KURUNEGALA PLANTATIONS LIMITED

ANNUAL REPORT 2018

KPL

Kurunegala Plantations Limited

Ministry of Plantation Industries

CONTENT

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 AUDITORS

Auditor General's Department
No. 306/72, Polduwa Road,Battaramulla.
Tel: 011 2887028 - 34
Fax: 011 2887223
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

ABOUT US

Kurunegala Plantations Limited (KPL), incorporated in 1992, is a fully owned Government Company, reregistered under the Companies Act No. 07 of 2007. The Company had been established by vesting lands managed by the Janatha Estates Development Board in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No. 23 of 1987 under then State Privatization Policy. The Company operates as a single shareholder company being the Secretary to the General Treasury of Sri Lanka as the Golden Shareholder. The registered office of the company is located at No. 80, Dambulla Road, Kurunegala. .

Kurunegala Plantations Limited, from its inception had its managerial roots embedded in the Private Sector, however due to being economically non-viable and in a state of downfall owing to lack of proper management over a period of nearly 13 years, the Government decided to reclaim the management of the Company with effect from 01st January 2005. This move brought the plantation directly under the purview of the Ministry of Plantation Industries. Throughout the years it changed hands under several ministries. Since 01st September 2015, Kurunegala Plantations Limited operates under the purview of MINISTRY OF PUBLIC ENTERPRISE DEVELOPMENT, which is later became MINISTRY OF PUBLIC ENTERPRISE AND KANDY CITY DEVELOPMENT. . .

From 09th November 2018, KPL has been operating under the purview of the **MINISTRY OF PLANTATION INDUSTRIES. .**

KPL's core business interests continue to be in cultivation,production, processing and sale of coconut, rubber and ancillary crops with a portfolio of 07 area 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 livelihood of many others.

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 focussed on Quality, Productivity,
Entrepreneurship	:	Value Creation, Profitability, E co-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 timesValue 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
•2nd Runner-up at National level for Agribusiness
•Gold award for Large Category Producer (Plantations)

2012
•National Gold Award for Agribusiness
•Gold award for Large Category Producer (Plantations)

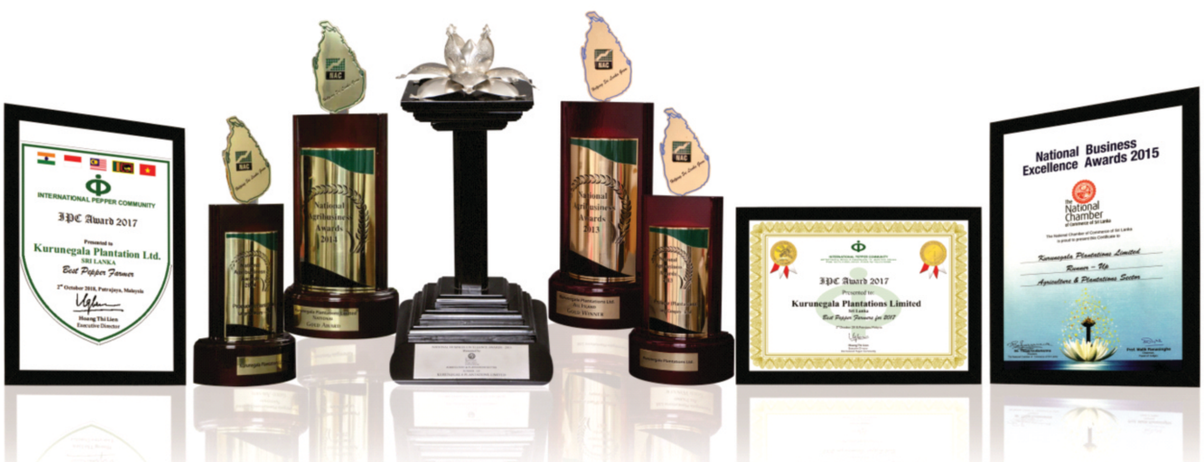
2013
•National Gold Award for Agribusiness
•Gold award for Large Category Producer (Plantations)

2014
•National Gold Award for Agribusiness
•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.

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.

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

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

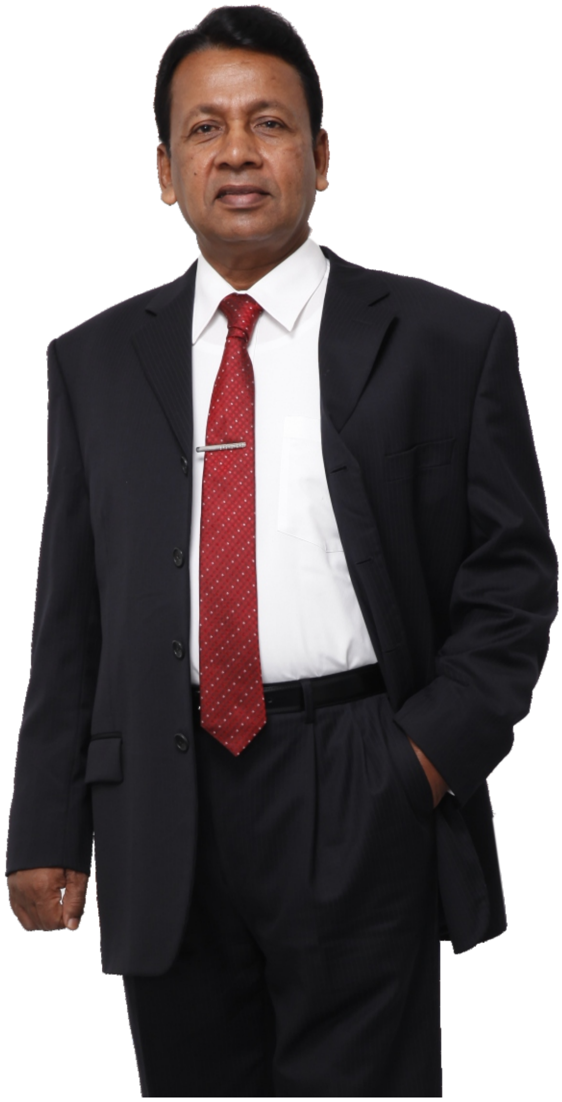
16th November 2010
KPL came under the purview of the Ministry of Coconut Development & Janatha Estate Development

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

01st May 2018
KPL changed hands to the Ministry of Public Enterprise & Kandy City Development.

09th November 2018
KPL was brought under the purview of the Ministry of Plantation Industries.

CHAIRMAN'S MESSAGE



Dear Stakeholder,

I am pleased to present the Annual Report and the Financial Statements for the financial year ended 31 December 2018. I trust our Report will provide you with an in-depth understanding of the Company performance towards driving sustainable growth.

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.

CHAIRMAN'S MESSAGE

It was another fruitful year for our Company, despite economic growth being muted amidst pressures emanating from the external environment, in addition to domestic macro-economic pressures. As stated in the Annual Report last year, we have been focusing on increasing the profitability of a land unit by diversification while improving the productivity of our main crop, coconut.

Kurunegala Plantations recorded a strong performance delivering a Company profit after tax of Rs. 189 million for the financial year ending 31st December 2018, recording 17 percent increase over last year. In the financial year 2018, revenue increased by 11 percent to Rs. 613 million while recording a robust increase in coconut sector performance compared to previous year. Coconut sector revenue grows by Rs. 73 million on account of production increase by 1.9 million nuts, 18 percent over last year.

National coconut production recovered from its declining trend in 2018, due to the lagged effect of favorable rainfall experienced in major coconut growing areas in 2017 resulting in an overall growth of 7.1 percent. Therefore,KPL showed an over performance in coconut production compared to last year. As per the Central Bank Report – 2018, production volumes of many coconut based products decreased in 2018, compared to 2017, accordingly, desiccated coconut (DC) production and coconut oil production declined significantly. Further, production of virgin coconut oil also declined. Meanwhile, palm oil imports, a close substitute for coconut oil, increased in 2018.

National Rubber production declined by 0.6 percent to 82.6 million kilogram in 2018 from 83.1 million kilogram produced in 2017. Continuous rain in plantation areas that prevailed during tapping days along with the high cost of production and poor management of plantations contributed to the drop in total rubber production in 2018. During the first half of 2018, rubber production showed a declining trend, while rubber production improved considerably thereafter, supported by favorable weather conditions in major rubber growing areas. The company rubber production declined by 6408 kilogram recording 5 percent decrease against last year. This is largely because of uprooting of senile rubber plantations. As mentioned in the last year's report the company has taken a strategic decision to convert all possible rubber plantations to high yielding export crops like cinnamon and pepper.

The performance of minor export crops at national level continued to weaken in 2018 as in the previous year. This decline in production was mainly due to dry weather and the unusual shift in the rainfall pattern in growing areas.

Company intercrop sector also showed a decrease during the year under review showing a decline of revenue by Rs. 4 million from Rs. 27.5 million recorded in previous year.

Revenue from rambutan falloff to Rs. 6.5 million from Rs. 7.8 million because of loss of nearly 1 million fruits by wind damage, otherwise it could be able to get the highest rambutan income in 2018. Pepper also showed a deterioration in 2018 recording income drop of Rs. 3.2 million from Rs. 4.3 million in 2017 to Rs. 1.1 million in 2018. This is largely because of decreased production triggered by the downturn price.

CHAIRMAN'S MESSAGE

National pepper production decreased by 31.9 percent to 20,135 metric tons mainly due to unfavorable weather conditions in major pepper growing areas during the flowering and fruiting period. Meanwhile, both farm-gate and auction prices of pepper dropped significantly by around 30 percent due to the declining trend in world market prices and the issue due to the importation of low quality pepper that was then re-exported under trade agreements. Mango also showed a significant revenue drop of Rs. 4.2 million from Rs. 5.5 million in 2017 because of late fruiting. However, company expect a higher income in 2019 with the advantage of this late fruiting. However, Cashew perform better in 2018 compared to last year contributing by nearly Rs. 10 million (2017 – Rs. 6.2 million) to the company revenue, which was the highest cashew income recorded in the history of KPL. Durian Plantation at Dansalwatta division of Attanagalla Area Estate came in to bearing in the year under review, adding Rs. 1.2 million to the company revenue. Few cinnamon plantations established in recent past was also harvested for the first time in 2018, increasing the cinnamon income to Rs. 1.4 million from Rs. 1 million recorded in 2017.

Other income sources also weakened during the year 2018. Sales of coconut trees decrease due to the increase of the demand for imported timber. Over Rs. 48 million valuation gain aroused on consumable biological assets in 2017 due to the advantage of the upsurge revision of timber prices by Sri Lanka Timber Corporation came down to Rs. 19 million in 2018.

This was the major hit to the drop of other operating income in the year under review by Rs. 31.8 million as compared to previous year. It is noteworthy to mention that company could increase the sub- lease/ facility fee income by Rs. 2.6 million in 2018 over last year as a result of expansion of extent given on facility basis to out-growers to cultivate short-term crops like pineapple, ginger, aloe vera, betel. This could be note down as a win-win situation as it provides benefits for both parties. In company aspect; it is another source of income while it is a cost saving strategy as the cultivator undertake weed controlling. Further, it creates a micro-biological climate in our plantations, which is an inherent advantage for us. In addition we introduce coconut new/ under-plantations in such lands, where possible and the growth of coconut seedlings show a visible difference. On the other hand, this program helps villagers to make a considerable additional income whilst contributing to the national production.

We have introduced number of strategies to mitigate the impact from climate change on agriculture production by implementing irrigation systems and moisture conservation method such as husk pits.

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 residence 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 Government land from deforestation and 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 KPIs for progress measurements.

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. We have brought this to the attention of the relevant authorities including CORP Committee and Ministry of Public Enterprises.

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 adhered to high quality management practices which have 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.

CHAIRMAN'S MESSAGE

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.

Appreciation

I take this opportunity to express my gratitude to **Hon. Navin Dissanayake** - Minister of Plantation Industries and Hon. Vadivel Suresh - State Minister of Plantation Industries in supporting us to achieve our goals.

I extend my sincere gratitude to Mr. J.A. Ranjith - Secretary of the Ministry of Plantation Industries, Mr. B.L.A.J. Dharmakeerthi – Additional Secretary (Development) to the Ministry of Plantation Industries, and other officials who have extended their fullest cooperation towards us.

I also thank my 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. In conclusion I wish to thank all our stakeholders for the trust and confidence placed in our Company and look forward to your continued patronage in the years ahead.

A.M. Piyasoma Upali
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

As the Chief Executive Officer of the Kurunegala Plantations Limited (KPL), I am pleased to present the Annual Report and Financial Statement of the company for the financial year ended 31st December 2018.

I'm pleased to announce that we have completed another successful year driving the company towards remarkable success with our concept of precision agricultural strategy for our plantations. The year under review was a challenging year with natural disasters, geo political tension and deep political division in many countries. 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.

CHIEF EXECUTIVE OFFICER'S MESSAGE

For the KPL, the year 2018 has been an exciting one where we have reached many milestone, amidst above mentioned challenges, which has deepened our resolve to work towards reaching the goal to become the leading diversified coconut producing company in Sri Lanka. Amidst the challenging environment, very important milestone of the year under review is the KPL was awarded as the Best Pepper Grower in the year 2018 at the International Pepper Community, 46 session held in Malaysia. I am pleased to report that thanks to our cohesive strategy and solid fundamentals, we were able to hold our ground in profitability.

Coconut Sector

Our company secured a harvest of 12.55 million coconuts during the fiscal year under review, as opposed to 10.64 million nuts during the previous year. This interprets an increase of 18%. The increase can be attributed to the good fertilization and other yield improving mechanisms which had been implemented by the company during the previous year. The introduction of organic manuring processes with coconut husks also helped in increasing the yield while reducing the sum utilized for manuring purpose. The effect of climate change was more severe in KPL estates within the dry agro-climatic zone. However, adverse drought effects were mitigated by appropriate agronomic practices. KPL maintenance its good agricultural and field management practices which have shown rich benefits during the past years.

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

Rubber Sector

National rubber production declined by 0.6 percent. The industry is crumbling under the pressure of lower auction prices caused by a demand and supply mismatch in global markets. The production of rubber of KPL has declined by 5 percent in the year 2018 compared with the previous year. This is mainly due to the uprooting of old unproductive rubber plantation and replace with other suitable varieties such as cinnamon , pepper etc. are indeed a testament to the adoptability of our business model in response to market dynamics.

Other Crops

Since 2005, KPL has extensively diversified into intercrops with a great success. In 2005, the extent of other crops had been 59.28 ha. At the end of 2018, other crop extent accounted for 568.72 ha. Cashew, Cinnamon, Dragon fruit, Mango and Guava have been cultivated in the dry zone estates in Kurunegala while Rambutan and Durian have been established well in the wet zone, in Gampaha. The other crop sector showed a remarkable growth over the years. However, due to the thunder shower and adverse weather condition income from intercrops has declined by Rs. 4 million in the year 2018 compared with previous year.

Strategy and Focus

Financials aside, we reminded resolute in pursuing operational discipline and continues process improvements, which I believe was the key to overcoming the challenges that were thrust upon us during the year. Further, we also focused on our core business.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Consolidating our key strengths, we revisited the value change and assessed our competitive position in each business segment, looking at alternative approaches to sustain the growth momentum in the long-term. The introduction of Private Public Projects (PPP) which commenced from the previous year are yet in the pipeline, with eco-tourism and alternative eco related projects been the trend of thought while we strive towards climate change. We addressed the issues arising from increasing labor wages, which has become a daunting challenge amidst the volatility of coconut and rubber prices. Our response was to develop a more sustainable wage model that would strike a balance between the company's cost and the benefits accruing to the worker. Moreover, from a marketing perspective, we accelerated our direct marketing efforts by different strategies which has given us favorable results. Meanwhile, parallel to our diversification initiatives under coconut, we invested for the precision agricultural practices, as part of the ongoing strategy to move towards a more sustainable growth model for future. Having already ventured into incorporation of Global Positioning Systems and fertigation for our plantations. We commenced a pilot project to grow bud grafted jackfruits on abandoned idle lands on certain estates and also looked into the possibility of diversification into other areas which will aid the eco/ agro-tourism sector which we are about to step into.

Governance and Stewardship

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

Future Outlook

We will continue with the development and diversification program in line with our long term strategy of sustainable development of our plantations. At a strategic level, our long term direction remains one on continuous development and consolidation of our core plantation business whilst concurrently pursuing diversification – led growth through multiple crop value creation initiatives, so that the Company transformers itself from a primary producer to a value added procedure entity, thus ensuring its long term sustainability.

I am optimistic that good times lie ahead. Although recovery appears to be at a slower pace while the demand in the local coconut industry rises, it is important that we keep abreast in order to reap long term benefits. I am confident that the rubber industry too will bounce back in 2019, signaling an end to the difficulties of the past six years. It is why going forward, we remain fully committed to ensuring both business segments are consistently well positioned to ensure long term success, whilst optimizing emerging opportunities that will unlock value for all stakeholders of the business. At the same time, we will continue to uphold the core principles that have brought us success over the years. This means an unwavering focus on efficiency and continues innovation to stay at the forefront of value creation.

We are hoping to take our initial steps in our eco-tourism and agro-tourism ventures, which we are sure will reaps tremendous benefits not only to the company but to the holistic island nation. We have these and many eco initiatives which we hope to be fruitful in the coming year. The year under review has been marked with adverse weather conditions which have hampered our growth momentum and productivity, we as a company are working towards maximum utilization of resources by applying precision agricultural practices and the major initiatives which we hope to share with the entire plantation industry, ascertaining that Sri Lanka stays ahead in plantation crops though the initiatives taken by the company.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Acknowledgments

I would also like to thanks Hon. Navin Dissanayake - Minister of Plantation Industries; Hon. Vadivel Suresh - State minister of Plantation Industries; Mr. J.A. Ranjith – Secretary of Ministry of Plantation Industries, 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 time. My sincere thanks also goes 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.

S.M.M. Samarakoon
Chief Executive Officer

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.

BOARD OF DIRECTORS

Mr. M.T.B. Kulasooriya
Working Director

Appointed as a Working Director of KPL with effect from July 2018, Mr. Kulasooriya is product of Hewahata Central College. He obtain a Diploma inScience & Technology from Open University of Sri Lanka and counts many years of experience serving as a Chairman to Gramodaya Mandalaya. He actively started his political career in 1988 by contesting Local Government Election under the patronage of late Hon. Minister of Buddha Sasana and Organizer of the Electorate – Galagedara, Mr. W.M.G.T. Banda.

He held the Chairmanship of Galagedara Pradeshiya Saba three times and held the position of Opposition Leader in the same Pradeshiya Saba three times counting 30 years of continuous service as a Member of Pradeshiya Saba – Galagedara. During his tenure of service as a Member of Pradeshiya Saba he performed lots of social services; among them starting ofMuruddeniya Sri Piyarathana Daham Pasala is a typical example. In addition he initiated more infrastructure development activities for the well-being of the society, which included upgrading of Schools, Temples, Roads and Water Supply Systems. Having considered his meritorious service, he was awarded the tile of Deshabanduby Sanga Sabawa - Asgiri Chapter of Siyam Maha Nikaya.

From 1992 to 1996 he was the Secretary General to the Local Government Chairman's Association and rendered a remarkable service to local Governments in Sri Lanka under the direction of Late President, Ranasinghe Premadasa.

In the year 2010 he contested to the General Election from Kandy District and become the third place according to the vote percentage. Afterward he hold number of positions in the Government and he has been working as a Coordinating Secretary to the Leader of the House, Hon. Minister Lakshman Kiriella.

Mr. W.M.D.B. Abeyratne

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.

BOARD OF DIRECTORS

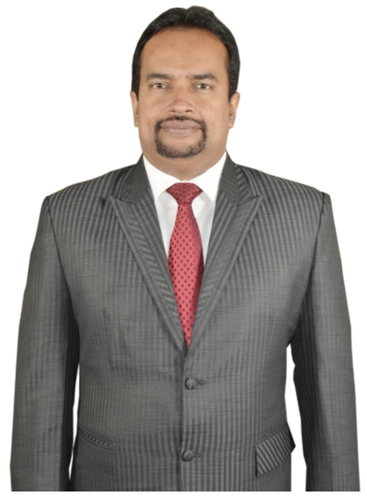
Mr. M.G.D. Indunil Amarasinghe

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 an 1100 hectare 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.

Mr. H.N.P. Jinasena



Mr. Jinasena, who possess overall experience of 21 years as a planter in Sri Lanka State Plantations Corporation, is appointed to the Board of Directors of Kurunegala Plantations on 24th July 2018.

Mr. Nishantha Pushpakumara Jinasena, joined Sri Lanka State Plantations Corporation in August 1997 as an Assistant Superintendent and elevated to the position of Superintendent in the year 2005. Since then he has managed the largest Plantation of Kellebokke Estate coming under Sri Lanka State Plantations Corporation which consists of a labour force of 1500 workers and 100 numbers of staff members and 04 Assistant Superintendents.

In the year 2017, promoted as the General Manager of Sri Lanka State Plantations Corporation and managing 14 Tea Estates and 01 Rubber Plantation including Estate & Head Office staff. He also the Board Secretary to the Board of Directors of Sri Lanka State Plantations Corporation. He is presently reading a Masters of Agriculture Enterprises & Technology Management (Msc.) at Wayamba University of Sri Lanka.

BOARD OF DIRECTORS

Mr. H.A.N. Saman Kumara
Treasury Representative

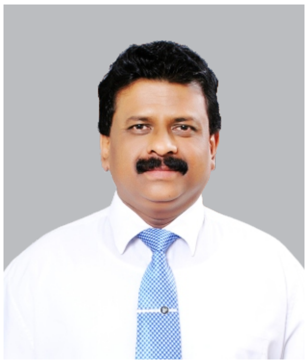
Appointed as a Director/Treasury Representative of KPL with effect from March 2015, and also serving as the Chairman of the Audit Committee of Kurunegala Plantations Limited with effect from April 2015. Mr. Kumara counts years of experience in the Public Sector organizations in Sri Lanka where he served as member of the Senior Management Team or a Director on the Board. He served in several government departments and Ministries from February 2002. At present He is serving as one of the Directors of the department of Public Enterprises of the General Treasury.

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, Treasury Representative of the Divinaguma Trust Fund from 2015 to 2018 and he also served as the Chairman of the Audit Committee of most of those institutions. He currently serves as a Director on the Board of West Coast Power (Private) Ltd since early 2015 and Agriculture and Agrarian Insurance Board since 2018. Mr. Kumara has number of years' experience of work with foreign funded projects and currently serve in the Fiscal Management Efficiency project funded by the Asian Development Bank. He has also represented several committees representing the General Treasury including National Level Committees such as National Steering Committee for Converting Central Government Financial Reporting from Modified Cash Basis to Full Accrual Basis Accounting Committee.

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. Kumara holds several professional memberships of both local and international organizations. He is a member of the Institute of the Chartered Accountants of Sri Lanka, and a member of the Chartered Institute of Public Finance and Accountancy in UK (CIPFA). He is also a member of Chartered Public Finance Accountancy in Sri Lanka (CPFA) and the Association of Public Finance Accountants of Sri Lanka (APFASL)..

SENIOR MANAGEMENT



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

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

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

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

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

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

Manager Audit
Mr. M.K.N. Abeydeera
Bachelor of Commerce (Special)
CBA

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

Mr. S.L.P. Vithanage

B.Sc. Plantation Management

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 2018 recorded as 28% (875.33 hectares) of the total bearing Coconut area and during the year Rs. 87.6 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 ever y 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.

SUSTAINABILITY REPORT

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.

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 attempts to acquire and foster a human capital base that has the relevant skills and knowledge. As of end 2018, the total workforce of KPL comprises 1,075 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. 29.6 million is expected to pay for the year 2018 as performance incentive. This sum has been calculated to pay 02 times of salary - based for provident fund for monthly paid employees and Rs.18,000 for daily paid workers. The amount paid as incentive for the year 2017 was Rs. 27.5 million.

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 07 OIC Quarters and 06 Watch Huts with related facilities such as water, electricity and sanitary in addition to renovation of few Quarters.

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, 11 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 11th successful year
- The 'Kiribath Dansela' at Head Office premises at Kurunegala was held for the 10th successful year on account of Annual Poson Festival
- Annual get together for staff 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 ever y 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.

Shortage of labour

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 labour. 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 labour 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.

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.

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 MANAGEMENT

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.

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. During the year members of the Board of Directors has been changed as follows.

Mr. M.T.B. Kulasooriya as Working Director and Mr. H.N.P. Jinasena were appointed to the Board on 24th July 2018 in place of Mr. D.M. Bandaranayaka and Mr. R. Sydney Kulathilake respectively.

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.

Ten (10) Board Meetings were held during the year 2018 as follows;

- 339th Board Meeting on 25th January 2018
- 340th Board Meeting on 06th March 2018
- 341st Board Meeting on 26th March 2018
- 342nd Board Meeting on 23rd May 2018
- 343rd Board Meeting on 28th June 2018
- 344th Board Meeting on 31st July 2018
- 345th Board Meeting on 21st August 2018
- 346th Board Meeting on 21st September 2018
- 347th Board Meeting on 12th November 2018
- 348th Board Meeting on 28th December 2018

Mr. A.M. Piyasoma Upali Chairman	10/10
Mr. H.A.P. Thusitha Kumara Dias Executive Director	10/10
Mr. M.T.B. Kulasooriya Working Director (Appointed on 24.07.2018)	04/10
Mr. H.A.N. Saman Kumara Treasury Representative	08/10
Mr. W.M.D.B. Abeyratne	09/10
Mr. M.G.D. Indunil Amarasinghe	09/10
Mr. H.N.P. Jinasena (Appointed on 24.07.2018)	03/10
Mr. D.M. Bandaranayaka Former Working Director (Resigned on 24.07.2018)	05/10
Mr. R. Sydney Kulathilake (Resigned on 24.07.2018)	04/10

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 Chief Executive Officer, Senior Managers and Area Superintendents participate to these meetings by invitation and the meetings were coordinated by the Manager-Audit. The Audit Committee met 04 times during the year 2018 and their attendance are as follows.

01st Audit Committee	2018.02.02
02nd Audit Committee	2018.06.05
03rd Audit Committee	2018.06.21
04th Audit Committee	2018.10.05

The attendance of the members to the above meetings are as follows;

Mr. H.A.N.S Kumara Chairman of the Audit Committee Director/ Treasury Representative	4/4
W.M.D.B. Abeyratne Director	4/4
Mr. R. Sydney Kulathilake Director (Resigned on 2018.07.24)	1/4

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 2018, 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 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. Audit Committee drew the attention of the Board of Directors regarding non compliances of rules and regulations. Audit Committee also identified weaknesses in budgeting of coconuts production, adherence to the company policy of fallen nuts percentage and buyer rejection rates etc. Further, issues of application of fertilizer were also discussed with CEO, area superintends and Assistant Superintends. Write-off of capitalized items were discussed in detail and draw the attention of the Board of Directors regarding the nature and procedure to be adopted before the approval to be granted. Special internal audit reports were also discussed in detailed and submit the same to the Board of Directors for further action to be taken. Adequacy of risk mitigating measures adopted for damages caused by wild animals, and problems associated with application of protection methods etc. were discussed at the Audit Committee. Further, Committee discussed with estate superintends regarding the feasibility study before new planting, regular monitoring of new planting and under planting, mitigate risk of failures due to weather conditions and other form of threats.

Audit committee also discussed with internal audit team regarding the adequacy of facilities available, issues faced by them, suggestions and advised them to conduct internal audit functions without limiting to conventional framework. The Audit committee wishes to acknowledge with thanks the services rendered by the staff of the Internal Audit Division and their efforts to meet the requirements and expectations of the Company.

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 2018.

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 2018. During the year under review Mahayaya Area Estates was amalgamated to Attanagalla Area Estates. The Company's lands are scattered in Kurunegala, Gampaha and Anuradhapura districts, which form 07 Area estates, namely Atttanagalla, Dambadeniya, Dodangaslanda, Hiriyala, Kurunegala, Katugampola & 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 hectares) of the land originally handed over (6,722 hectares) to the Company in 1992 with the establishment of the Company. At the end of Financial Year 2018 the total land extent in possession is 4,971.12 hectares.

Land extent of area estates

	Extent (hectares)
Attanagalla	1114.53
Dambadeniya	462.18
Dodangaslanda	690.73
Hiriyala	980.21
Katugampola	617.12
Kurunegala	555.80
Narammala	550.55
	4971.12

Product portfolio

Coconut is the main crop in all 07 area estates while rubber had been confined to Attanagalla 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 2018, signed by the Directors and the Auditor's Report for the same period are included in this report. .

Accounting policies

The Accounting Policies are integral part of the Financial Statements. The Accounting Policies adopted in the previous year are applied without changing.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Revenue

The Company's revenue showed an increase over 11% against last year. The composition of the revenue is as follows;

	2018	2017	Increase/ (Decrease)
	Rs. million	Rs. million	%
Coconut	532	459	16
Rubber	27	35	(23)
Intercrop	24	28	(14)
Other sources	30	31	(3)
Total	**613**	**553**	**11**

Profit before tax & profit after tax

The total revenue of the Company for the year 2018 is Rs. 613 million (2017 - Rs. 553 million). The other operating income for the year is Rs. 68 million (2017 - Rs. 100 million). The profit-before tax of the Company the year 2018 is Rs. 221 million (2017 - Rs. 248 million). Financial results of the Company are given in the Statement of Comprehensive Income.

Profit before tax & profit after tax

The total revenue of the Company for the year 2018 is Rs. 613 million (2017 - Rs. 553 million). The other operating income for the year is Rs. 68 million (2017 - Rs. 100 million). The profit-before tax of the Company the year 2018 is Rs. 221 million (2017 - Rs. 248 million). Financial results of the Company are given in the Statement of Comprehensive Income.

	2018 Rs. million	2017 Rs. million
Profit from Coconut	236	211
Loss from Rubber	(11)	(2)
Profit from other sources	32	28
Gross Profit	**257**	**237**
Other operating income	68	100
Administrative expenses	(154)	(131)
Profit from operating activities	171	206
Finance Income	78	68
Finance Expenditure	(28)	(26)
Profit before taxation	221	248
Current year Income tax expense	(16)	(29)
Deferred taxation	(16)	(57)
Profit for the year	**189**	**162**

Coconut sector

The bearing extent of Coconut at KPL was 3,127.23 ha as at end 2018. Currently the Coconut under-plantation acreage (875.33 ha.) is 28% of the bearing coconut extent. KPL's Coconut estates have a density of 57 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 where KPL's production fell to 13.0 million nuts. However, Company's Coconut production showed an increasing trend afterwards recording 16.7 million nuts in 2014, 14.1 million nuts in 2015, 16.7 million nuts in 2016. However, a noticeable downfall in production was recorded in 2017 hitting the bottom of 10.6 million nuts, which is the lowest production recorded in the history of KPL. However, coconut production in 2018 improved to 12.6 million nuts recording an over 18% increase over last year.

Even though, the production increased by 18%, the Net sales average per nut of Rs. 43.63 recorded in 2017 did not decline than we expected it would be. The Net sales average per nut for the year 2018 was Rs. 43.22. This situation created a favorable impact on coconut revenue recording a Rs. 73 million increase over last year.

Rubber sector

The Company held 158.38 hectares of mature Rubber plantation at the end of year 2018. Rubber has long been an unattractive sector due to the low NSA. The loss from rubber increased to 10.8 million from 02 million in 2017. The loss in 2016 was Rs. 17 million. This was mainly due to the decrease in NSA by Rs. 66 per kilogram in 2018 compared to 2017. (NSA – Rs. 243 in 2018, NSA - Rs. 309 in 2017). In addition, the company rubber production has been come down gradually due to uprooting of old or unproductive rubber plantations and reducing of number of tapping days due to adverse weather conditions. The production in 2018 is 111,112 kilogram while it was 113,407 kilogram in 2017. Unproductive rubber plantations are used to diversification with high yielding minor export crops. More focus was given to crops such as cinnamon and pepper considering its growth potential and market profitability. Some land areas were also dedicated for mono cultivation where they produce or grow a single crop.

Other crops

Our intercrop cultivation contributed by Rs. 23.5 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 minimizing 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.

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

The company has been investing a considerable amount of money in capital developments for years, which includes expansion of coconut & intercrops and maintenance of plantations in immature stage. During the fiscal year under review, Rs. 194 million (2017 - Rs. 143 million) had been invested in Fixed Assets of the Company out of which nearly Rs. 111 million (2017 - Rs. 98 million) had been incurred on immature plantations.

Financial position structure

Total asset has been increased year on year fortifying the financial position structure. The investment of Rs. 194 million, in property plant & equipment, net improvement of consumable biological assets by Rs. 12 million and increase of current asset by 61 million in the year under review were contributed to the improvement of total asset by Rs. 219 million as compared to last year. Short Term Investment enhanced by Rs. 30 million over last year strengthening the liquidity position of the Company.

Liquidity management

Net working capital of the Company increased to Rs. 686 million (2017 - Rs. 640 million) due to an increase in short term investments. Cash and short term investments improved during the current year to Rs. 670 million in 2018 from Rs. 627 million in 2017 as a result of prudent financial management practices applied by the Company. The Company held over Rs. 630 million in short term investments as at 31st December 2018 compared with Rs. 600 million in 2017. These investments comprised of term deposits at State Banks as follows

ANNUAL REPORT OF THE BOARD OF DIRECTORS

	As at 31.12.2018	As at 31.12.2017
Term Deposits		
Matured within		
03 months		
At Bank of Ceylon	10.0	55.2
At Peoples' Bank	85.0	75.0
	95.0	130.0
Term Deposits		
Matured after		
03 months		
At Bank of Ceylon	375.2	225.0
At Peoples' Bank	50.0	95.0
At National Savings Bank	110.0	150.0
	535.2	470.0
Total	630.2	600.2

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 2018 was Rs. 200,000,010. This comprises 20,000,000 in Ordinary Shares and 01 Golden Share held by the Secretary to the General Treasury of Sri Lanka. No allotments of shares were made during the year.

Reserves

The Company Reserves as at 31st December 2018 are represented by;

	2018	2017
	Rs. million	Rs. million
Retained Earnings	1,388	1,218
Biological Asset Valuation Reserves	335	315
Other Reserves	65	65
	1,987	1,598

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. 392.5 million in total have been paid to the General Treasury as dividend. Rs. 40 million is expected to be paid for the financial year 2018.

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. M.T.B. Kulasooriya Working Director	24.07.2018
Mr. H.A.N. Saman Kumara Treasury Representative	06.03.2015
Mr. W.M.D.B. Abeyratne	13.03.2015
Mr. M.G.D. Indunil Amarasinghe	07.10.2016
Mr. H.N.P. Jinasena	24.07.2018
Mr. D.M. Bandaranayaka Former Working Director (Resigned on 24.07.2018)	26.03.2015
Mr. R. Sydney Kulathilake Resigned on 24.07.2018)	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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Audit committees

The following Board members had served the Audit Committee during the year 2018.
Mr. H. A. N. Saman Kumara – Treasury Representative
Mr. W. M. D. B. Abeyratne
Mr. R. Sydney Kulathilaka (Resigned on 24.07.2018)

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 2018 have been audited by the Auditor General's Department.

Financial statements

The Financial Statements for the year ended 31st December 2018 was approved by the Board of Directors of the Company on 13th March 2019. Mr. A. M. Piyasoma Upali (Chairman) and H. A. N. Saman Kumara (Director/Treasury Representative) were authorized 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 Kurunegala Plantations Ltd., Colombo Office, No. 712/3, Baseline Road, Dematagoda, Colombo – 09 at 3.00 p.m. on Friday, 02nd August 2019. 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.P. Thusitha Kumara Dias
Executive Director

Corporate Advisory Services (Pvt) Limited
Secretaries of Kurunegala Plantations Ltd.
12th July 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 this Statement. 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 ever y 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.
12th July 2019.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

PLA/A/KPL/01/18/06 29 May 2019

The Chairman
Kurunegala Plantations Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Kurunegala Plantations Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Kurunegala Plantations Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

a) According to Sri Lanka Accounting Standard 16, depreciation of an asset begins when it is available for use. However, contrary to that, expenditure on depreciation had been understated in accounts by Rs.1,450,603 in the year under review due to failure in depreciating in the year of purchase of an asset and due to fully depreciation in the year of sale of an asset.

b) According to paragraph 51 of Sri Lanka Accounting Standard 16, the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and if expectations differ from previous estimates, it shall be accounted for as a change in an accounting estimate in accordance with Sri Lanka Accounting Standard 8. However, motor vehicles and buildings costing Rs.107,775,018 and Rs.17,693,752 respectively fully depreciated but still being used, had not been revalued and brought to account.

c) According to Sri Lanka Accounting Standard 41, consumable biological assets shall be measured at its fair value. However, it had not been measured accordingly and as such, those assets had been understated by Rs.994,790.

d) Even though a sum of Rs. 8,123,564 had been paid to the Divisional Secretary, Kurunegala on 11 November 2015 by the Company for acquisition of an land of 1.416 Hectares in extent, the ownership of the land had not been vested in the Company and action had not been taken to write-off the relevant cost within the operating period of the Company.

e) According to the Accounting Policy of the Company, in vesting of lands on lease basis, the cost incurred for the development of lands had been amortized during 30 years. However, amortization had not been adjusted for the development cost amounting to Rs. 4,019,754 incurred after the year 1992.

f) Out of the land of 6,722 hectares in extent, vested in the instance of establishment of the Company, a land of 1,750.88 hectares in extent had been again released for various purposes of the Government and the relevant document and plans had not been made available for Audit by parties who had released lands of 550.88 Hectares in extent, valued at Rs.16,214,000 out of the said land.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believ e that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that are required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (1) (d) of the Companies Act, No. 7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 7 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of Sub-section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Sub- section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 except for the following observations;

Reference to law/ direction	Description
a) Financial Regulation 108 (3) of the Democratic Socialist Republic of Sri Lanka	In all cases where a Chief Accounting Officer has no authority to deal with losses, the approval of the Treasury should be obtained. However, approval had not been obtained relevant to the decision taken in the year 2017 to write off damages of Rs.11,110,806 from the cost accounts relating to rubber and other cultivations.
b) Management Services Circular No.39 of 26 May 2009	In deciding salaries and allowances, the recommendation of the National Salaries and Cadre Commission and the approval of the Department of Management Services should be obtained. However, a sum of Rs.10,835,213 had been paid in the year under review as Labour Allowance for 31 officers in the JM Salary Code and salary codes above that.
c) Public Enterprises Circular No.01/2015 of 25 May 2015	A sum of Rs.1,140,506 had been paid relating to 10,435 liters of fuel for 05 officers of the MM Salary Code, who are not entitled to the fuel allowance in terms of the Circular.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018

- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

(a) According to Guideline 7.3.1 of the Procurement Guidelines, in obtaining consultancy service for evaluation of bids, those consultants should not be members of the Technical Evaluation Committee. However, preparation of Bills of Quantities relating to 03 procurements valued at Rs.6,529,930, preparation of bidding documents, supervision of constructions and a consultancy firm which checks payment bills had acted as the Chairman and a member of the Technical Evaluation Committee.

(b) The approval of the Ministry of Plantations Industries and the Treasury had not been obtained for the decision taken by the Company for the cessation of paying lease rents relating to lands of 1,750.88 hectares in extent released for various purposes of the Government.

Signed by,

W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2018 Rs.	2017 Rs.
Revenue	4	**612,760,082**	553,032,421
Cost of sales	5	**(355,660,797)**	(316,042,751)
Gross profit		**257,099,285**	236,989,670
Other operating income	6	**68,603,202**	100,430,534
Administration & general expenses	7	**(154,346,415)**	(131,486,553)
Profit from operating activities		**171,356,072**	205,933,651
Net financial income / (expenses)	8	**50,055,731**	41,992,141
Profit before taxation		**221,411,803**	247,925,792
Income tax expense	9	**(32,417,584)**	(86,128,581)
Profit for the year		**188,994,219**	161,797,211
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)		**522,685**	11,229,981
Total comprehensive income for the year		**189,516,904**	173,027,192
Earnings per share	10	9.45	8.09

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2018 Rs.	2017 Rs.
ASSETS			
NON-CURRENT ASSETS			
Leasehold right to bare land	11	**69,224,109**	71,838,367
Immovable lease assets (other than bare lands)	12	**24,260,939**	27,897,298
Property, plant & equipment	13	**1,347,607,060**	1,199,600,664
Consumable biological assets	14	**192,413,409**	180,105,264
Other financial assets	15	**10,281,993**	6,424,199
		1,643,787,511	1,485,865,792
CURRENT ASSETS			
Inventories	16	**46,536,640**	55,179,685
Deposits	17	**1,166,700**	1,166,700
Pre-payments	18	**2,975,820**	2,584,544
Pre-paid expenditure on short term projects	19	**4,816,638**	6,035,810
Trade & other receivables	20	**76,983,429**	52,003,305
Other financial assets	15	**8,901,657**	6,542,532
Short term investments	21	**630,200,000**	600,200,000
Cash and bank balance	22	**40,221,649**	27,001,465
		811,802,533	750,714,040
Total assets		**2,455,590,043**	2,236,579,832

STATEMENT OF FINANCIAL POSITION

For the year ended 31st December	Note	2018 Rs.	2017 Rs.
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated capital	23	**200,000,010**	200,000,010
Retained earnings		**1,387,534,861**	1,217,802,960
Biological asset valuation reserve		**334,597,642**	315,335,325
Other reserves		**65,319,179**	64,796,493
		1,987,451,692	1,797,934,788
NON-CURRENT LIABILITIES			
Retirement benefit obligations	24	**76,915,109**	75,247,920
Net liability to lessor	25	**90,780,842**	94,346,046
Deferred tax liability	26	**174,810,842**	158,218,364
		342,506,793	327,812,330
CURRENT LIABILITIES			
Net liability to lessor	25	**3,565,204**	3,565,204
Advance received	27	**7,028,626**	2,339,284
Income tax payable		**2,215,473**	10,596,356
Trade and other payables	28	**112,822,256**	94,331,870
		125,631,558	110,832,714
Total equity and liabilities		**2,455,590,043**	2,236,579,832

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 P.M.D.G
MANAGER - FINANCE

SAMARAKOON S.M.M
CHIEF EXECUTIVE OFFICER

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 A.M.
CHAIRMAN

KUMARA H.A.N.S.
DIRECTOR/ TREASURY REPRESENTATIVE

Kurunegala, 13th March 2019

STATEMENT OF CASH FLOW

For the year ended 31st December	2018 Rs.	2017 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	**221,411,803**	247,925,792
Adjustments for		
Depreciation & amortization	**51,051,498**	56,629,538
Provision for retirement benefit obligations	**15,753,184**	16,001,335
Loss on impairment of plantations	**-**	11,110,806
Immature plantation transfer to expenditure	**501,250**	-
Profit on disposal of property plant & equipment	**(1,464,506)**	(64,886)
Profit on sales bearer plants	**(24,939,181)**	(28,536,868)
Gain arising from changes in fair value less cost to sell - consumable biological assets	**(19,262,318)**	(48,620,556)
Net finance income	**(50,055,731)**	(41,992,141)
Profit before working capital changes	192,996,000	212,453,021
Changes in working capital		
Inventories	**8,643,045**	(16,451,195)
Deposits	**-**	967,840
Pre-payments	**(391,276)**	284,625
Trade and other receivables	**(26,263,835)**	14,338,609
Pre-paid expenditure on short term projects	**1,219,172**	2,184,957
Advance received	**4,689,342**	(12,668)
Trade and other payables	**18,490,385**	13,187,919
Cash generated from operations	199,382,833	226,953,107
Payment of retirement benefit costs	**(13,563,310)**	(9,257,187)
Income tax paid	**(16,518,816)**	-
Withholding tax paid	**(4,472,920)**	(6,751,418)
Economic service charge paid	**(3,214,253)**	(3,031,073)
Net cash generated from operating activities	**161,613,534**	207,913,430

STATEMENT OF CASH FLOW

For the year ended 31st December	2018 Rs.	2017 Rs.
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	**(194,162,972)**	(142,858,157)
Additions to consumable biological assets	**(268,979)**	
Proceeds from disposal of property, plant & equipment	**1,524,730**	183,300
Proceeds from disposal of barer plants - coconut & rubber trees	**25,733,402**	28,756,268
Proceeds from sale of consumable biological assets	**7,223,151**	12,145,217
Net investment in term deposits	**(65,200,000)**	(239,200,000)
Interest received	**77,719,742**	68,163,263
Net cash flows used in investing activities	**(147,430,926)**	(272,810,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	**(29,945,504)**	(9,218,993)
Loan given to staff	**(17,639,001)**	(8,950,800)
Staff loan recoveries	**11,422,081**	8,613,441
Dividend paid		(35,000,000)
Net cash flows used in financing activities	**(36,162,424)**	(44,556,353)
Increase/(decrease) in cash and cash equivalents	**(21,979,816)**	(109,453,032)
Cash and cash equivalents at the beginning of the year	**157,201,465**	266,654,497
Cash and cash equivalents at the end of the period (Note- A)	**135,221,649**	157,201,465

Note - A

Cash and Cash Equivalents as at	**31.12.2018**	31.12.2017
	Rs.	Rs.
Term Deposits matured within 03 months - Bank of Ceylon	**10,000,000**	55,200,000
Term Deposits matured within 03 months - Peoples' Bank	**85,000,000**	75,000,000
Repo	**34,000,000**	14,000,000
Cash at Bank	**5,534,333**	7,266,875
Cash in Hand	**677,368**	5,726,409
Postage/Stamps	**9,948**	8,181
	135,221,649	157,201,465

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

STATEMENT OF CHANGES IN EQUITY

	Stated capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01.01.2017	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	-	11229981
Transferred to Biological Assets Reserve	-	48,452,131	-	(48,452,131)	-
Dividend - 2015	-	-	-	(35,000,000)	(35,000,000)
Balance as at 31.12. 2017	200,000,010	315,335,325	64,796,493	1,217,802,961	1,797,934,788
Net profit for the year 2018	-	-	-	188,994,219	188,994,219
Other Comprehensive Income	-	-	522,685	-	522,685
Transferred to Biological Assets Reserve	-	19,262,318	-	(19,262,318)	-
Balance as at 31.12. 2018	**200,000,010**	**334,597,642**	**65,319,178**	**1,387,534,862**	**1,987,451,692**

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

01. GENERAL

1.1 Legal Status of the Reporting Entity

Kurunegala Plantations Limited (KPL) is a limited liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Businesses undertakings into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 7 of 2007. The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala.

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

1.2 Principal Activities and Nature of Business

During the year, the principal activities of the Company were the cultivation, manufacture and sale of Coconut, Rubber & other agriculture produce. Its plantations are situated in the planting districts of Kurunegala, Gampaha and Anuradhapura which are organized under 07 planting Area Estates as described below.

Attanagalla	Dambadeniya
Dodangaslanda	Kurunegala
Katugampola	Narammala
Hiriyala	

02. BASIS OF PREPARATION

2 1 Statement of Compliance
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The financial statements which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes ("financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 07of 2007.

2.2 Going Concern

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

2.2 Basis of Presentation

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

- Leasehold Right to Bare Land of JEDB/ SLSPC, which have been revalued as described in Note 11.
- Consumable Biological Assets are measured at fair value less costs to sell Note 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.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

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

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

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

Note 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

ACCOUNTING POLICIES

2.5 Comparative Information

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

03. 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 incurre 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:

Asset Category	No of Years
Buildings	40
Electrifications	40
Solar Power Electricity System	10
Wells	40
Fencing	03
Motor Vehicles	05
Machinery	13 1/3
Furniture & Fittings	10
Equipment	08
Irrigation	08
Computers	05

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.

Asset Category	No of Years
Bare land	53
Buildings	25
Machinery	15
Mature Plantations	30
Land Development Cost	30

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.

ACCOUNTING POLICIES

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 Plants

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.

Asset Category	No. of Years
Coconut	50
Rubber	20
Cashew	20
Cinnamon	20
Dragon Fruit	20
Cocoa	20
Mango	20
Pepper	20
Rambutan	20
Durian	20
Guava	06

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 Plants

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

(a) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.
Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.
In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the company"s claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets - Policy applicable prior to 1 January 2018The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:

- held for trading
- derivative hedging instruments; or
- designated as at FVTPL

Financial assets - Subsequent measurement and gains and losses: Policy applicable prior to 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.

Held-to-maturity financial assets

Measured at amortized cost using the effective interest method.

Loans and receivables

Measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(c) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment policy: applicable from 1 January 2018Non-derivative financial assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company‟s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market tor a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company"s procedures to recovery of amounts due.

Impairment Policy: applicable prior to 1 January 2018

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management‟s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment Policy: Non-financial assets

The carrying amounts of the Company‟s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset‟s recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

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

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

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.

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.

ACCOUNTING POLICIES

Input Material, Consumables and Spares

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

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

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.

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

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

Sale of Goods

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on “Revenue”, LKAS 11 on “Construction Contracts” and IFRIC 13 on “Customer Loyalty Programs” and is effective for annual reporting periods beginning on or after January 1, 2018.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognized. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled.

As per SLFRS 15, which became effective from January 1, 2018, the Company adopts principles based five step model for revenue recognition. Accordingly, revenue is recognized only when all of the following criteria are met.

- The parties to the contract have approved the contract/s;
- The entity can identify each party"s rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance;
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

There is no significant impact on the Financial Statement of the Company resulting from the application of SLFRS 15

Interest Income

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

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

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.

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.

ACCOUNTING POLICIES

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.

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.

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.

3.7 Earnings per Share

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

3.8 Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December		2018 Rs.	2017 Rs.
4	**REVENUE**		
	Coconut (Note 4.1)	**532,156,734**	459,162,402
	Rubber (Note 4.2)	**27,016,608**	34,990,910
	Coconut Husk	**27,045,956**	24,494,539
	Rambutan	**6,516,631**	7,827,142
	Pepper	**1,107,361**	4,343,035
	Cashew	**9,982,565**	6,207,285
	Mango	**1,272,630**	5,498,639
	Foliage & Ornamental Plants	**799,150**	4,777,282
	Others	**6,862,448**	5,731,188
		612,760,082	553,032,421
4.1	**Coconut Income**		
	Green nuts	**501,018,678**	422,555,707
	Seed nuts (No of Nuts 373,529)	**24,034,439**	20,524,602
	Copra	**7,103,617**	16,082,094
		532,156,734	459,162,402
	Production (Nuts)	**12,553,886**	10,647,351
	Sales (Nuts)	**12,311,991**	10,525,008
	Net Sales Average (per 1000 nuts)	**43,223**	43,626
	Cost of Sales (per 1000 nuts)	**24,071**	23,590
4.2	**Rubber Income**		
	RSS	**11,815,954**	15,097,246
	Latex	**12,807,686**	18,241,340
	Scrap & Cuttings	**2,392,967**	1,652,325
		27,016,608	34,990,910
	Production (Kg)	**113,085**	119,486
	Sales (Kg)	**111,112**	113,407
	Net Sales Average (per 1 Kg)	**243**	309
	Cost of Sales (per 1 Kg)	**340**	324

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December		2018 Rs.	2017 Rs.
5	**COST OF SALES**		
	Coconut	**296,360,095**	248,279,748
	Rubber	**37,828,715**	36,775,391
	Rambutan	**2,721,547**	1,862,186
	Pepper	**3,449,054**	3,659,498
	Cashew	**2,770,708**	3,112,925
	Mango	**2,567,175**	1,610,230
	Foliage & Ornamental Plants	**1,627,893**	4,981,673
	Loss on Impairment of Plantations	**-**	11,110,806
	Others	**8,335,610**	4,650,293
		355,660,797	316,042,751
6	**OTHER OPERATING INCOME**		
	Profit on sales bearer biological assets (Note - 6.1)	**24,939,181**	28,536,868
	Profit / (Loss) on disposal & sale of Property Plant & Equipment	**1,464,506**	64,886
	Gain arising from changes in fair value - Consumable Biological assets	**19,262,318**	48,452,131
	Late removal & payment charge -coconut	**6,850,141**	7,870,634
	Lease/ facility fee income	**11,891,000**	9,237,202
	Sand/ Soil	**-**	2,791,229
	Write back/ (Write off)	**2,769,017**	1,561,305
	Other miscellaneous income	**1,427,040**	1,916,280
		68,603,202	100,430,534
6.1	Profit on sales bearer biological assets - Coconut Tree Sales	**18,248,411**	21,470,764
	Less: Cost of Tress disposed during the year	**(425,961)**	(669,216)
	Add: Accumulated depreciation as at 31st December	**376,822**	569,728
		18,199,272	21,371,276
	Profit on sales bearer biological assets - Rubber Tree Sales	**7,484,991**	7,285,504
	Less: Cost of Tress disposed during the year	**(3,722,367)**	(457,776)
	Add: Accumilted depreciation as at 31st December	**2,977,286**	337,864
		6,739,910	7,165,592
	Profit on sales bearer biological assets	**24,939,181**	28,536,868
7	**ADMINISTRATION & GENERAL EXPENSES**		
	Payroll Related Expenses (Note: 7.1)	**108,336,423**	84,786,006
	Maintenance & Repairs	**11,908,938**	10,607,911
	Other Administration Expenses	**34,101,054**	36,092,636
		154,346,415	131,486,553

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December		2018 Rs.	2017 Rs.
	PROFIT FROM OPERATING ACTIVITIES		
	is stated after charging the following;		
	Directors emoluments	**4,092,350**	5,554,762
	Auditors fees on statutory audit	**632,500**	575,000
	Donations	**399,052**	547,026
	Depreciation/ Amortization-		
	Leasehold rights to bare land of JEDB Estates	**2,614,258**	2,614,258
	Immovable leased assets of JEDB Estates	**3,541,561**	3,904,648
	Mature Plantation	**14,202,140**	12,585,172
	Property, plant and equipment	**30,693,539**	37,525,461
	Personal Cost includes		
	Defined Benefit Plan - Retirement Gratuity	**15,753,184**	16,001,335
	Defined Contribution Plan Cost - EPF and ETF (Note: 7.1)	**49,337,035**	30,571,724
	Performance incentive	**35,595,238**	27,535,405
	Bonus	**10,690,875**	10,876,615
	Holiday Pay	**6,698,059**	6,659,951
	Medical Leave	**4,713,525**	4,406,811
	Salaries & Wages	**245,443,029**	225,877,260
8	**NET FINANCIAL INCOME /(EXPENSE)**		
	FINANCE INCOME		
	Interest on Term Deposits	**73,291,169**	64,113,947
	Interest on REPOs (Note 8.1)	**2,317,053**	1,938,563
	Interest on Loans given to Staff	**827,809**	644,427
	Un-winding of Pre-paid Staff Benefits	**1,340,190**	909,966
		77,776,221	67,606,903
	Less: FINANCE COST		
	Interest on Lease - JEDB	**26,380,300**	24,704,796
	Amortization of Staff Cost	**1,340,190**	909,966
		27,720,490	25,614,762
	Net financial income /(expense)	**50,055,731**	41,992,141
9	**INCOME TAX EXPENSE**		
	Current Income Tax Expense (Note 9.1 & 9.2)	**15,825,106**	29,025,262
	Deferred Taxation (Note 9.3 & 25)	**16,592,478**	57,103,319
		32,417,584	86,128,581

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2018 Rs.	2017 Rs.

9.1 CURRENT INCOME TAX EXPENSE

In terms of First Schedule item 4, 2 (c) under Tax rates for Companies of the Inland Revenue Act, No. 24 of 2017 a company predominantly conducting an agricultural business [the business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry] is liable to income tax at the rate of 14%. As Kurunegala Plantation Limited gross agriculture income is exceeds 80% of its gross income, the company is liable to pay income tax at the rate of 14% on its taxable income

9.2 Reconciliation between Accounting Profit to Income Tax

	2018 Rs.	2017 Rs.
Accounting Profit Before Taxation (Note 09.2.1)	**221,411,803**	247,925,792
Income from other sources & exempt Income	**(101,698,300)**	(117,821,882)
	119,713,503	130,103,910
Aggregate Disallowable Items	**68,768,174**	84,225,958
Aggregate Allowable Items	**(163,772,235)**	(147,882,429)
Adjusted Business Profit for the Year	**24,709,441**	66,447,439
Income from Other Sources	**88,327,031**	66,696,937
Assessable Income	**113,036,472**	133,144,376
Qualifying payments	**-**	-
Taxable Income	**113,036,472**	133,144,376
Concessionary Rate predominantly engage in agriculture Act 24 of 2017	**113,036,472**	
Taxable Income at Concessinary Rate - 48A - Act No. 06 of 2016) - 10%		45,862,019
Other Income		87,282,358
	113,036,472	133,144,376
Tax on Concessionary Rate predominantly engage in agriculture 14%	**15,825,106**	-
Tax on agricultural activities 10%	**-**	4,586,202
Tax on other income 28%	**-**	24,439,060
Gross Income Tax Liability	**15,825,106**	29,025,262

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%.

	2018 Rs.	2017 Rs.
Deferred tax Expense / (Income) arises from :		
Property Plant & Equipment	**1,784,565**	4,423,620
Bearer Biological Assets	**13,355,775**	44,465,243
Consumable Biological Assets	**1,723,140**	10,898,784
Provision for bad & doubtful debts	**(37,596)**	(122,994)
Employee Benefit Liability	**(233,406)**	(2,561,334)
	16,592,478	**57,103,319**

For the year ended 31st December	2018 Rs.	2017 Rs.
10. EARNINGS PER SHARE		
The calculation of the earnings per share is based on Profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.		
10.1 Basic Earnings per Share		
Profit attributable to Ordinary Shareholders (Rs.)	**188,994,219**	161,797,211
Weighted average number of ordinary shares	**20,000,001**	20,000,001
Earnings Per Shares (Rs. Cts.)	**9.45**	8.09

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2018. 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 June 18, 1992, immediately after the formation of the company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board has decided at its meeting held on March 08, 1995 that these bare lands would be revalued, at the values established for these lands, by the valuation specialist Mr. D.R. Wickramasinghe just prior to the formation of the company. The revalued amount taken to the June 18, 1992 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 June 18, 1992, the date of formation of the company. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed. This Memorandum of Record is considered as an agreement between JEDB and the Company.

11.3 Leasehold Right to Bare land (53 years)

	Rs.
COST	
Capitalized Value as at 18.06.1992	**189,234,932**
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2017	**(50,586,168)**
Balance as at 31.12.2017	**138,648,764**
Disposals due to change in controlling interest from 01.01.2018 - 31.12.2018	**-**
Balance as at 31.12.2018	**138,648,764**

AMORTIZATION	
Accumulated amortization as at 01.01.2017	**64,196,140**
Amortization for the year 2017	**2,614,257**
Accumulated amortization as at 31.12.2017	**66,810,397**
Amortization for the year 2018	**2,614,258**
Disposals due to change in controlling interest from 01.01.2018 - 31.12.2018	**-**
Balance as at 31.12.2018 (Note - A)	**69,424,655**

WRITTEN DOWN VALUE	
As at 31.12.2017	**71,838,367**
As at 31.12.2018	**69,224,109**

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 - 31.12.2018	**9,693**
Amortization as at 31.12.2018 (138,648,765 / 19,358 x 9,693)	**69,424,655**

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

As explained in Note 11, although all JEDB estate leases have not been executed to date in terms of the ruling of the UITF, all immovable assets in these estates under finance leases have been taken into the books of the company retroactive to June 18, 1992. For this purpose, the Board has decided at its meeting on March 08, 1995 that these assets be taken into the books at their book values as they appeared in the books of the JEDB on the day immediately preceding the date of formation of the company.

Revaluation	Life of the Asset Years	As at 18.06.1992 Rs.	Transfer in/ (Out) Rs.	Disposals Rs.	Balance as at 31.12.2017 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	(28,140,337)	105,196,535
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	-	(32,892,930)	124,048,433

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2018 Rs.		Disposals Rs.	Balance as at 31.12.2018 Rs.
Land development cost	1,123,305	-	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note A)	105,196,535	-	(651,211)	104,545,323
	124,048,433	-	(651,211)	123,397,222

Amortization	Balance as at 01.01.2018 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.12.2018 Rs.
Land development cost	956,301	37,420	-	993,721
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note B)	77,466,241	3,504,142	(556,414)	80,413,969
	96,151,135	3,541,561	(556,414)	99,136,282

IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND) cont...

Carrying value	**Balance as at 01.01.2018 Rs.**	**Balance as at 31.12.2018 Rs.**
Land development cost	167,004	129,585
Buildings	-	-
Machinery	-	-
Mature plantations	27,730,294	24,131,355
	27,897,299	24,260,939

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 bring 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.

Note A - Cost of Mature plantations

Balance as at 18.06.1992	43,001,122
Disposals of mature plantations due to change in controlling interest from 18.06.1992 - 31.12.2018	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2017	(10,771,905)
Value of Coconut Trees disposed (other than alienation) during the year 2018	(425,961)
Balance as at 31.12.2018 - [a]	24,823,668
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 31.12.2017	(1,657,878)
Value of Rubber Trees disposed (other than alienation) during the year 2018	(225,250)
Balance as at 31.12.2018 - [b]	79,721,655
Mature Plantations as at 31.12.2018 (a + b) - [c]	104,545,323

Note B - Amortization of Mature plantations

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 - 31.12.2018	9,693
Amortization as at 31.12.2018 (24,823,668 / 10,957 x 9,693) - [d]	21,960,009
Immature Plantations as at 18.06.1992 which has been transferred to mature plantations over the period at their maturity. (Note — B - 01)	58,453,960
Total amortization	80,413,969

NOTES TO THE FINANCIAL STATEMENTS

Note - B - 01

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

	Date of Disposal	Cost	Amortization as at 31.12.2018
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1994		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)	
Disposal - Rubber Trees - 2018	31.12.2018	(207,232)	
Balance as at 31.12.2018		**31,349,440**	**25,078,408**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1995		8,429,585	
Disposal - Mawathagama	15.08.1997	(493,832)	
Disposal - Walbotale	31.05.2011	(721,401)	
Disposal - Rubber Trees - 2018	31.12.2018	(18,018)	
Balance as at 31.12.2018		**7,196,334**	**5,517,102**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1996		12,394,880	9,089,428
Balance as at 31.12.2018		**12,394,880**	**9,089,428**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1997		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)	
Balance as at 31.12.2018		**6,510,485**	**4,557,399**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1998		9,962,094	
Disposal - Polgammana	01.01.2016	(684,684)	
Balance as at 31.12.2018		**9,277,410**	**6,184,658**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.1999		8,676,654	
Disposal - Mawathagama	15.08.1997	(420,467)	
Disposal - Polgammana	01.01.2016	(604,222)	
Balance as at 31.12.2018		**7,651,965**	**4,846,198**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.2000		4,666,747	
Disposal - Polgammana	01.01.2016	(40,648)	
Balance as at 31.12.2018		**4,626,099**	**2,775,575**
Cost as of 18.06.1992 of the immature plantations that were transferred to mature plantations on 31.12.2001		715,044	
Balance as at 31.12.2018		**715,044**	**405,194**
TOTAL		**79,721,656**	**58,453,960**

13 PROPERTY, PLANT AND EQUIPMENT

BEARER PLANTS

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 PLANTS

	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Guava	Dragon fruit	Mango	Pepper	Cocoa	Durian	Ariconut	Coffee	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost														
Balance as at 01.01.2018	429,406,282	53,901,971	1,683,539	2,160,573	3,275,421	-	1,758,023	5,032,824	7,903,075	-	5,674,131	517,287	-	511,313,125
Additions during the year	87,578,453	7,481,981	1,812,715	4,541,732	1,312,292	-	257,576	1,252,924	5,565,518	-	850,570	147,444	-	110,801,205
Transfers during the year	(24,549,962)	(25,026,232)	(1,356,257)	(613,910)	(788,221)	-	(2,015,599)	-	-	-	(2,139,866)	-	-	(56,490,047)
Disposals during the year		-	-	-	-	-	-	-	-	-	(501,250)	-	-	(501,250)
Balance as at 31.12.2018	492,434,773	36,357,720	2,139,997	6,088,395	3,799,492	-	-	6,285,748	13,468,593	-	3,883,585	664,731	-	565,123,033

MATURE PLANTS

Cost	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Guava	Dragon fruit	Mango	Pepper	Cocoa	Durian		Coffee	Total
Useful life of the asset	50 years	20 years	20 years	20 years	20 years	6 years	20 years	20 years	20 years	20 years	20 years			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.
Balance as at 01.01.2018	404,125,041	60,896,964	20,235,154	11,138,228	2,708,126	521,426	1,456,632	2,086,955	13,274,477	5,936,675	2,516,652		153,769	525,050,099
Transfers during the year	24,549,962	25,026,232	1,356,257	613,910	788,221	-	2,015,599	-	-	-	2,139,866		-	56,490,047
Disposals during the year	-	(3,497,117)	-	-	-	-	-	-	-	-	-		-	(3,497,117)
Balance as at 31.12.2018	428,675,003	82,426,079	21,591,411	11,752,138	3,496,347	521,426	3,472,230	2,086,955	13,274,477	5,936,675	4,656,518		153,769	578,043,028
Amortization														
Balance as at 01.01.2018	67,645,696	32,755,875	3,030,252	2,232,177	799,917	198,048	237,187	521,740	1,561,737	1,159,009	-		99,948	110,241,586
Charge for the year	8,082,500	3,041,364	1,011,758	495,931	135,406	163,922	72,830	104,348	663,726	296,834	125,833		7,688	14,202,140
Disposals during the year	-	(2,797,694)	-	-	-	-	-	-	-	-	-		-	(2,797,694)
Balance as at 31.12.2018	75,728,196	32,999,545	4,042,010	2,728,108	935,323	361,970	310,017	626,088	2,225,463	1,455,843	125,833	-	107,636	121,646,032
Written down value														
As at 01.01.2018	336,479,346	28,141,089	17,204,902	8,906,051	1,908,209	323,378	1,219,445	1,565,215	11,712,740	4,777,666	2,516,652	-	53,821	414,808,513
As at 31.12.2018	352,946,808	49,426,534	17,549,401	9,024,030	2,561,024	159,456	3,162,213	1,460,867	11,049,014	4,480,832	4,530,685	-	46,133	456,396,997
TOTAL BEARER BIOLOGICAL ASSETS														
Written down value														
As at 01.01.2018	765,885,627	82,043,060	18,888,441	11,066,624	5,183,630	323,378	2,977,467	6,598,039	19,615,815	4,777,666	8,190,783	517,287	53,821	926,121,638
As at 31.12.2018	845,381,580	85,784,254	19,689,398	15,112,425	6,360,516	159,456	3,162,213	7,746,615	24,517,607	4,480,832	8,414,270	664,731	46,133	1,021,520,030

13 PROPERTY, PLANT AND EQUIPMENT cont...

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

	Acquisition of land	Improvements to Land	Buildings	Wells	Fencing	Motor Vehicles	Machinery	Furniture & Fittings	Equipment	Computer Equipment	Irrigation	Electrification	Solar Power System	Total	Work-in-progress	Total
Useful life of the Asset (Years)			40	40	3	5	13 1/3	10	8	5	8	40	10			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost																
Balance as at 01.01.2018	8,123,564	4,019,754	193,508,352	7,821,237	60,497,401	152,971,127	1,849,609	14,275,948	18,171,731	3,825,790	754,335	1,290,486	3,751,046	470,860,380	11,953,002	482,813,382
Additions during the year	-	-	48,391,940	1,817,630	9,879,083	2,660,982	-	1,738,928	3,954,132	428,800	2,956,486	1,130,900	-	72,958,881	23,159,499	96,118,380
Disposals during the year	-	-	-	-	-	(2,520,687)	-	-	(21,565)	-	-	-	-	(2,542,252)	(12,756,614)	(15,298,866)
Transferred (from)/ to				-							-	-	-	-	-	-
Balance as at 31.12.2018	8,123,564	4,019,754	241,900,292	9,638,867	70,376,484	153,111,422	1,849,609	16,014,876	22,104,298	4,254,590	3,710,821	2,421,386	3,751,046	541,277,009	22,355,888	563,632,897
				-												
Depreciation																
Balance as at 01.01.2018	-	-	15,207,048	1,303,386	43,179,777	130,247,540	475,084	6,270,858	10,010,973	2,639,690	-	-	-	209,334,356		209,334,356
Charge During the year	-	-	4,837,708	195,535	9,231,279	12,209,251	138,721	1,354,397	1,813,885	411,102	94,292	32,261	375,108	30,693,539		30,693,539
Disposals during the year	-	-	-	-	-	(2,468,548)	-	-	(13,480)	-	-			(2,482,028)		(2,482,028)
Balance as at 31.12.2018	-	-	20,044,756	1,498,921	52,411,056	139,988,243	613,805	7,625,255	11,811,378	3,050,792	94,292	32,261	375,108	237,545,867	-	237,545,867
Written down value																
As at 01.01.2018	8,123,564	4,019,754	178,301,304	6,517,851	17,317,624	22,723,587	1,374,525	8,005,090	8,160,758	1,186,100	754,335		3,751,046	261,526,024	11,953,002	273,479,026
As at 31.12.2018	8,123,564	4,019,754	221,855,536	8,139,946	17,965,428	13,123,179	1,235,804	8,389,621	10,292,920	1,203,798	3,616,529	2,389,125	3,375,938	303,731,142	22,355,888	326,087,030
Fully depreciated assets as at 31.12.2018		-		-	32,803,558	107,775,018	-	801,514	3,883,352	1,996,525	-	-	-	147,259,967		147,259,967

TOTAL OF PROPERTY, PLANT AND EQUIPMENT

Written down value

As at 01.01.2018	1,199,600,664
As at 31.12.2018	1,347,607,060

The land called Pollaththapitiya, 1.416 hectare in extent where the Head office of the company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on July 15, 1987. Since the legal title of the land was not transferred to JEDB the land is now owned by the government. Compensation upon acquisition had not been paid to the original owners of the land , H.L. De Mel and Company. Based on a court of appeal order the company was requested by the Ministry of Plantation Industries to pay the legal compensation of Rs. 3.5 Mn. to H.L. De Mel and Company which it has paid through the Divisional Secretary, Kurunegala on condition suggested by the Ministry that the land will be transferred to the company by the government. The legal interest payable on Rs. 3.5 Mn. for delaying the payment for 18 years was calculated to be Rs. 4,623,563.92 and the company has agreed to pay this amount at the request of the Ministry of Plantation Industries. The total of the amount paid and payable relating to the acquisition of the land is, therefore, Rs. 8,123,563.92. The full amount is disclosed in these accounts as acquisition cost of the land. The title of land has been transferred to Kurunegala Plantations Ltd with effect from 2015.11.16 (Reg No. G146/78)

As at		31.12.2018 Rs.	31.12.2017 Rs.
14	**CONSUMABLE BIOLOGICAL ASSETS**		
14.1	**TIMBER TREES**		
	Balance as at the beginning of the year	**179,755,932**	143,159,531
	Gain / (loss) arising from changes in fair value less cost to sell	**19,404,962**	48,115,789
	Sale value	**(7,223,151)**	(11,519,388)
	Balance as at the end of the year	**191,937,743**	179,755,932

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

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

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

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

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

As at	31.12.2018 Rs.	31.12.2017 Rs.
14.2 LIVESTOCK		
Cattle		
Balance as at the beginning of the year	**349,332**	470,394
Gain / (loss) arising from changes in fair value less cost to sell	**126,334**	504,767
Sale value	**-**	(625,829)
Balance as at the end of the year	**475,666**	349,332
Total Consumable Biological Assets	**192,413,409**	180,105,264

15 OTHER FINANCIAL ASSETS

	Loan Given to Employees	Pre Paid Staff Benefit	Total
Balance as at 01.01.2017	11,720,626	908,745	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)	(909,967)	(8,613,441)
Balance as at 31.12.2017	11,890,309	1,076,421	12,966,730
Loan granted during the year -2018	15,699,944	1,939,057	17,639,001
Loan recovered during the year -2018	(10,081,891)	(1,340,190)	(11,422,081)
Balance as at 31.12.2018	17,508,362	1,675,288	19,183,650
Non Current Balance as at 31.12.2017	6,058,964	365,236	6,424,200
Current Balance as at 31.12.2017	5,831,345	711,187	6,542,532
Balance as at 31.12.2017	11,890,309	1,076,423	12,966,732
Non Current Balance as at 31.12.2018	9,687,554	594,439	10,281,993
Current Balance as at 31.12.2018	7,820,807	1,080,850	8,901,657
Balance as at 31.12.2018	17,508,361	1,675,289	19,183,650

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.

For the year ended 31st December			2018	2017
Kurunegala Plantations Limited Distress Loans—Interest Rate			5%	5%
Market interest rate of similar loans				
01.12.2014 - 31.12.2014	11.50%	21.11.2016 - 31.12.2016	14.00%	
01.01.2015 - 31.12.2015	11.50%	01.01.2017 - 31.12.2017	14.00%	
01.01.2016 - 20.11.2016	13.00%	01.01.2018 - 31.12.2018	13.00%	

NOTES TO THE FINANCIAL STATEMENTS

As at		31.12.2018 Rs.	31.12.2017 Rs.
16	**INVENTORIES**		
	Produce Stocks	**28,233,287**	38,891,615
	Input Materials, Spares & Consumables	**15,852,616**	13,789,712
	Growing Nurseries	**2,450,736**	2,498,358
		46,536,640	55,179,685
17	**DEPOSITS**		
	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
	Others	**5,000**	5,000
		1,166,700	1,166,700
18	**PRE-PAYMENTS**		
	Insurance	**1,445,442**	1,212,145
	Pre-paid subscriptions	**102,450**	89,087
	Pre-paid amount on service agreements	**23,935**	51,610
	Pre-paid Rents	**46,666**	32,667
	Cadastral Survey	**965,586**	963,033
	Others	**391,740**	236,002
		2,975,820	2,584,544
19	**PRE PAID EXPENDITURE ON SHORT TERM PROJECTS**		
	Cut foliage Project - Attanagalla (Note 19.1)	**4,671,859**	5,864,674
	Manioc	**110,896**	128,599
	Compost Manufacturing		9,059
	Pasture		33,477
	Paddy	**33,882**	
		4,816,638	6,035,810

19.1 This include Office Building, Net house, Land Development Cost, Watersupply System constructed entierly 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 ammortized over the lease period of 5 years at Rs. 1,192,815 per annum.

As at		31.12.2018 Rs.	31.12.2017 Rs.
20	**TRADE AND OTHER RECEIVABLES**		
	Trade Debtors		
	Produce Debtors - Coconut	**52,198,169**	23,495,037
	Less: Rejection provision	**(1,199,215)**	(566,227)
	Recoverable loss on sale of Coconut	**3,276,781**	2,948,268
	Produce Debtors - Rubber	**3,796,427**	4,452,266
	Produce Debtors - Others	**451,239**	886,668
	Rent Receivables	**58,478**	695,236
	Other Receivables		
	Interest Receivable	**20,233,702**	21,517,414
	Staff debtors	**2,091,372**	2,153,189
	Economic Service Charges Carried Forward	**34,642**	-
	Sundry Debtors	**372,098**	483,177
	Less: Provision for Bad & Doubtful Debts	**(4,330,264)**	(4,061,724)
		76,983,429	52,003,305
21	**SHORT TERM INVESTMENTS**		
	Matured within 03 months		
	Term Deposits - Bank of Ceylon	**10,000,000**	55,200,000
	Term Deposits - Peoples' Bank	**85,000,000**	75,000,000
	Term Deposits - National Savings Bank	**-**	-
		95,000,000	130,200,000
	Matured after 03 months		
	Term Deposits - Bank of Ceylon	**375,200,000**	225,000,000
	Term Deposits - Peoples' Bank	**50,000,000**	95,000,000
	Term Deposits - National Savings Bank	**110,000,000**	150,000,000
		535,200,000	470,000,000
		630,200,000	600,200,000
22	**CASH & BANK BALANCES**		
	Stamps	**9,948**	8,181
	Repo	**34,000,000**	14,000,000
	Cash at Bank	**5,534,333**	7,266,875
	Cash in Hand	**677,368**	5,726,409
		40,221,649	27,001,465

As at		31.12.2018 Rs.	31.12.2017 Rs.
23	**STATED CAPITAL**		
	Issued and Fully Paid		
	20,000,000 Ordinary shares Rs. 10/- each	**200,000,000**	200,000,000
	Golden share held by Secretary to the Treasury (Note 23.1)	**10**	10
		200,000,010	200,000,010

23.1 The Golden Shareholder

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

24	**RETIREMENT BENEFIT OBLIGATIONS**		
	Balance as at the beginning of the year	**75,247,920**	79,733,753
	Charged during the year	**15,230,499**	4,771,354
	Gratuity paid /payable during the year	**(13,563,310)**	(9,257,187)
	Balance as at the end of the year	**76,915,109**	75,247,920

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 2018 by Actuarial & Management Consultants (Pvt) Limited.

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

Interest Cost	**8,277,271**	8,770,713
Current Service Costs	**7,475,913**	7,230,622
Total included in the staff cost (Note 07)	**15,753,184**	16,001,335
Past Service Cost	**-**	-
Actuarial (Gain)/Loss recognized immediately	**(522,685)**	(11,229,981)
Amount Recognized in the statement of other comprehensive income	**(522,685)**	(11,229,981)
Total recognized in the comprehensive income	**15,230,499**	4,771,354

24 RETIREMENT BENEFIT OBLIGATIONS cont...

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

Financial Assumptions 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

Financial Assumptions 2018

Rate of Interest	11% p.a
Rate of Increase of Salaries	
Executive Staff	7% p.a next increment due on 01/06/2019
Non Executive Staff - Head office	6% p.a next increment due on 01/06/2019
Estate Staff	25% p.a once in 3 years next increment due on 01/06/2020
Watchers	9% p.a next increment due on 01/06/2019
Daily Paid Staff	9% p.a. Next increment due on 01/06/2019

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 (2017 - 60 Years)

Gratuity Formula

For monthly paid Staff — Half month salary for each completed year of service, subject to a minimum of 5 years' service.

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.

Salary Based for Gratuity Calculation

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 Estates Staff

Monthly Salary = Basic Salary

Daily Paid Staff's wage rates for Daily Paid Staff/ Workers

For 2017— Rs.480 or Rs. 555 or Rs. 725 as applicable.

For 2018 — Rs.480 or Rs. 740 as applicable.

As at		18.06.1992 Rs.	31.12.2018 Rs.	31.12.2017 Rs.
25	**NET LIABILITY TO LESSOR**			
	Gross lease liability	401,114,000	216,626,230	224,812,230
	Less: Finance charges applicable to future periods	(226,419,004)	(122,280,184)	(126,900,980)
	Net lease liability	174,694,996	94,346,046	97,911,250
a)	Payable after 5 years;			
	Gross Liability		**175,696,230**	183,882,230
	Less: Finance charges applicable to future periods		**(99,176,204)**	(103,797,000)
	Net Liability		**76,520,026**	80,085,230
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
			94,346,046	97,911,250
	Net liability to lessor			
	Non - current liability		**90,780,842**	94,346,046
	Current Liability		**3,565,204**	3,565,204
			94,346,046	97,911,250

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 June 18, 1996 to an amount substantially higher than the previous nominal lease rental of Rs. 500/- per estate per annum. The first lease rental payable under the revised basis is Rs. 8,186,000/- x (1+'GDP Deflator for year 1995'/100) = 8,873,624 (from June 18, 1996 to June 17, 1997. The amount is to be inflated annually by the Gross Domestic Product (GDP) Deflator and is in the form of a contingent rental.

The payment due in each subsequent 12 month period till the end of lease on June 18, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Income Statement during the current period is Rs. 26,380,300 which comprises the fixed interest portion and a contingent interest portion of the lease rental .

As at		31.12.2018	31.12.2017
		Rs.	Rs.
26	**DEFERRED TAX LIABILITIES**		
	Balance as at the beginning of the year	**158,218,364**	101,115,045
	Charged during the year	**16,592,478**	57,103,319
	Balance as at the end of the year	**174,810,842**	158,218,364
	Deferred Tax is calculated on temporary differences between carrying value of taxed assets and written down value of such assets, as analyzed by each taxable activity. The reconciliation of tax effect arising from the timing differences related to carrying amounts of assets and liabilities of the statement of financial position is as follows.		
	Bearer Biological Assets	**(1,021,520,030)**	(926,121,639)
	Consumable Biological Assets	**(192,413,409)**	(180,105,264)
	Property, Plant & Equipment	**(115,960,808)**	(103,213,918)
	Provision for doubtful debts	**4,330,264**	4,061,724
	Retirement Benefit Obligation	**76,915,109**	75,247,920
		(1,248,648,875)	(1,130,131,176)
	Applicable Tax Rate	**14%**	14%
	Net Deferred Tax Liabilities	**(174,810,842)**	(158,218,364)
	The company recognized Deferred Tax Assets of Rs. 11,374,352 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. -186,185,194 Accordingly, Net Deferred Tax Liability as at December 31st, 2018 is Rs. 174,810,842.		
	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% .		
27	**ADVANCE RECEIVED**		
	For Sub Lease/ Land given on facility basis	4,908,726	2,016,284
	Others	2,119,900	323,000
		7,028,626	2,339,284
28	**TRADE AND OTHER PAYABLES**		
	Trade & Other Creditors & Accrued Expenses	14,725,450	9,209,124
	Checkroll Wages	14,712,566	9,017,174
	Refundable Bid Securities, Security Deposits & Retentions	17,156,265	18,139,726
	Gratuity Payable	3,784,666	4,780,874
	EPF Payable	3,804,111	3,061,307
	ETF Payable	624,262	523,300
	Medical Leave Payable	4,549,066	4,401,141
	Economic Service Charge Payable	1,306,755	1,497,518
	Provision for Brokerage-Coconut	570,090	204,908
	Provision for Bonus Payment	10,733,627	10,861,225
	Provision for Performance Incentives	35,595,220	27,519,180
	Provision for Holiday Pay Payment	5,260,177	5,116,395
		112,822,256	94,331,870

NOTES TO THE FINANCIAL STATEMENTS

As at		31.12.2018 Rs.	31.12.2017 Rs.
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		
	Key Management Personnel includes all Board of Directors and Chief Executive Officer.		
	Short term employment benefits	**6,407,735**	7,615,593
32	**GOVERNMENT GRANTS**		
	Non-monetary Grants received		
	From PHDT (Grants related to income)	**570,158**	655,682
	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 (Grants related to income)	-	137,941
	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.		

As at	31.12.2018 Rs.	31.12.2017 Rs.
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,		
Loans and Receivables		
Trade and other Receivables	**76,983,429**	52,003,305
Short Term Investment	**535,200,000**	470,000,000
Cash and Cash Equivalents	**40,221,649**	27,001,465
	652,405,078	549,004,770

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		
Net liability to the lessor	**94,346,046**	97,911,250
Trade and other payables	**112,822,256**	94,331,870
	207,168,302	192,243,120

Market Risk

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

Interest Rate Risk

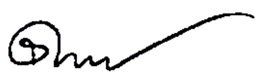
Interest rate risk is the risk that the fair value or future Cash Flows of financial instruments fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited – 2018 will be held at Colombo Office of Kurunegala Plantations Limited, No. 712/3, Baseline Road, Dematagoda, Colombo – 09 at 3.00 p.m. on Friday, 02nd August 2019 for the following purposes.

- To receive and consider the Statement of Accounts for the year ended 31st December 2018 with the Report of the Directors and Auditors thereon.
- To appoint Auditor General's Department as Auditors of the Company for the year 2019.
- To declare a Final Dividend of Rs. 40 million payable from the profits for the year ending 31st December 2018.
- Any other business.

By Order of The Board of Kurunegala Plantations Ltd.



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

Date: 12th July 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 – 2018 of the Company to be held at Colombo Office of Kurunegala Plantations Limited, No. 712/3, Baseline Road, Dematagoda, Colombo – 09 at 3.00 p.m. on Friday 02nd August 2019 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing 'X' against the Resolution Number

		For	Against
1	To receive and consider the Statement of Accounts for the year ended 31st December 2018 with the Report of the Directors and Auditors thereon.		
2	To appoint Auditor General's Department as Auditors of the Company for the financial year 2019.		
3	To declare a Final Dividend of Rs. 40 million payable from the profits for the year ending 31st December 2018.		
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

- Kindly perfect the form of proxy by signing in the space provided and please fill the date of signature.
- 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.
- The completed form of proxy should be deposited at the No. 47, Alexandra Place, Colombo 7 not less than 48 hour s before the time appointed for the holding of the meeting.

KURUNEGALA PLANTATIONS LIMITED

ANNUAL REPORT 2018

ANNUAL REPORT 2018

Kurunegala Plantations Limited