the environment, improving the biodiversity, ensuring the well-being of the employees and our Nation at large.

RISK MANAGEMENT

Kurunegala Plantations Limited, recognize risk management as an integral component of good management and governance and therefore, identify some common risks as well as additional risks which are specific to the plantation sector. The specific risks are mainly in relation to the cultivation and processing of rubber, coconut and other intercrops and the financial environment in which it operates. The Board of Directors therefore places special attention on the management of business risks together with the senior management committee to ensure sound Financial and Operational Control Systems are put in place. Internal auditors and the management team from time to time review the systems' effectiveness in addressing the prevailing risks to eliminate down side of the risks and the use of upside of risks, in order to safeguard shareholders' investment and assets.

RISK CULTURE

The Board of Directors has identified their position and a clear uniform tone has been maintained in establishing a comprehensive risk management system implying the conformity to the underline requirements of such a system. The management in reflecting on their commitment to ethical principles have taken into consideration the wider stakeholder position when decision making. In adherence with the leadership, the staff has also recognized the importance of such ethical principles and have continued to follow the same.

RISK IDENTIFICATION

Our Company's top management remains committed to create a risk culture within the Company while generating adequate risk awareness amongst our employees. The Company's effort to identify internal risks follows a bottom-up approach where even the operational level employees are encouraged to identify risks arising within their respective occupational areas. The top management also remain cognizant of the external developments in identifying external risks. The Company further categorize these identified risks; some common to every organization and some specific to the Plantation Sector, for effective control purposes.

OPERATIONAL RISKS

Coconut being our principal crop remains the main income generator of the Company. Over 70% of the Coconut produce is consumed locally for culinary purposes leaving under 30% for the industrial usage. This has created market instabilities where high crop production has led to low annual turnovers. However, the Kurunegala Plantation Limited has been able to fetch a high Net Sales Average at the auctions conducted by the Coconut Development Authority due to its high-quality nut produce that minimized rejection percentage of the harvest, earning the respect of the buyers. The Company further took effort to establish a local buyer base in creating high competition in the market which was also beneficial in distribution during high crop seasons. As a result KPL earned also high recognition amongst the buyers as a customer-friendly supplier due to provision of easy access to collection points, residential facilities for Coconut huskers, field transport of produce to congenial places during adverse conditions and the flexibility in loading hours.

During the year, extreme weather conditions resulting either due to prolonged drought conditions or flood related situations had an adverse impact on all agricultural crops including Coconuts. The extraordinary climate conditions effected the harvesting programs and carrying out agricultural practices. As a protective measure from hostile weather conditions, the Company has adopted several agricultural practices such as mulching, burying husk, cover crops, harrowing, contour drains, using of organic manure to preserve the soil moisture and conserve the soil. While these practices have given promising results, the Company adopted similar practices in safeguarding the rubber plantations from the adverse impact of climate changes. These include TRI recommended clones and rain guards for the rubber trees to minimize the loss of crops due to extreme weather.

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 plantations, have caused tremendous damage and destruction of high quality Coconuts. Coconut mite infestation has been successfully countered biologically by introduction of eco-friendly Predator Mite. KPL under the guidance of the Coconut Research Institute, produce the predator mite in our laboratory for the use in our plantations and for the usage of neighboring coconut growers by selling at a reasonable price. Early detection of such trees with the close supervision of experienced field staff has resulted in controlling and eradication of pests and diseases in our plantations. In association with the Coconut Research Institute, the Company trains the field staff and workers by constantly updating their knowledge through exposure to regular training.

CROP SECURITY

Coconut being a high consumable culinary product is largely vulnerable for thieving. Security of Coconuts have consistently been an issue due to small acreages scattered over many Divisional Secretariats and increased measures are required to ensure high security to minimize pilferage. As a theft managing measure, the Company extended the monthly-harvesting extent up to 90% minimizing the fallen nuts against the normal practice of bi-monthly picking which is susceptible for thieving. This practice is further supported by strengthening of perimeter fences, close monitoring and supervision by Superintendents, Assistant Superintendents, Field Staff and Internal Audit Officers, that were effective in minimizing pilferage. The watchers who collect fallen nuts and provide security for Coconuts are also encouraged through incentive payments. The Company has further insured the crop in transit to meet the risks involved in natural disasters, fire and thieving.

SHORTAGE OF LABOR

A skilled workforce for harvesting, husking and tapping is a necessary requirement in the industry. However, during the last few years, an underlying issue faced by the management of the Company is the shortage of skilled workers in the area which has resulted in crippling of the day-to-day management practices. Since Coconut plantations do not engage a resident workforce unlike Tea and Rubber, the Company is compelled to depend on available village labor. Besides, to maintain plantations efficiently, the Company has adopted using of machinery for weeding, draining and fertilizing, and has extended judicious chemical weeding as alternatives. While we have always been mindful of optimal output from our labor force, we have also obtained very high output through appropriate mechanization. In addition, the Company also took measures for staff retention including providing free residential facilities, electricity, water and coconut at concessionary price added with incentive payment based on performance, 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.

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

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

RISK MONITORING AND REVIEW

The presence and the functioning of Company's risk management components are assessed over time with the purpose of identifying weaknesses in the controls thereby undertaking the required internal and external changes. While the top management and the audit committee hold the ultimate responsibility for ongoing monitoring activities or separate evaluations, our internal audit team carries out frequent system base audits by visiting to each estate and reporting on the risks on matters that require immediate responses. The effectiveness of the risk management process is reviewed annually, and adjustments are made to the current process. At this stage, relevant information is identified and communicated to facilitate the people who are responsible for risk management within the Company.

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 endeavors 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 2017 are as follows.

Mr. A.M. Piyasoma Upali – *Chairman*	**12/12**
Mr. H.A.P. Thusitha Kumara Dias – *Executive Director*	**11/12**
Mr. D.M. Bandaranayaka – *Working Director*	**12/12**
Mr. H.A.N. Saman Kumara – *Treasury Representative*	**12/12**
Mr. W.M.D.B. Abeyratne	**11/12**
Mr. M.G.D. Indunil Amarasinghe	**12/12**
Mr. R. Sydney Kulathilake	**09/12**

COMPLIANCE WITH LEGAL REQUIREMENT

The Board of Directors makes every endeavor to ensure that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulations as applicable to state-owned business undertakings of the Country. The Board ensures that the financial statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007.

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 General Treasury of Sri Lanka . The Chairman, 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 appointed to the Audit Committee with effect from 7th April 2017 and they met 7 times during the year 2017 and their attendance are as follows.

ATTENDANCE

Mr. H.A.N. Saman Kumara *Chairman – Audit Committee*	**7/7**
Mr. R. Sydney Kulathilake	**7/7**
Mr. W.M.D.B. Abeyratne	**7/7**

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 31st December 2017, 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 wishes to acknowledge with thanks the services rendered by the Internal Audit Division and their efforts to meet the requirements and expectations of the Company. The contribution made by the members of the committee is acknowledged with grateful appreciation. Their competence in financial matters and relevant experience was invaluable for the company's continuous success.

Mr. H.A.N. Saman Kumara
Chairman
Audit Committee

FINANCIAL REPORTS

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 2017.

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 which include manufacture and sale of Coconut, Rubber, Other crops and other agriculture produce continued during the year 2017. The Company's lands are scattered in Kurunegala, Gampaha and Anuradhapura districts, which form 08 Area estates, namely Atttanagalla, Dambadeniya, Dodangaslanda, Hiriyala, Kurunegala, Katugampola, Mahayaya & Narammala.

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 2017 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
	4971.12

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.

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 2017, signed by the Directors and the Auditor's Report for the same period are given in page 38 to 79.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are further elaborated in pages 43 to 51 of this Report. The Accounting Policies adopted in the previous year are applied without changing.

REVENUE

The Company's revenue showed an increase over 12% against last year.

The composition of the revenue is as follows;

	2017	2016
Coconut	459	414
Rubber	35	30
Intercrop	32	27
Other sources	27	19
Total	553	490

PROFIT BEFORE TAX & PROFIT AFTER TAX

The total revenue of the Company for the year 2017 is Rs. 553 million (2016 - Rs. 490 million). The other operating income for the year is Rs. 100 million (2016 - Rs. 78 million). The profit-before tax of the Company the year 2017 is Rs. 248 million (2016 - Rs. 144 million). Financial results of the Company are given in the Statement of Comprehensive Income.

	2017 Rs. million	2016 Rs. million
Profit from Coconut	211	159
Loss from Rubber	(2)	(17)
Profit from other sources	28	28
Gross Profit	237	170
Other operating income	100	78
Administrative expenses	(131)	(120)
Profit from operating activities	206	129
Finance Income	68	40
Finance Expenditure	(26)	(25)

	2017 Rs. million	2016 Rs. million
Profit before taxation	248	144
Current year Income tax expense	(29)	(6)
Deferred taxation	(57)	(12)
Profit for the year	162	126

COCONUT SECTOR

The baring extent of Coconut at KPL was 3,124.60 ha as at end 2017. Currently the Coconut under-plantation acreage is over 21% of the bearing coconut extent. KPL's 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 million Nuts. However, in 2013, KPL and other growers experienced a considerable draw back. KPL's production fell to 13.0 million nuts in 2013. The Company's Coconut production showed an increase in 2015 recording 14.7 million nuts. The production in the year 2016 increased to 16.7 million nuts by 18% compared to last year. However, production decline to 10.6 million in 2017, which is the lowest production recorded in the history of KPL.

Net sales average per nut of Rs. 24.71 recorded in 2016 was escalate to 43.63 in 2017 which represents an increase of Rs. 18.92 per nut compared to last year.

Coconut revenue was increased by 11% with the increase of Profit contribution by 52 million (32%) compared to last year.

RUBBER SECTOR

The Company maintains 173.48 ha. of mature Rubber which is our secondary plantation crop. After 06 years, breaking the continuous declining in rubber revenue, in 2016 it showed an increase of 16%. The loss from rubber manage to keep below 2 million in 2017 where it was Rs. 17 million in 2016. This was mainly due to the increase in NSA. Rs. 211 per kilo in 2016 increased to Rs. 319. However, the production has come down by nearly 25,000 kilo in 2017 compared to 2016. Rubber cultivation is still not an attractive sector to continue with. A critical step taken in this regard was the uprooting of our rubber plantations and introduction of other crop varieties to sustain the profitability of rubber land extent.

Other Crops

Our intercrop cultivation contributed an income of Rs. 32 million for our revenue during year under review. Our outstanding success and profitability can be attributed to our farsighted strategic direction. One of the critical strategic steps taken during recent past in this regard was the large-scale initiation of diversification into intercrops in minimising our dependency on the major crop of coconut that accounts for approximately 80% of our income. As a result, we have been able to maximize the income generated from a land unit while generating an additional income from intercrops. During the year KPL made Rs. 32 million revenue from the intercrops which is a Rs. 5 million increase in intercrop revenue compared to year 2016. Intercrops such as black pepper, mango and rambutan contributed largely to this income. There were also other benefits that resulted from intercrop cultivation. Intercropping had a positive impact on creating bio-diversity.

In enhancing the existing cultivation systems, in par with its low-cost marketing approach, KPL introduced leasing of intercrop harvest where it is economical by evaluation. In this way, the responsibility of plucking and selling the harvest will be vested on the buyer minimizing the post-harvest risk on the Company.

CAPITAL EXPENDITURE & INVESTMENTS

During the fiscal year under review, Rs. 143 million (2016 - Rs. 129 million) had been invested in Fixed Assets of the Company out of which Rs. 98 million (2016 - Rs. 88 million) had been incurred on immature plantations.

FINANCIAL POSITION STRUCTURE

Total assets increased by Rs. 211 million primarily due to increases in investment in property plant & equipment including bearer biological assets by Rs. 169 million and Short Term Investment by Rs. 150 million. 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 2017 were Rs. 750 million (2016 - Rs. 651 million) recording an increase of Rs. 99 million.

LIQUIDITY MANAGEMENT

Net working capital of the Company increased to Rs. 640 million (2016 - Rs. 564 million) due to an increase in short term investments. Cash and short term investments improved during the current year to Rs. 627 million in 2016 from Rs. 497 million in 2016 as a result of prudent financial management practices applied by the Company. The Company held over Rs. 600 million in short term investments as at 31st December 2017 compared with Rs. 450 million in 2016. These investments comprised of term deposits at State Banks. The current ratio of the Company stood at 6.77 (No. of times).

SHORT TERM INVESTMENTS

The Company held Rs. 600 million in short term investments as at 31st December 2017, as opposed to Rs.450 million in the previous year. This investment comprises of term deposits at Government Banks. (Rs. 280 million at Bank of Ceylon, Rs. 170 million at People's Bank and Rs. 150 million 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 2017 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

RESERVES

The Company Reserves as at 31st December 2017 are represented by;

	2017 Rs. million	2016 Rs. million
Retained Earnings	1,218	1,139
Timber Reserves of	315	267
Other Reserves	65	54
	1,598	1,460

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. Since 2007 a sum of Rs. 355 million in total have been paid to the General Treasury as dividend.

DIRECTORATE

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' 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 2017.

Mr. H.A.N. Saman Kumara – Director/Treasury Representative

Mr. W.M.D.B. Abeyratne

Mr. R. Sydney Kulathilaka

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 2017 have been audited by the Auditor General's Department.

FINANCIAL STATEMENTS

The Financial Statements for the year ended 31st December 2017 was approved by the Board of Directors of the Company on 31st July 2018.

Mr. A.M. Piyasoma Upali (Chairman) and H.A.N. Saman Kumara (Director/Treasury Representative) were authorised to sign the Financial Statements for and on behalf of the Board of Directors of Kurunegala Plantations Ltd.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Waters Edge, 316, Ethul Kotte Road, Battaramulla on Thursday, 27th June 2019 at 5.00 p.m.

The notice of the Annual General Meeting is attached hereto.

For and on behalf of the Board of Directors

A.M. Piyasoma Upali
Chairman

H.A.N. Saman Kumara
Director/Treasury Representative

Corporate Advisory Services (Pvt) Limited
Secretaries
Kurunegala Plantations Limited
30th May 2019.

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 safeguard 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 Kurunegala
30th May 2019.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2017 Rs.	2016 Rs.
Revenue	4	**553,032,421**	490,249,509
Cost of Sales	5	**(316,042,751)**	(319,957,299)
Gross Profit		**236,989,670**	**170,292,210**
Other Operating Income	6	**100,430,534**	78,408,014
Administration & General Expenses	7	**(131,486,553)**	(119,655,132)
Profit from Operating Activities		**205,933,651**	**129,045,092**
Net Financial Income/(Expenses)	8	**41,992,141**	15,045,573
Profit before Taxation		**247,925,792**	**144,090,665**
Income Tax Expense	9	**(86,128,581)**	(17,513,372)
Profit for the Year		**161,797,211**	**126,577,293**
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains/(Losses)		**11,229,981**	38,527,114
Total Comprehensive Income for the year		**173,027,192**	**165,104,407**
Earnings Per Share	10	**8.09**	6.33

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

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2017 Rs.	2016 Rs.
ASSETS			
NON-CURRENT ASSETS			
Leasehold Right to Bare Land	11	**71,838,367**	74,452,624
Immovable Lease Assets (Other than Bare Lands)	12	**27,897,298**	32,021,352
Property, Plant & Equipment	13	**1,199,600,664**	1,118,082,360
Consumable Biological Assets	14	**180,105,264**	143,629,925
Other Financial Assets	15	**6,424,199**	6,593,493
Total Non-Current Assets		**1,485,865,792**	**1,374,779,754**
CURRENT ASSETS			
Inventories	16	**55,179,685**	38,728,490
Deposits	17	**1,166,700**	2,134,540
Pre-Payments	18	**2,584,544**	21,920,175
Pre-Paid Expenditure on Short Term Projects	19	**6,035,810**	8,220,767
Income Tax Refund		**-**	8,646,415
Trade & Other Receivables	20	**52,003,305**	67,808,240
Other Financial Assets	15	**6,542,532**	6,035,878
Short Term Investments	21	**600,200,000**	450,000,000
Cash and Bank Balance	22	**27,001,465**	47,454,497
Total Current Assets		**750,714,040**	**650,949,004**
Total Assets		**2,236,579,832**	**2,025,728,758**
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated Capital	23	**200,000,010**	200,000,010
Retained Earnings		**1,217,802,960**	1,139,457,881
Biological Asset Valuation Reserve		**315,335,325**	266,883,194
Other Reserves		**64,796,493**	53,566,512
Total Equity		**1,797,934,788**	**1,659,907,597**
NON-CURRENT LIABILITIES			
Retirement Benefit Obligations	24	**75,247,920**	79,733,753
Net Liability to Lessor	25	**94,346,046**	97,911,250
Deferred Tax Liability	26	**158,218,364**	101,115,045
Total Non-Current Liabilities		**327,812,330**	**278,760,048**
CURRENT LIABILITIES			
Net Liability to Lessor	25	**3,565,204**	3,565,204
Advance Received	27	**2,339,284**	2,351,952
Income Tax Payable		**10,596,356**	
Trade and Other Payables	28	**94,331,870**	81,143,957
Total Current Liabilities		**110,832,714**	**87,061,113**
Total Equity and Liabilities		**2,236,579,832**	**2,025,728,758**

The Accounting Policies & Notes form an integral part of these Financial Statements.
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, 31st July 2018

Saman Kumara HAN
Director/Treasury Representative

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December	Stated Capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1st January 2016	200,000,010	247,398,848	15,039,398	1,064,381,104	1,526,819,360
Net Book Value of Assets Alienated (Note A)				(29,715,923)	(29,715,923)
Adjustment for the Net Book Value of Disposed Coconut & Rubber Trees from 18/06/1992 – 31/12/2015 (Note B)				(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)	-
Balance as at 31st December 2016	**200,000,010**	**266,883,194**	**53,566,512**	**1,139,457,880**	**1,659,907,596**
Net Profit for the Year 2017				161,797,211	161,797,211
Other Comprehensive Income			11,229,981		11,229,981
Transferred to Biological Assets Reserve		48,452,131		(48,452,131)	-
Dividend – 2015				(35,000,000)	(35,000,000)
Balance as at 31st December 2017	**200,000,010**	**315,335,325**	**64,796,493**	**1,217,802,961**	**1,797,934,788**

Note A

As per the decision taken at the AGM-2015 dated 21st December 2016, it was decided to deduct the net book vale of assets of which the controlling interest had been changed due to alienation since the incorporation of the Company (18/06/1992) from retained earnings. Accordingly, Rs. 29,715,923 was adjusted in the year 2016 and Rs. 37,297,388 was adjusted in retrospectively.

Note B

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 in the year 2016.

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

STATEMENT OF CASH FLOWS

For the year ended 31st December	2017 Rs.	2016 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Income Tax Expense	**247,925,792**	144,090,665
Adjustments for		
Depreciation/Amortization	**56,629,538**	57,300,367
Interest on Lease Agreement	**24,704,796**	24,658,296
Amortization of Staff Loans	**909,966**	779,453
Provision for Retirement Benefit Obligations	**16,001,335**	19,651,574
Interest Income	**(67,606,903)**	(40,483,322)
Profit on Disposal of Property, Plant & Equipment	**(64,886)**	-
Loss on Impairment of Plantations	**11,110,806**	
Adjustment made to Net Liability to Lessor	**-**	(34,751)
Income Tax Paid	**-**	-
Withholding Tax Paid	**(6,751,418)**	(2,528,259)
Economic Service Charge Paid	**(3,031,073)**	(2,747,471)
Provision for Performance Incentive	**27,535,405**	18,031,000
Provision for Bonus	**10,876,615**	10,732,681
Profit on Sale of Bearer Biological Assets	**(28,536,868)**	(38,713,448)
Gain Arising from Changes in Fair Value Less Cost to Sell – Consumable Biological Assets	**(48,620,556)**	(19,484,346)
Operating Profit before Working Capital Changes	241,082,550	**171,252,439**
Adjustments for Working Capital Changes		
Increase in Inventories	**(16,451,195)**	(4,191,463)
Decrease in Deposits	**967,840**	84,300
Decrease in Pre-Payments	**284,625**	364,260
Decrease in Trade and Other Receivables	**14,338,609**	2,342,287
Decrease in Pre-Paid Expenditure on Short Term Projects	**2,184,957**	2,966,963
Increase/(Decrease) in Rent Received in Advance	**(12,668)**	606,111
Increase in Trade and Other Payables	**6,363,993**	10,781,065
Payment of Retirement Benefits	**(9,257,187)**	(19,018,847)
Payment of Performance Incentive	**(18,111,673)**	(25,042,487)
Payment of Bonus	**(13,476,421)**	(8,795,250)
Cash Received from Sale of Consumable Biological Assets	**12,145,217**	16,465,488
Net Cash from Operating Activities	220,058,647	**147,814,866**

STATEMENT OF CASH FLOWS

For the year ended 31st December	2017 Rs.	2016 Rs.
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	**(142,858,157)**	(129,322,431)
Proceeds from Disposal of Property, Plant & Equipment	**183,300**	-
Proceeds from Disposal of Bearer Biological Assets	**28,756,268**	38,915,286
Net Investment in Term Deposits	**(239,200,000)**	(43,800,000)
Interest Received	**68,163,263**	25,912,922
Net Cash Flows Used in Investing Activities	**(284,955,326)**	**(108,294,222)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease Rental Paid	**(9,218,993)**	(29,614,299)
Loan Given to Staff	**(8,950,800)**	(9,452,000)
Staff Loan Recoveries	**8,613,441**	8,057,400
Dividend Paid	**(35,000,000)**	-
Net Cash Flows Used in Financing Activities	**(44,556,353)**	**(31,008,899)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**(109,453,032)**	8,511,744
Cash and Cash Equivalents at the Beginning of the Year	**266,654,497**	258,142,753
Cash and Cash Equivalents at the End of the Period (Note A)	**157,201,465**	**266,654,497**

As at	31/12/2017 Rs.	31/12/2016 Rs.
Note A		
Cash and Cash Equivalents at the End of the Period		
Term Deposits Matured within 03 Months at		
Bank of Ceylon	**55,200,000**	25,200,000
Peoples' Bank	**75,000,000**	54,000,000
National Savings Bank	-	140,000,000
Repo	**14,000,000**	37,000,000
Cash at Bank	**7,266,875**	4,826,554
Cash in Hand	**5,726,409**	5,620,095
Postage/Stamps	**8,181**	7,849
	157,201,465	**266,654,497**

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

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. 07 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. 07 of 2007.

2.2 Going Concern

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

2.3 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 14)
- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS – 19) (Note 24)
- 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 14 – 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.

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 different between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized under other income in the statement of comprehensive income.

3.1.1.2 Subsequent Expenditure

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

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

3.1.1.3 De-recognition

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

3.1.1.4 Borrowing Cost

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

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income.

3.1.1.5 Depreciation and Amortization

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in 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
Electrifications	Over 40 years
Solar Power Electricity System	Over 10 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
Irrigation	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.

3.1.1.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

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

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

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

3.1.2 Biological Assets

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

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

3.1.2.1 Bearer Biological Assets

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

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

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

Mature Bearer Biological Assets

Coconut	50 years
Rubber	20 years
Cashew	20 years
Cinnamon	20 years
Rambutan	20 years
Dragon fruit	20 years
Mango	20 years
Pepper	20 years
Cocoa	20 years
Guava	6 years
Durian	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 14.

The main variables in DCF model concerns.

Variable	Comment
Currency Valuation	Rs.
Timber content	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 coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 14%

3.1.2.4 Recognition and Measurement

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

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

Consumable timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.1.3 Financial Instruments

3.1.3.1 Financial Assets

3.1.3.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through 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 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 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 Subsequent Measurement Financial liabilities at fair value through Statement of Financial Position 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. The Company has not designated any financial liabilities upon initial recognition as at fair value through Statement of Financial Position. Loans and borrowings after initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Comprehensive Income.

3.1.3.2.2 De-recognition

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

3.1.3.3 Offsetting of Financial Instruments

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

3.1.3.4 Financial Risk Management

Credit Risk

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

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

Liquidity Risk

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

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 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 Financial Position 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).

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

3.2.1.2 Defined Benefit Plan – Retirement Gratuity

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

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

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

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

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

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

The 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 caring 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 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 Financial Position 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 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.

3.8 Earnings per Share

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

3.9 Events after the Reporting Period

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

NOTES OF THE FINANCIAL STATEMENTS

4. REVENUE

For the year ended 31st December	2017 Rs.	2016 Rs.
Coconut (Note 4.1)	**459,162,402**	413,661,122
Rubber (Note 4.2)	**34,990,910**	29,902,334
Coconut Husk	**24,494,539**	16,801,241
Rambutan	**7,827,142**	6,151,698
Pepper	**4,343,035**	5,435,210
Cashew	**6,207,285**	6,107,902
Mango	**5,498,639**	1,769,494
Foliage & Ornamental Plants	**4,777,282**	5,378,131
Others	**5,731,188**	5,042,377
	553,032,421	490,249,509

4.1 Coconut Income

For the year ended 31st December	2017 Rs.	2016 Rs.
Green Nuts	**422,555,707**	390,091,817
Seed Nuts	**20,524,602**	11,430,920
Oil Income	-	6,948,260
Copra	**16,082,094**	5,190,126
	459,162,402	413,661,122
Production (Nuts)	**10,647,351**	16,652,531
Sales (Nuts)	**10,525,008**	16,739,571
Net Sales Average (per 1000 nuts)	**43,626**	24,712
Cost of Sales (per 1000 nuts)	**23,590**	15,254

4.2 Rubber Income

For the year ended 31st December	2017 Rs.	2016 Rs.
RSS	**15,097,246**	5,563,765
Latex	**18,241,340**	22,774,720
Scrap & Cuttings	**1,652,325**	1,563,850
	34,990,910	29,902,334
Production (Kg)	**119,486**	144,376
Sales (Kg)	**113,407**	141,837
Net Sales Average (per 1 Kg)	**309**	211
Cost of Sales (per 1 Kg)	**324**	333

5. COST OF SALES

For the year ended 31st December	2017 Rs.	2016 Rs.
Coconut	**248,279,748**	255,344,179
Rubber	**36,775,391**	47,296,161
Rambutan	**1,862,186**	1,236,467
Pepper	**3,659,498**	2,118,916
Cashew	**3,112,925**	1,967,027
Mango	**1,610,230**	1,442,534
Foliage & Ornamental Plants	**4,981,673**	6,056,475
Loss on Impairment of Plantations (Note – 5.1)	**11,110,806**	
Others	**4,650,293**	4,495,541
	316,042,751	**319,957,299**

5.1 Loss on Impairment of Plantations

		Year of Planting	
Rubber	Kurunegala Area Estates – Heraliyawala Division	2015	3,412,939
	Kurunegala Area Estates – Yatiwehera Division	2011	5,742,189
Rambutan	Kurunegala Area Estates – Delgolla Division	2012	146,719
	Kurunegala Area Estates – Delgolla Division	2014	164,840
	Kurunegala Area Estates – Delgolla Division	2015	144,243
Avacado	Attanagalla Area Estates – Attanagalla Division	2010	99,773
	Katugampola Area Estates – Peniweraluwa	2008	254,034
	Mahayaya Area Estates – Ellakkala	2008	462,971
	Mahayaya Area Estates – Nugedola	2008	185,313
	Narammala Area Estates – Mahawatta Division	2008	321,350
Lime	Hiriyala Area Estates – Dhathusenapura	2010	82,396
	Hiriyala Area Estates – Ganewatta	2014	33,705
Mangoestene	Mahayaya – Orchard	2015	60,334
			11,110,806

6. OTHER OPERATING INCOME

For the year ended 31st December	2017 Rs.	2016 Rs.
Profit on Sales Bearer Biological Assets (Note – 6.1)	**28,536,868**	38,713,448
Profit/(Loss) on Disposal & Sale of Property, Plant & Equipment	**64,886**	-
Gain Arising from Changes in Fair Value – Consumable Biological Assets	**48,452,131**	19,484,346
Late removal & Payment Charge – Coconut	**7,870,634**	10,490,117
Lease/Facility Fee Income	**9,237,202**	5,421,259
Sand/Soil	**2,791,229**	977,124
Write Back/(Write off)	**1,561,305**	1,791,916
Other Miscellaneous Income	**1,916,280**	1,529,804
	100,430,534	**78,408,014**

6.1

For the year ended 31st December	2017 Rs.	2016 Rs.
Profit on Sales Bearer Biological Assets – Coconut Tree Sales	**21,470,764**	34,615,602
Less: Cost of Trees Disposed During the Year	**669,216**	803,466
Add: Accumulated Depreciation as at 31st December	**569,728**	657,248
	21,371,276	**34,469,384**
Profit on Sales Bearer Biological Assets – Rubber Tree Sales	**7,285,504**	4,299,862
Less: Cost of Trees Disposed During the Year	**457,776**	209,249
Add: Accumulated Depreciation as at 31st December	**337,864**	153,452
	7,165,592	**4,244,065**
	28,536,868	**38,713,448**

7. ADMINISTRATION & GENERAL EXPENSES

For the year ended 31st December	2017 Rs.	2016 Rs.
Payroll Related Expenses	**84,786,006**	74,297,931
Maintenance & Repairs	**10,607,911**	10,396,329
Other Administration Expenses	**36,092,636**	34,960,872
	131,486,553	**119,655,132**
Profit from Operating Activities is stated after charging the following;		
Directors Emoluments	**5,554,762**	5,405,016
Auditors Fees on Statutory Audit	**575,000**	575,000
Auditors Fees on Statutory Audit – 2015	**-**	563,730
Donations	**547,026**	791,286
Depreciation/Amortization –		
Leasehold Rights to Bare Land of JEDB Estates	**2,614,258**	2,621,779
Immovable Leased Assets of JEDB Estates	**3,904,648**	4,324,152
Mature Plantation	**12,585,172**	10,374,106
Property, Plant and Equipment	**37,525,461**	39,980,330
Personal Cost includes		
Defined Benefit Plan – Retirement Gratuity	**16,001,335**	19,651,574
Defined Contribution Plan Cost – EPF and ETF	**30,571,724**	30,737,059
Performance Incentive	**27,535,405**	18,031,000
Bonus	**10,876,615**	10,732,681
Holiday Pay	**6,659,951**	4,182,727
Medical Leave	**4,406,811**	3,828,489
Salaries & Wages	**225,877,260**	222,391,933

8. NET FINANCIAL INCOME/(EXPENSE)

For the year ended 31st December	2017 Rs.	2016 Rs.
Finance Income		
Interest on Term Deposits	64,113,947	37,763,823
Interest on REPOs (Note 8.1)	1,938,563	1,366,273
Interest on Loans Given to Staff	644,427	573,773
Un-winding of Pre-Paid Staff Benefits	909,966	779,453
	67,606,903	40,483,322
Less: Finance Cost		
Interest on Lease – JEDB	24,704,796	24,658,296
Amortization of Staff Cost	909,966	779,453
	25,614,762	25,437,749
	41,992,141	15,045,573

8.1 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 2017 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. 193,812/-.

9. INCOME TAX EXPENSE

For the year ended 31st December	2017 Rs.	2016 Rs.
Current Income Tax Expense (Note 9.1 & 9.2)	29,025,262	5,745,693
Deferred Taxation (Note 9.3 & 25)	57,103,319	11,767,679
	86,128,581	17,513,372

9.1 CURRENT INCOME TAX EXPENSE

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.

9.2 Reconciliation between Accounting Profit to Income Tax

For the year ended 31st December	2017 Rs.	2016 Rs.
Accounting Profit Before Taxation (Note 09.2.1)	**247,925,792**	144,090,665
Income from Other Sources & Exempt Income	**(117,821,882)**	(60,165,339)
	130,103,910	**83,925,326**
Aggregate Disallowable Items	**84,225,958**	78,162,484
Aggregate Allowable Items	**(147,882,429)**	(150,183,069)
Adjusted Profit from the Business	**66,447,439**	**11,904,741**
Income from Other Sources	**66,696,937**	39,703,870
Total Statutory Income	**133,144,376**	**51,608,611**
Qualifying Payments	-	(31,088,278)
Taxable Income	**133,144,376**	**20,520,333**
Taxable Income at Concessionary Rate – 48A – 10%	**45,862,019**	-
Other Income	**87,282,358**	20,520,333
	133,144,376	**20,520,333**
Tax on Agricultural Activities 10%	**4,586,202**	
Tax on Other Income 28%	**24,439,060**	5,745,693
	29,025,262	**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 deferred tax is calculated on future effective tax rate on agricultural activities – 14%.

For the year ended 31st December	2017 Rs.	2016 Rs.
Deferred tax Expense/(Income) arises from:		
Property, Plant & Equipment	**4,423,620**	1,328,028
Bearer Biological Assets	**44,465,243**	6,596,553
Consumable Biological Assets	**10,898,784**	301,886
Provision for Bad & Doubtful Debts	**(122,994)**	(248,227)
Employee Benefit Liability	**(2,561,334)**	3,789,439
	57,103,319	**11,767,679**

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

For the year ended 31st December	2017 Rs.	2016 Rs.
Profit Attributable to Ordinary Shareholders (Rs.)	**161,797,211**	126,577,293
Weighted Average Number of Ordinary Shares	**20,000,001**	20,000,001
Earnings Per Shares (Rs. Cts.)	**8.09**	**6.33**

10.1 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2017. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

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 18th June 1992, immediately after the formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board has decided at its meeting held on 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 18th June 1992 Statement of Financial Position 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, Hiriyala, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola) remain to be executed. These leases will be retroactive to 18th June 1992, the date of formation of the Company. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed. This Memorandum of Record is considered as an agreement between JEDB and the Company.

11.3 Leasehold Right to Bare land (53 years)

	Rs.
COST	
Capitalized Value as at 18/06/1992	189,234,932
Disposals Due to Change in Controlling Interest from 18/06/1992 – 31/12/2016	(50,586,168)
Balance as at 31/12/2016	138,648,764
Disposals Due to Change in Controlling Interest from 01/01/2017 – 31/12/2017	-
Balance as at 31/12/2017	**138,648,764**
AMORTIZATION	
Accumulated Amortization as at 01/01/2016	61,574,361
Amortization for the Year 2016	2,621,779
Accumulated Amortization as at 31/12/2016	64,196,140
Amortization for the Year 2017	2,614,258
Disposals Due to Change in Controlling Interest from 01/01/2017 – 31/12/2017	-
Balance as at 31/12/2017 (Note – A)	**66,810,397**
WRITTEN DOWN VALUE	
As at 31/12/2016	74,452,624
As at 31/12/2017	**71,838,367**
Note – A	
No. of Days for the Lease Period from 18/06/1992 – 17/06/2045	19,358
No. of Days for the Period from 18/06/1992 – 31/12/2017	9,328
Amortization as at 31/12/2017 (138,648,765/19,358 x 9,328)	66,810,397

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 18th June 1992. For this purpose, the Board has decided at its meeting on 8th March 1995 that these assets be taken into the books at their book values as they appeared in the books of the JEDB on the day immediately preceding the date of formation of the Company.

Revaluation	Life of the Assets Years	As at 18/06/1992 Rs.	Transfer in/ (Out) Rs.	Disposals* Rs.	Balance as at 31/12/2016 Rs.
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	(27,013,346)	106,323,526
Immature Plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	**-**	**(31,765,939)**	**125,175,424**

The carrying values for the year are as follows.

Revaluation	Balance as at 01/01/2017 Rs.	Charge for the year Rs.	Disposals* Rs.	Balance as at 31/12/2017 Rs.
Land Development Cost	1,123,305	-	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature Plantations	106,323,526	-	(1,126,992)	105,196,535
	125,175,425	**-**	**(1,126,992)**	**124,048,433**

Amortization	Balance as at 01/01/2017 Rs.	Charge for the year Rs.	Disposals* Rs.	Balance as at 31/12/2017 Rs.
Land Development Cost	918,881	37,420	-	956,301
Buildings	17,368,207	325,545	-	17,693,752
Machinery	34,841	-	-	34,841
Mature Plantations (Note A)	74,832,143	3,541,683	(907,586)	77,466,241
	93,154,073	**3,904,648**	**(907,586)**	**96,151,135**

Carrying Value	Balance as at 01/01/2017 Rs.	Balance as at 31/12/2017 Rs.
Land Development Cost	204,424	167,004
Buildings	325,545	-
Machinery	-	-
Mature Plantations	31,491,383	27,730,294
	32,021,352	**27,897,298**

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 13. When these plantations come in to bearing the additional investments incurred to bring them to such stage were transferred from the category immature plantations under Note – 13 and a corresponding transfer from immature plantations to mature plantations.

** Disposal – this is due to change in controlling interest*

Note – A 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 – 31/12/2017	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31/12/2016	(10,102,690)
Value of Coconut Trees disposed (other than alienation) during the year 2017	(669,216)
Balance as at 31/12/2017 – [a]	**25,249,629**

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)
Value of Rubber Trees disposed (other than alienation) during the year 2017	(457,776)
Balance as at 31/12/2017 – [b]	**79,946,905**
Mature Plantations as at 31/12/2017 (a + b) – [c]	**105,196,535**

AMORTIZATION

Mature Plantations as at 18/06/1992

No. of Days for the Period from 18/06/1992 – 17/06/2022 (30 Years)	10,957
No. of Days for the Period from 18/06/1992 – 31/12/2017	9,328
Amortization as at 31/12/2017 (25,918,845/10,957 x 9,328) – [d]	**21,495,714**

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

			Cost			Amortization
Year of Transfer	Description	Date of Disposal	Balance as at 18/06/1992	Alienation	Balance as at 31/12/2017	Balance as at 31/12/2017
31/12/1994	Value of the Immature Plantation		37,756,930			
	Disposal – Korakaha – Disposed at immature stage			(311,473)		
	Disposal – Mahayaya	07/08/1997		(2,957,425)		
	Disposal – Malwatta	07/08/1997		(355,313)		
	Disposal – Ambana (Rubber)	10/09/1994		(223,374)		
	Disposal – Suriyapura	06/06/2000		(92,705)		
	Disposal – Polgammana	01/01/2016		(322,347)		
	Disposal – Polgammana	01/01/2016		(410,721)		
	Disposal – Rubber Trees 2013-2015	01/01/2016		(990,854)		
	Disposal – Rubber Trees – 2016	31/12/2016		(209,249)		
	Disposal – Rubber Trees – 2017	31/12/2017		(326,797)		
			37,756,930	(6,200,258)	31,556,672	24,193,064
31/12/1995	Value of the Immature Plantation		8,429,585			
	Disposal – Mawathagama	15/08/1997		(493,832)		
	Disposal – Walbotale	31/05/2011		(721,401)		
			8,429,585	(1,215,232)	7,214,353	5,290,613
31/12/1996	Value of the Immature Plantation		12,394,880	-	12,394,880	8,676,529
31/12/1997	Value of the Immature Plantation		8,045,288			
	Disposal – Mawathagama	15/08/1997		(412,325)		
	Disposal – Pannala	09/04/1999		(748,578)		
	Disposal – Pethiyakanda	06/06/2000		(242,922)		
	Disposal – Rubber Trees – 2017	31/12/2017		(130,979)		
			8,045,288	(1,534,803)	6,510,485	4,340,521
31/12/1998	Value of the Immature Plantation		9,962,094			
	Disposal – Polgammana	01/01/2016		(684,684)		
			9,962,094	(684,684)	9,277,410	5,875,636
31/12/1999	Value of the Immature Plantation		8,676,654			
	Disposal – Mawathagama	15/08/1997		(420,467)		
	Disposal – Polgammana	01/01/2016		(604,222)		
			8,676,654	(1,024,689)	7,651,965	4,591,318
31/12/2000	Value of the Immature Plantation		4,666,747			
	Disposal – Polgammana	01/01/2016		(40,648)		
			4,666,747	(40,648)	4,626,099	2,621,470
31/12/2001	Value of the Immature Plantation		715,044		715,044	381,374
Total [e]			**90,647,222**	**(10,700,316)**	**79,946,906**	**55,970,527**
Amortization – Mature Plantations as at 31/12/2017 [f] – (d + e)						**77,466,241**

13. PROPERTY, PLANT AND EQUIPMENT

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 Rs.	Rubber Rs.	Cashew Rs.	Cinnamon Rs.	Rambutan Rs.	Guava Rs.
Cost						
Balance as at 01/01/2017	388,774,107	61,166,078	3,891,394	4,612,624	2,661,021	127,154
Additions During the Year	78,180,742	8,225,245	714,410	3,376,642	1,070,202	64,193
Transfers During the Year	(37,548,567)	(6,334,224)	(2,922,265)	(5,828,693)	-	(191,347)
Disposals During the Year		(9,155,128)	-	-	(455,802)	-
Balance as at 31/12/2017	**429,406,282**	**53,901,971**	**1,683,539**	**2,160,573**	**3,275,421**	**-**

Mature Biological Assets

Useful Life of the Asset	Coconut 50 years Rs.	Rubber 20 years Rs.	Cashew 20 years Rs.	Cinnamon 20 years Rs.	Rambutan 20 years Rs.	Guava 6 years Rs.
Cost						
Balance as at 01/01/2017	366,576,474	54,562,740	17,312,889	5,309,535	2,708,126	330,079
Transfers During the Year	37,548,567	6,334,224	2,922,265	5,828,693	-	191,347
Disposals During the Year	-	-	-	-	-	-
Balance as at 31/12/2017	**404,125,041**	**60,896,964**	**20,235,154**	**11,138,228**	**2,708,126**	**521,426**
Amortization						
Balance as at 01/01/2017	60,314,168	30,014,696	2,164,607	1,966,700	664,511	66,016
Charge for the Year	7,331,528	2,741,179	865,645	265,477	135,406	132,032
Disposals During the Year	-	-	-	-	-	-
Balance as at 31/12/2017	**67,645,696**	**32,755,875**	**3,030,252**	**2,232,177**	**799,917**	**198,048**
Written Down Value						
As at 01/01/2017	306,262,307	24,548,044	15,148,282	3,342,835	2,043,615	264,063
As at 31/12/2017	**336,479,346**	**28,141,089**	**17,204,902**	**8,906,051**	**1,908,209**	**323,378**

Total Bearer Biological Assets						
Written Down Value						
As at 01/01/2017	695,036,413	85,714,122	19,039,676	7,955,459	4,704,636	391,217
As at 31/12/2017	**765,885,627**	**82,043,060**	**18,888,441**	**11,066,624**	**5,183,630**	**323,378**

Note 13.1

The Net book vale of the Guava Plantation at Ganewatta Division of Hiriyala Area Estates as at 01/01/2017, which was originally depreciated within 20 years, has been decided to charge with 02 years as its useful life has reduced due to Nematode attack. In turn an additional depreciation cost of Rs. 115,528 has been charged to the Statement of Comprehensive Income as compared to year 2016. (2017 – Rs. 132,032 | 2016 – Rs. 16,504).

Dragon Fruit Rs.	Mango Rs.	Pepper Rs.	Cocoa Rs.	Durian Rs.	Ariconut Rs.	Others Rs.	Total Rs.
1,761,134	4,276,014	4,398,653	-	7,033,999	361,645	1,432,535	480,496,357
627,316	756,810	3,504,422	-	1,156,784	155,642	67,341	97,899,749
(630,428)	-	-	-	(2,516,652)	-	-	(55,972,175)
-	-	-	-	-	-	(1,499,876)	(11,110,806)
1,758,023	**5,032,824**	**7,903,075**	**-**	**5,674,131**	**517,287**	**-**	**511,313,125**

Dragon fruit 20 years Rs.	Mango 20 years Rs.	Pepper 20 years Rs.	Cocoa 20 years Rs.	Durian 20 years Rs.		Others Rs.	Total Rs.
826,204	2,086,955	13,274,477	5,936,675	-		153,769	469,077,923
630,428	-	-	-	2,516,652		-	55,972,175
-	-	-	-	-		-	-
1,456,632	**2,086,955**	**13,274,477**	**5,936,675**	**2,516,652**		**153,769**	**525,050,099**
195,878	417,392	898,011	862,175			92,260	97,656,414
41,309	104,348	663,726	296,834			7,688	12,585,172
-	-	-	-			-	-
237,187	**521,740**	**1,561,737**	**1,159,009**	**-**	**-**	**99,948**	**110,241,586**
630,326	1,669,563	12,376,466	5,074,500	-	-	61,509	371,421,510
1,219,445	**1,565,215**	**11,712,740**	**4,777,666**	**2,516,652**	**-**	**53,821**	**414,808,513**
2,391,460	5,945,577	16,775,119	5,074,500	7,033,999	361,645	1,494,044	851,917,867
2,977,467	**6,598,039**	**19,615,815**	**4,777,666**	**8,190,783**	**517,287**	**53,821**	**926,121,638**

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

	Acquisition of Land	Improvements to Land	Buildings	Wells
Useful life of the Asset (Years)			40	40
	Rs.	Rs.	Rs.	Rs.
Cost				
Balance as at 01/01/2017	8,123,564	4,019,754	149,648,762	6,224,299
Additions During the Year	-	-	43,859,590	1,596,938
Disposals During the Year	-	-	-	-
Transferred (from)/ to				-
Balance as at 31/12/2017	**8,123,564**	**4,019,754**	**193,508,352**	**7,821,237**
Depreciation				
Balance as at 01/01/2017	-	-	11,465,829	1,147,775
Charge During the Year	-	-	3,741,219	155,611
Disposals During the Year	-	-	-	-
Balance as at 31/12/2017	**-**	**-**	**15,207,048**	**1,303,386**
Written down value				
As at 01/01/2017	8,123,564	4,019,754	138,182,933	5,076,524
As at 31/12/2017	8,123,564	4,019,754	178,301,304	6,517,851
Fully Depreciated Assets as at 31/12/2017	**-**	**-**		**-**

	Computer Equipment	Computer Software	Irrigation	Electrification
Useful life of the Asset (Years)	5	5	8	40
	Rs.	Rs.	Rs.	Rs.
Cost				
Balance as at 01/01/2017	3,845,625	220,000	-	-
Additions During the Year	446,440	-	754,335	1,290,486
Disposals During the Year	(466,275)	(220,000)	-	-
Transferred (from)/ to			-	-
Balance as at 31/12/2017	**3,825,790**	**-**	**754,335**	**1,290,486**
Depreciation				
Balance as at 01/01/2017	2,715,714	88,000		
Charge During the Year	390,251	44,000		
Disposals During the Year	(466,275)	(132,000)		
Balance as at 31/12/2017	**2,639,690**	**-**	**-**	**-**
Written Down Value				
As at 01/01/2017	1,129,911	132,000	-	
As at 31/12/2017	1,186,100	-	754,335	1,290,486
Fully depreciated assets as at 31/12/2017	**1,770,275**	**-**	**-**	**-**

Total of Property, Plant and Equipment	
Written Down Value	
As at 01/01/2017	
As at 31/12/2017	

	Fencing	Motor Vehicles	Machinery	Furniture & Fittings	Equipment
	3	5	13 1/3	10	8
	Rs.	Rs.	Rs.	Rs.	Rs.
	51,995,157	145,846,396	1,849,609	13,194,167	16,669,410
	8,502,244	7,593,938	-	1,238,280	1,904,119
	-	(469,207)	-	(156,499)	(401,798)
	60,497,401	**152,971,127**	**1,849,609**	**14,275,948**	**18,171,731**
	32,734,381	111,010,371	336,363	5,148,739	8,757,088
	10,445,396	19,706,376	138,721	1,268,454	1,635,433
	-	(469,207)	-	(146,335)	(381,548)
	43,179,777	**130,247,540**	**475,084**	**6,270,858**	**10,010,973**
	19,260,776	34,836,025	1,513,246	8,045,428	7,912,322
	17,317,624	22,723,587	1,374,525	8,005,090	8,160,758
	32,803,558	**92,019,363**	**-**	**722,116**	**3,678,464**

	Solar Power System	Total	Work-in-Progress	Total
	30			
	Rs.	Rs.	Rs.	Rs.
	-	401,636,743	37,932,010	439,568,753
	3,751,046	70,937,416	20,732,280	91,669,696
	-	(1,713,779)	(46,711,288)	(48,425,067)
	-	-	-	-
	3,751,046	**470,860,380**	**11,953,002**	**482,813,382**
		173,404,260		173,404,260
		37,525,461		37,525,461
	-	**(1,595,365)**		**(1,595,365)**
		209,334,356	-	209,334,356
	-	228,232,483	37,932,010	266,164,493
	3,751,046	261,526,024	11,953,002	273,479,026
	-	**126,593,196**		**126,593,196**
				1,118,082,360
				1,199,600,664

Acquisition of Land

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 15th July 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).

14. CONSUMABLE BIOLOGICAL ASSETS

14.1 Timber Trees

As at	31/12/2017 Rs.	31/12/2016 Rs.
Timber Trees		
Balance as at the Beginning of the Year	**143,159,531**	140,140,673
Gain/(Loss) Arising from Changes in Fair Value Less Cost to Sell	**48,115,789**	19,484,346
Sale Value	**(11,519,388)**	(16,465,488)
Balance as at the End of the Year	**179,755,932**	**143,159,531**

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 Mr. T.M.H. Mutaliph, independent Chartered valuers, using Discounted Cash Flow (DCF) method.

Key assumption used in Valuation

1. The harvesting is approved by the Department of Forest & the Line Ministry
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, taken into account the long term exploitation of the timber trees. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable.

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

Regulatory and Environmental Risks

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

Supply and Demand Risk

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

Climate and Other Risks

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

14.2 Livestock

As at	31/12/2017 Rs.	31/12/2016 Rs.
Cattle		
Balance as at the Beginning of the Year	**470,394**	522,330
Gain/(Loss) Arising from Changes in Fair Value Less Cost to Sell	**504,767**	132,196
Sale Value	**(625,829)**	(184,132)
Balance as at the End of the Year	**349,332**	**470,394**
Total Consumable Biological Assets	**180,105,264**	**143,629,925**

15. OTHER FINANCIAL ASSETS

	Loan Given to Employees	Pre-Paid Staff Benefit	Total
Balance as at 01/01/2016	10,440,334	794,437	11,234,771
Loan Granted During the Year – 2016	8,558,238	893,762	9,452,000
Loan Recovered During the Year – 2016	(7,277,946)	(779,453)	(8,057,400)
Balance as at 31/12/2016	11,720,626	908,746	12,629,371
Loan Granted During the Year – 2017	7,873,157	1,077,643	8,950,800
Loan Recovered During the Year – 2017	(7,703,474)	(909,966)	(8,613,441)
Balance as at 31/12/2017	**11,890,308**	**1,076,422**	**12,966,731**
Non-Current Balance as at 31/12/2016	6,271,235	322,258	6,593,493
Current Balance as at 31/12/2016	5,449,390	586,488	6,035,878
Balance as at 01/01/2016	11,720,626	908,746	12,629,371
Non-Current Balance as at 31/12/2017	6,058,964	365,236	6,424,199
Current Balance as at 31/12/2017	5,831,345	711,187	6,542,532
Balance as at 31/12/2017	**11,890,308**	**1,076,422**	**12,966,731**

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.

Distress Loans		2017	2016
Kurunegala Plantations Limited		**5.0%**	5.0%
Market Interest Rate of Similar Loans			
01/12/2014 – 31/12/2014	11.5%		
01/01/2015 – 31/12/2015	11.5%		
01/01/2016 – 20/11/2016	13.0%		
21/11/2016 – 31/12/2016	14.0%		
01/01/2017 – 31/12/2017	14.0%		

16. INVENTORIES

As at	31/12/2017 Rs.	31/12/2016 Rs.
Produce Stocks	**38,891,615**	19,021,854
Input Materials, Spares & Consumables	**13,789,712**	18,364,797
Growing Nurseries	**2,498,358**	1,341,839
	55,179,685	**38,728,490**

17. DEPOSITS

As at	31/12/2017 Rs.	31/12/2016 Rs.
Deposits on Purchase of Fuel	**520,000**	520,000
Deposits on Purchase of Other Products & Services	**41,700**	41,700
Deposits for Rented Colombo Office	**600,000**	600,000
Deposit kept at Labor Tribunal for Gratuity	-	967,840
Others	**5,000**	5,000
	1,166,700	**2,134,540**

18. PRE-PAYMENTS

As at	31/12/2017 Rs.	31/12/2016 Rs.
Over Payment of Lease Rental to JEDB	-	19,051,007
Insurance	**1,212,145**	1,149,561
Pre-paid Subscriptions	**89,087**	85,989
Pre-paid Amount on Service Agreements	**51,610**	50,354
Pre-paid Rents	**32,667**	8,000
Cadastral Survey	**963,033**	1,107,316
Others	**236,002**	467,950
	2,584,544	**21,920,175**

19. PRE PAID EXPENDITURE ON SHORT TERM PROJECTS

As at	31/12/2017 Rs.	31/12/2016 Rs.
Cut foliage Project – Attanagalla (Note 19.1)	**5,864,674**	7,935,013
Manioc	**128,599**	184,034
Compost Manufacturing	**9,059**	33,006
Pasture	**33,477**	66,955
Paddy		1,760
	6,035,810	**8,220,767**

19.1 This include Office Building, Net house, Land Development Cost, Water supply System constructed entirely for the purpose of Foliage project & Foliage Plantations. Foliage project was leased out for a period of 5 years w.e.f 01/12/2017. Hence, the Net book value of those assets as at 30/11/2017 amounting to Rs. 5,964,074 is amortized over the lease period of 5 years at Rs. 1,192,815 per annum.

20. TRADE AND OTHER RECEIVABLES

As at	31/12/2017 Rs.	31/12/2016 Rs.
Trade Debtors		
Produce Debtors – Coconut	23,495,037	39,815,545
Less: Rejection Provision	(566,227)	(1,430,683)
Recoverable Loss on Sale of Coconut	2,948,268	3,331,718
Produce Debtors – Rubber	4,452,266	3,424,524
Produce Debtors – Others	886,668	108,729
Rent Receivables	695,236	11,054
Other Receivables		
Withholding Tax	-	-
Notional Withholding Tax	-	-
Economic Service Charges	-	-
Staff Debtors	2,153,189	2,386,327
Interest Receivable	21,517,414	22,983,740
Sundry Debtors	483,177	1,633,764
Less: Provision for Bad & Doubtful Debts	(4,061,724)	(4,456,478)
	52,003,305	67,808,240

21. SHORT TERM INVESTMENTS

As at	31/12/2017 Rs.	31/12/2016 Rs.
Matured within 03 Months		
Term Deposits – Bank of Ceylon	55,200,000	25,200,000
Term Deposits – Peoples' Bank	75,000,000	54,000,000
Term Deposits – National Savings Bank	-	140,000,000
	130,200,000	219,200,000
Matured After 03 Months		
Term Deposits – Bank of Ceylon	225,000,000	50,800,000
Term Deposits – Peoples' Bank	95,000,000	180,000,000
Term Deposits – National Savings Bank	150,000,000	-
	470,000,000	230,800,000
	600,200,000	450,000,000

22. CASH & BANK BALANCES

As at	31/12/2017 Rs.	31/12/2016 Rs.
Stamps	**8,181**	7,849
Repo	**14,000,000**	37,000,000
Cash at Bank	**7,266,875**	4,826,554
Cash in Hand	**5,726,409**	5,620,095
	27,001,465	**47,454,497**

23. STATED CAPITAL

As at	31/12/2017 Rs.	31/12/2016 Rs.
Issued and Fully Paid	**200,000,000**	200,000,000
20,000,000 Ordinary Shares Rs. 10/- each	**10**	10
Golden Share held by Secretary to the Treasury (Note 23.1)	**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

As at	31/12/2017 Rs.	31/12/2016 Rs.
Balance as at the Beginning of the Year	**79,733,753**	117,628,140
Charged During the Year	**4,771,354**	(18,875,540)
Gratuity Paid/Payable During the Year	**(9,257,187)**	(19,018,847)
Balance as at the End of the Year	75,247,920	**79,733,753**

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 2017 by Actuarial & Management Consultants (Pvt) Limited.

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

As at	31/12/2017 Rs.	31/12/2016 Rs.
Interest Cost	**8,770,713**	11,762,814
Current Service Costs	**7,230,622**	7,888,760
Total Included in the Staff Cost (Note 07)	**16,001,335**	**19,651,574**
Past Service Cost	-	(73,403,509)
Actuarial (Gain)/Loss Recognized Immediately	**(11,229,981)**	34,876,395
Amount Recognized in the Statement of Other Comprehensive Income	**(11,229,981)**	**(38,527,114)**
Total Recognized in the Comprehensive Income	**4,771,354**	**(18,875,540)**

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

24.2.1 Financial Assumptions (2016 & 2017)

Rate of Interest	11% p.a
Rate of Increase of Salaries	
Executive Staff	15% p.a next increment due on 01.06.2018
Non-Executive Staff – Head office	12% p.a next increment due on 01.06.2018
Estate Staff	25% p.a once in 3 years next increment due on 01.06.2018
Watchers	9% p.a next increment due on 01.06.2018
Daily Paid Staff	9% p.a. Next increment due on 01.06.2018
Daily Paid Staff's Wage Rates	Rs. 480 or Rs. 555 or Rs. 725 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 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.

25. NET LIABILITY TO LESSOR

As at	18/06/1996 Rs.	31/12/2017 Rs.	31/12/2016 Rs.
Gross Lease Liability	401,114,000	**224,812,230**	232,998,230
Less: Finance Charges Applicable to Future Periods	(226,419,004)	**(126,900,980)**	(131,521,776)
Net Lease Liability	**174,694,996**	**97,911,250**	**101,476,454**
(a) Payable after 5 years;			
Gross Liability		**183,882,230**	192,068,230
Less: Finance Charges Applicable to Future Periods		**(103,797,000)**	(108,417,796)
Net Liability		**80,085,230**	**83,650,434**
(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**
Non-Current Liability		**94,346,046**	97,911,250
Current Liability		**3,565,204**	3,565,204
Total Net liability to lessor		**97,911,250**	**101,476,454**

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 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.

The lease of the estates have been amended with effect from 18th June 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 18th June 1996 to 17th June 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 18th June 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. 24,704,796 which comprises the fixed interest portion and a contingent interest portion of the lease rental .

26. DEFERRED TAX LIABILITIES

	31/12/2017 Rs.	31/12/2016 Rs.
Balance as at the Beginning of the Year	**101,115,045**	89,347,366
Charged During the Year (2015 – Restated)	**57,103,319**	11,767,679
Balance as at the End of the Year	**158,218,364**	**101,115,045**

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.

As at	31/12/2017 Rs.	31/12/2016 Rs.
Bearer Biological Assets	**(926,121,639)**	(851,917,877)
Consumable Biological Assets	**(180,105,264)**	(143,159,541)
Property, Plant & Equipment	**(103,213,918)**	(100,263,260)
Provision for Doubtful Debts	**4,061,724**	4,456,478
Retirement Benefit Obligation	**75,247,920**	79,733,753
	(1,130,131,176)	**(1,011,150,447)**
Applicable Tax Rate	**14%**	10%
Net Deferred Tax Liabilities	**(158,218,364)**	(101,115,045)

The company recognized Deferred Tax Assets of Rs. 11,103,350 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. 169,321,714 Accordingly, Net Deferred Tax Liability as at 31st December 2017 is Rs. 158,218,364.

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 14% commencing from the year of assessment 1st April 2018.

27. ADVANCE RECEIVED

As at	31/12/2017 Rs.	31/12/2016 Rs.
For Sub Lease/Land Given on Facility Basis	**2,016,284**	2,157,992
Others	**323,000**	193,960
	2,339,284	**2,351,952**

28. TRADE AND OTHER PAYABLES

As at	31/12/2017 Rs.	31/12/2016 Rs.
Trade & Other Creditors & Accrued Expenses	**9,209,124**	7,328,483
Checkroll Wages	**9,017,174**	9,533,523
Refundable Bid Securities, Security Deposits & Retentions	**18,139,726**	13,470,257
Gratuity Payable	**4,780,874**	4,593,806
EPF Payable	**3,061,307**	2,981,775
ETF Payable	**523,300**	493,290
Medical Leave Payable	**4,401,141**	3,828,489
Economic Service Charge Payable	**1,497,518**	1,424,051
Provision for Brokerage – Coconut	**204,908**	745,999
Provision for Bonus Payment	**10,861,225**	13,461,031
Provision for Performance Incentives	**27,519,180**	18,095,448
Provision for Holiday Pay Payment	**5,116,395**	5,187,805
	94,331,870	**81,143,957**

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.

31. RELATED PARTY TRANSACTIONS

There are no related party transaction during the year.

31.1 Key Management Personnel

As at	31/12/2017 Rs.	31/12/2016 Rs.
Key Management Personnel includes all Board of Directors and Chief Executive Officer.		
Short term employment benefits	**7,615,593**	8,791,033

32. GOVERNMENT GRANTS

As at	31/12/2017 Rs.	31/12/2016 Rs.
Non-Monetary Grants Received		
From PHDT (Grants Related to Income)	**655,682**	1,756,609
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		
From Department of Rubber Development (Capital Grants)	-	912,757
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)	**137,941**	225,149
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:

As at	31/12/2017 Rs.	31/12/2016 Rs.
Loans and Receivables		
Trade and Other Receivables	**52,003,305**	67,808,240
Short Term Investment	**470,000,000**	450,000,000
Cash and Cash Equivalents	**27,001,465**	47,454,497
	549,004,769	**565,262,738**

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

As at	31/12/2017 Rs.	31/12/2016 Rs.
Non-derivative financial liabilities		
Net Liability to The Lessor	**97,911,250**	101,476,454
Trade and Other Payables	**94,331,870**	81,143,957
	192,243,120	**182,620,411**

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.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. PLA/A/KPL/01/17/01	ඔබේ අංකය / உமது இல. / Your No.	දිනය / திகதி / Date 11 September 2018

To the Shareholders of the Kurunegala Plantations Ltd.

Report of the Auditor General on the Financial Statements of Kurunegala Plantations Ltd for the year ended 31 December 2017

The audit of financial statements of the Kurunegala Plantations Ltd for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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.

Management'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 management 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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. · இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. · No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 ag@auditorgeneral.gov.lk www.auditorgeneral.gov.lk

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 judgement, including the assessment of the risks of material misstatements 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 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

Of the lands in extent of 6772 hectares vested in the Company at its inception by the Janatha Estate Development Board, 1750.88 hectares of land with the lease value of Rs. 50,586,167 had been vested in other public and private institutions since the year 1992 under the involvement of the Government. As for 550.88 hectares therefrom, information as to the area where the lands had been released from, and the parties whom such lands had been released to, was not made available to Audit.

The Ministry informed that a lease rent of Rs. 175,481,744 had remained recoverable from the Company as at 31 December 2017 relating to the said lands which had been released sans approval of the Ministry of Plantation Industries and the Treasury.

Qualified Opinion

In my opinion, except for the effect of the matters described in the paragraph , the financial statements give a true and fair view of the financial position of the Kurunegala Plantations Ltd as at 31 December 2017 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

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

(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 not 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.

Tabling of Annual Reports

My report will be tabled in Parliament in due course in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe.

Auditor General

ANNEXES

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited – 2017 will be held at Waters Edge, 316, Ethul Kotte Road, Battaramulla on Thursday, 27th June 2019 at 5.00 p.m. for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2017 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditors of the Company for the year 2018.
3. To declare a Final Dividend of Rs. 37.5 million payable from the profits for the year ending 31st December 2017.
4. Any other business.

BY ORDER OF THE BOARD OF KURUNEGALA PLANTATIONS LTD.

CORPORATE ADVISORY SERVICES (PVT) LTD.
SECRETARIES OF KURUNEGALA PLANTATIONS LTD.

Date: 06th June 2019

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.G.S.C. Jayarathne or failing him,
Mr. H.A.N. Saman Kumara or failing him,
Mr. W.M.N. Wijesinghe or failing of him,
Mr. H.A.P. Thusitha Kumara Dias or failing him,
Mr. B.L.A.J. Dharmakeerthi or failing him,
Mr. A.M.K.B. Abeysinghe or failing of 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 – 2017 of the Company to be held at Waters Edge, 316, Ethul Kotte Road, Battaramulla on Thursday, 27th June 2019 at 5.00 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 2017 with the Report of the Directors and Auditors thereon.		
2.	To appoint Auditor General's Department as Auditors of the Company for the year 2018.		
3.	To declare a Final Dividend of Rs. 37.5 million payable from the profits for the year ending 31st December 2017.		
4.	Any other business.		

Signed this .... day of .... 2019.

....
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 07 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: kurunegalaplt@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.

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

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Annual Reports

Kurunegala Plantations Limited

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

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