ANNUAL REPORT 2019

RESOURCE MANAGEMENT THROUGH PRECISION AGRICULTURE

Kurunegala Plantations Limited
No. 80, Dambulla Road, Kurunegala, Sri Lanka.
Tel : 037 2 223 133, 037 2 223 191 | Fax : 037 2 229 618
E-mail : kurunegalaplt@sltnet.lk

Kurunegala Plantations Limited
Ministry of Plantation

CORPORATE INFORMATION

NAME OF THE COMPANY

Kurunegala Plantations Limited

REGISTERED OFFICE

No. 80, Dambulla Road, Kurunegala.
Tel: 037 2223133 Fax: 037 2229618
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

Precision Agriculture

We will continue with the development of our long term strategy of precision agriculture as it will make production more efficient by reducing the misapplication of resources and increasing crop output by optimizing the returns on inputs while conserving resources.

At a strategic level, our long term direction remains one of continuous development and consolidation of our core plantation business while concurrently pursuing diversification-led growth through multiple crop value creation initiatives. This will ensure that the Company transforms itself from a primary producer to a value added production entity, thereby consolidating its long term sustainability.

In line with our vision of being a model plantation and agribusiness management company in the South East Asian region, we realised this goal by winning international awards for the best pepper grower for 2016, 2017, 2018 and 2019 at the International Pepper Community annual events.

CONTENT

ABOUT US

Kurunegala Plantations Limited (KPL), incorporated in 1992, is a fully Government Owned Company, re-registered under the Companies Act No. 07 of 2007. The Company was established by vesting lands managed by the Janatha Estates Development Board in terms of the provisions of the Conversion of Corporations and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987 promulgated under the State Privatization Policy. The Company operates as a single shareholder company with 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 the 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. Over the years its control changed hands several times from ministry to ministry. Since 01st September 2015, Kurunegala Plantations Limited has been operating under the purview of the Ministry of Public Enterprises Development, which later became the Ministry of Public Enterprises and Kandy City Development. From 09th November 2018, KPL came under the purview of the Ministry of Plantation Industries.

From 09th August 2020, KPL came under the purview of the Ministry of Plantations and from 06th October 2020 KPL has been operating under the control of the State Ministry of Coconut, Kithul, Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing & Export Diversification.

KPL's core business interests continue to be in the cultivation, production, processing and sale of coconut, rubber and ancillary crops with a portfolio of 07 area estates covering over 4971.12 hectares, which sprawl across varying agro climatic zones in the three districts of Kurunegala, Gampaha and Anuradhapura. Each estate is further broken up into smaller acreages known as divisions, which are scattered across two to three Divisional Secretariats.

The company provides direct employment to over 1,200 people and indirectly supports the livelihood of many others.

OUR VISION, MISSION & CORE VALUES

OUR VISION

To be the model Plantation and Agribusiness management Company in the South East Asian Region.

OUR MISSION

To manage the Plantation and other Agribusiness Productively, Profitably and sustainably through effectively harnessing natural, physical and human resources in an Environment-Friendly and Socially Responsible manner to the benefit of all stakeholders and the country at large.

CORE VALUES

Best employer	:	Empowering honest, qualified and committed staff who are focused on Quality, Productivity,
Entrepreneurship	:	Value Creation, Profitability, Eco-friendliness and Corporate Social Responsibility.
Quality provider	:	Enhanced Customer Satisfaction and Continuous Improvement in everything we do.
Productivity	:	Achieving optimum productivity per unit of resource input, highest yield per hectare, optimal land use on a sustainable basis while minimizing wastage.
Entrepreneurship	:	Pro-actively striving towards innovative approaches, at all times
Value creation	:	Continuously responsive to the changing needs of the business environment.
Profitability	:	Achieving optimal net sales average and lowest possible cost of production for primary produce and value added products.
Eco-friendliness	:	Exploiting resources in harmony with the environment so as to cause minimal or no damage to the environment.
Social responsibility	:	Caring for people and environment, respecting good governance.

ACHIEVEMENTS

2011
- 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)-2014

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

2018
- Best Pepper Farmer Award organized by International Pepper Community

2019
- Best Pepper Farmer Award organized by International Pepper Community

MILESTONES

18th June 1992

KURUNEGALA PLANTATIONS LIMITED (KPL) was established under the Companies Act No. 17of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Business undertakings into Public Companies Act No. 23 of 1987 as a fully government owned Company on 18th June 1992 under the State Privatization Policy by allocating estates then managed by the Janatha Estates Development Board under Board No. (V). From 18th June 1992 to 31st December 2004, Kurunegala Plantations Limited was managed by a Private Managing Agent.

1st January 2005

Due to poor management practices implemented by the Private Managing Agent over a period of nearly 13 years, the then Government decided to take-over the management of the Company, with effect from 1st January 2005 and was brought under the purview of the Ministry of Plantation Industries.

6th June 2006

KPL changed hands under the Ministry of Coconut Development6th June 2006

KPL changed hands under the Ministry of Coconut Development

18th April 2007

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

16th November 2010

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

18th June 2010

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

18th February 2015

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

21st September 2015

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

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.

09th August 2020

KPL was brought under the purview of the Ministry of Plantation.

CHAIRMAN'S MESSAGE

Dear Stakeholder,

I am pleased to present the Annual Report and Financial Statement for the financial year ended 31 December 2019. I trust our Report will provide you with an in-depth understanding of the Company performance and its attempt at driving sustainable growth.

Kurunegala Plantations Limited (KPL) strives to be the model plantation and agribusiness management company in the South East Asian Region. In endeavouring to fulfil 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 order to benefit all stakeholders of the Company and the country at large.

The year in review

Kurunegala Plantations recorded a strong performance, delivering a Company profit after taxation of Rs. 104 Million for the financial year ending 31st December 2019. As advocates of good agricultural practices, we have begun leveraging technology and precision agriculture solutions to further improve input quality and consistency, while investing to upgrade infrastructure and introduce automation. These efforts are all aimed at enhancing efficiency and productivity that will ultimately lead to operational excellence.

Company coconut production recovered and showed an upward trend in 2019, due to the lagged effect of favorable rainfall experienced in major coconut growing areas in 2018. This resulted in an overall growth of 17.6 percent, showing that KPL's performance in coconut production improved significantly compared to the previous year. Consequently, production volumes of many coconut based products also increased in 2019, compared to 2018.

National Rubber production declined by 9.5 percent to 74.8 million kilograms in 2019 from the 82.6 million kilograms produced in 2018. This was the lowest annual rubber output recorded in history in the country. Continuous rain that prevailed in the plantation areas during the tapping days combined with the high cost of production contributed to a drop in total rubber production in 2019. During the first half of 2020, rubber production showed a declining trend, and this eventually led to a considerable reduction in rubber production. The Company's rubber output declined by 5,085 kilograms from the previous year, representing a 5 percent decrease, which is still better than the national average.

The production of minor export crops recovered in 2019, despite the adverse weather conditions that prevailed during the year. According to the provisional estimates of the Department of Export Agriculture, the production of minor export crops increased by 6.0 percent in 2019, compared to the decline of 12.3 percent recorded in 2018.

Company Intercrop sector also recorded highest in the history and it contribute Rs.44.14 million in the year under review.

Other income sources were also strong during the year 2019. Sale of coconut trees brought 22.5 Million in revenue and this was an increase of 4.4 Million over the previous year. Sale of rubber trees contributed 13.4 Million and a total of 35.9 Million in revenue came from the sale of bearer's biological assets. Over Rs. 26 Million valuation gain was made on consumable biological assets in 2019 due to the upsurge in timber prices, which prompted the Sri Lanka Timber Corporation to revise timber prices. It is important to mention that the Company was able to increase the sub-lease/ facility fee income by Rs. 2.9 Million in 2019 over the previous year as a result of the additional extent of land given on facility basis to out-growers to cultivate short-term crops like pineapple, ginger, aloe vera, and betel. This could be regarded as a win-win situation as it provides benefits for both parties. From the Company's viewpoint this could be seen as another source of income as it is a cost saving strategy with the cultivator taking responsibility for the weed control measures. Further, it creates a micro-biological environment in our plantations, which is an inherent advantage for us. It allows us to introduce coconut new/ under-plantations in such lands where possible and the growth of coconut seedlings shows a visible difference. This program also benefits the villagers by assisting them to make a considerable additional income while contributing to the national production.

We have introduced a number of strategies to mitigate the impact of climate change on agricultural production by establishing irrigation systems and adopting moisture conservation methods like the one that makes use of husk pits.

Our People

We believe in building an honest, qualified and committed workforce that is focused on quality, productivity, entrepreneurship, value creation, profitability, eco-friendliness and corporate social responsibility. In empowering our staff, we have followed a two-fold approach: first of all, we have provided financial benefits to our employees that include performance-based incentives and non-financial benefits such as better living quarters. Over the course of the year, 15 quarters for Officers in Charge (OICs) were built and in addition, construction work on another 26 quarters was commenced. Employees posted to remote areas were provided with electricity, water supply and sanitary facilities while some were also equipped with solar power systems and given free 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 full utilization of all land extent under our purview for plantation purposes. In addition, we have constantly made every effort to protect government lands from deforestation or any misuse. Our effort towards responsible planting is further proven by the introduction of intercrop cultivation of major crops to obtain the maximum output from a given land area while preserving its soil quality. Further, during the year, we commenced surveying the land extents of all estates under KPL to clearly demarcate their legal boundaries, thereby laying the groundwork for defining realistic goals for progress measurements.

Corporate Governance

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

Progress delayed due to regulatory barriers

KPL being under government ownership since 2005 abides by the relevant government policies, rules and regulations when conducting its operations. However, the delays caused in carrying out tasks due to the prolonged approval processes have brought to the forefront the necessity to relax the rigidity of the system through removal of certain cumbersome approval procedures. This is imperative to maintain the autonomy of the state-owned enterprises, particularly in the matter of independent decision making.

Social and national contribution

In striving to maximize its contribution to society and the nation at large, KPL has been pragmatic in leasing out land to farmers in the surrounding villagers and to other interested parties/ outgrowers who wish to cultivate short term crops. This has created a win-win situation as it reduced our weeding costs on the one hand while the outgrowers were able to make a good profit on their products while making a considerable contribution to the GDP, on the other hand. Further, in realizing this objective KPL adhered to high quality management practices, and this has been recognized both at the national and international levels through awards and accolades received over the past several years. The Company's agricultural and financial performance stands as further testimony to our sound management practices, positioning us as one of the most professionally managed agribusiness entities in the country. This keeps us well directed towards the goal of realizing our vision of being a 'Model Plantation Company' in the South Asian and South East Asian Region.

Future looks optimistic

KPL looks to the future with confidence and optimism, being convinced of its ability to cope with adversity effectively. In an effort to further enhance the profitability of the Company, KPL continues to explore every possible avenue to add value to its products, including the prospect of creating and marketing. Besides, KPL has plans to venture on eco-tourism projects as another income generation project. Over the long term, KPL has decided to continue along the same path by focusing on further development of the diversification program by extending it to cover a larger land area. While doing so, KPL wishes to explore the possibility of public-private partnership initiatives as a way to surmount the bottlenecks discussed above.

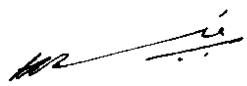
Appreciation

I take this opportunity to express my gratitude to the Hon. Minister of Plantation Industries, Dr. Ramesh Pathirana, and the Hon. State Minister of Coconut, Kithul, Palmyrah and Cultivation Promotion and Related Industrial Product Manufacturing & Export Diversification, Mr. Arundika Fernando.

I express my sincere gratitude to Mr. Ravindra Hewavitharana - Secretary to the Ministry of Plantation Industries, to Mr. Tissa Hewavithana - Secretary, State Ministry of Coconut, Kithul, Palmyrah and Cultivation Promotion and Related Industrial Product Manufacturing & Export Diversification, and to other officials who have extended their fullest support and cooperation to us.

I sincerely thank my fellow Board of Directors for their enthusiastic participation in all board related matters and the abundant support they extended to me at all times.

I also wish to thank the Management Team and all employees for the exceptional commitment they showed during this year under review, and which I look forward to seeing in the coming years too. In conclusion I wish to thank all our stakeholders for the trust and confidence they have placed in our Company. I look forward to their continued support and patronage in the years ahead.



Mrs. A.V.K. Madhavie Herath
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

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 2019.

I am pleased to announce that we have completed another productive year driving the company towards remarkable success with our concept of precision agricultural strategy for our plantations. The year under review was a challenging one replete with natural disasters, geopolitical tensions and deep political divisions in many countries.

For KPL, the year 2019 has been an exciting one in which it reached many a milestone, even amidst the aforementioned challenges, and this has strengthened our resolve to work towards reaching the goal of becoming the leading diversified coconut producing company in Sri Lanka. Within this challenging environment, a very important milestone was achieved during the year under review when KPL achieved the highest ever income from intercrop cultivation. 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 reaped a harvest of 16.3 million coconuts during the fiscal year under review, as compared to 12.55 million nuts during the previous year. This translates to an increase of 30% while the national average was only a 13% increase during the year under review. The bountiful harvest can be attributed to good fertilization and other yield improving techniques that had been implemented by the Company during the previous year. The introduction of an organic manure application process that used coconut husks also helped to increase the yield. The effect of climate change was more severe in KPL estates located within the dry agro-climatic zone. However, the adverse effects of drought were mitigated by appropriate agronomic practices. KPL maintained its good agricultural and field management practices, which have delivered rich benefits during the past few years.

Under-planting and infilling have produced exceptionally positive outcomes, with the number of trees per acre being maintained at 57 by the end of the fiscal year under review; this balanced approach is expected to assure robust yields in the years to come.

Rubber Sector

National rubber production declined by 9.5 percent to 74.8 million kilograms in 2019, reportedly the lowest annual output in history. The industry is faltering under the pressure of lower auction prices caused by a mismatch between demand and supply in the global markets. However, the production of rubber by KPL has declined by only 5 percent in the year 2019, which is better than the national average.

Other Crops

Since 2005, KPL has extensively diversified into intercropping with great success. In 2005, the extent of other crops had been 59.28 ha. At the end of 2019, area taken up by other crops accounted for 625.96 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 has also showed remarkable growth over the years. Achieving a historic income of Rs. 44.14 Million was a great milestone in the history of KPL.

Strategy and Focus

Financial matters aside, we remained resolute in adhering to operational discipline and continuous process improvements, which I believe were key to overcoming the challenges that loomed before us during the year. Further, we focused strongly on our core business. Consolidating our key strengths, we revisited the value change and assessed our competitive position in each business segment, while looking at alternative approaches to sustain the growth momentum over the long term. The introduction of PPP (Private Public Partnership), which commenced the previous year, is still in the formative stage, with eco-tourism and alternative eco related projects being considered seriously, while we also move towards precision agriculture. We addressed the issues arising from the increasing labor wages, which have become a daunting challenge amidst the volatility of coconut and rubber prices. Our response was to develop a more sustainable wage model that would strike a balance between the company's costs and the benefits accruing to the worker. Moreover, from a marketing perspective, we accelerated our direct marketing efforts through different strategies and this approach has yielded favorable results. Meanwhile, concurrently with our diversification initiatives under coconut, we invested in certain precision agricultural practices, as part of our ongoing strategy to move towards a more sustainable growth model for the future. For example, we have used Global Positioning System (GPS) techniques to survey our lands and employed the fertigation method in some of our plantations. We commenced a pilot project to grow bud grafted jak fruit on idle lands in certain estates and looked into the possibility of diversifying into other areas that will complement the eco/ agro-tourism sector we are planning to invest in shortly.

Governance and Stewardship

At KPL we believe that strong corporate governance forms the cornerstone in building a sustainable business and hence remain firmly committed to maintaining 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 analyse and prudently manage risks, thereby enabling the company to overcome the numerous challenges that the industry has to confront constantly.

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 is firmly set on continuous development and consolidation of our core plantation business while concurrently pursuing diversification-led growth. The Company will thus pursue multiple crop value creation initiatives, so that it can transform itself from being solely a primary producer to a value added product entity, thus ensuring its long term sustainability.

I am optimistic that good times lie ahead. Although recovery appears to be at a slower pace because the demand in the local coconut industry is sluggish at present, it is important that we keep abreast of market conditions in order to reap long term benefits. I am confident that the rubber industry too will bounce back in 2020, signaling an end to the difficulties we faced over the past seven years. That is why while going forward we remain fully committed to ensuring that both our business segments are consistently well positioned to bring us long term success, by optimizing emerging opportunities so they will generate value for all stakeholders of the business. At the same time, we will continue to uphold the core principles that have brought us success over the years. This means an unwavering focus on efficiency and continuous innovation to stay at the forefront of value creation.

We are hoping to take the initial steps in our eco-tourism and agro-tourism ventures, which we are sure, will reap tremendous benefits not only to the Company but to the whole economy of the Island. We have plans for these and many other eco-initiatives that we hope will bear fruit in the coming year. We as a company are working towards maximum utilization of our resources by applying precision agricultural practices to our entire plantation operations and the other major initiatives we intend to take. We hope to share our expertise with the entire plantation industry, to make sure that Sri Lanka stays ahead in the production of plantation crops in the South Asian and South East Asian region.

Acknowledgements

I would like to thank the Hon. Minister of Plantation Industries, Dr. Ramesh Pathirana and the Hon. State Minister of Coconut, Kithul, Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing & Export Diversification, Mr. Arundika Fernando. I am also obliged to Mr. Ravindra Hewavitharana – Secretary to the Ministry of Plantation Industries and Mr. Tissa Hewavithana - Secretary, State Ministry of Coconut, Kithul, Palmyrah and Cultivation Promotion and Related Industrial Product Manufacturing & Export Diversification, other Ministry Officials for their assistance and encouragement.

My sincere thanks to our Chairperson – Mrs. Madhavie Herath, who has tirelessly guided us, and the rest of the Board for their valuable inputs, encouragement and support provided at all times. I also thank Corporate Advisory Services (Private) Limited – Secretaries to KPL and all our other stakeholders, who have contributed to the success of the Company in various ways during the year.

Further, I must express my gratitude to our efficient Senior Management Team, the Area Superintendents and all employees for their commitment, dedication and loyalty, which made it possible for Kurunegala Plantations Limited to continue achieving these remarkable triumphs.

Samarakoon

S.M.M. Samarakoon
Chief Executive Officer

BOARD OF DIRECTORS

Mrs. A.V.K. Madhavie Herath
Chairman

Mrs. Madhavie Herath was appointed as the Chairman of Kurunegala Plantations Ltd on 31st December 2019. She is now reading for a Ph.D. at the Post Graduate Institute of Social Sciences and Humanities, University of Peradeniya. She completed her M.Phil. in Economics at University of Peradeniya in 2003. She obtained her B.A. (Hons) in Economics, in 1994.

Mrs. Madhavie is a Senior Lecturer – Grade 1 at University of Peradeniya specializing in Money and Banking, Entrepreneurship, Economic Development and Planning, Macro Economics and International Finance.

She was a Board Member of Bank of Ceylon, Sri Lanka from 21.12.2018 to 09.11.2019. She served as the Executive Director and Board Member of Regional Development Bank from 2011 to 2015. Earlier she was a Coordinator (Kandy District) to H.E. the President from 2010 to 2015 and before that served as Chairperson of Kandurata Sanwardana Bank from 01.02.2009 to 30.04.2010.

Mrs. Madhavie participated in the Australia Award Fellowship (Developing Economic Research to Support Economic and Social Goals - Sri Lanka) sponsored by the Department of Foreign Affairs and Trade, Australia, from 05.12.2016 to 14.01.2017. She also underwent training in Development and Maintenance of Web Applications in Commerce, Education and Economics at the Post Graduate Institution of Science (PGIS), University of Peradeniya in 2003. In 2002 she followed a course in Teaching Methodology, at the Staff Development Centre, University of Peradeniya.

Mrs. Madhavie has published a number of Open Access research articles. One article titled "Over-Fishing and Livelihood Risk: A Property Rights Perspective on South Coast Lobster Fishery in Sri Lanka" appeared in the Sri Lanka Journal of The Humanities, published by University of Peradeniya in 2004. Other articles were, "Gender Budgeting in Sri Lanka" (co-authored by Dr. W.H.M. Ariyarathne Herath), published in 2016 by Plan International Sri Lanka and "Fishery Management and Property Rights: A Study of Spiny Lobster Fishery in South Coast of Sri Lanka" presented at the Post Graduate Research Symposium, 2004 conducted by the Faculty of Arts, University of Peradeniya. Mrs. Madhavie also wrote and published a book on Banking Risk Management (in Sinhala) in 2016.

Mr. B.L.A.J.Dharmakeerthi
Director

Mr. B.L.A.J. Dharmakeerthi was appointed to the Board of Kurunegala Plantations Ltd on 22nd February 2019 and re-appointed on 05th February 2020. Mr. Dharmakeerthi holds a Master of Arts degree in Sociology from the University of Kelaniya and a B.Sc. (Special) degree in Public Administration from the University of Jayawardenepura. He has more than 25 years of Experience working in Public Sector organizations in Sri Lanka.

Mr. Dharmakeerthi was a Deputy Principal of D.S. Senanayake College in 1995, and served as the Municipal Secretary, Municipal Council of Nuwara Eliya from 1996 to 1997. He was an Assistant Divisional Secretary, Divisional Secretariat of Ganga Ihalakorale, Matale, from 1997 to 2005 and served as the Divisional Secretary, Divisional Secretariat of Kotmale from 2005 to 2010. He was the Provincial Director, Department of Industrial Development, Central Province from May 2010 to December 2010.

Mr. Dharmakeerthi held the post of Additional Secretary (Administration), Ministry of Coconut Development and State Development from 2010 to 2012, then as Director (Administration) at the Department of Export Agriculture in 2012-2013, and as Director (Administration), Department of Agriculture from 2013 to 2016. From 2016 to date he is working as Additional Secretary (Development) to the Ministry of Plantation Industries and Export Agriculture.

Mr. Janaka represented the country at many international forums such as ANPRC India 2016, 26th International Sugar Organization Seminar in London and the 51st International Sugar Conference in El Salvador in 2017. In 2018 he participated in a workshop on Future Forum 2030 in Netherlands, an NIFO meeting and FAO committee meeting in Italy, and APCC Conference in Thailand. He also represented the country at the 40th Intergovernmental Group meeting on hard fiber in China. He was a member of the working group on sustainable natural rubber in Cambodia and the expert group on NR stabilization conference in Thailand in 2019.

He was former Acting Chairman of the Coconut Cultivation Board, Coconut Development Authority, Coconut Research Institute and was a board member of the Coconut Cultivation Board, Coconut Development Authority, Coconut Research Institute, Plantation Human Development Trust and Tea Smallholding Development Authority. Currently, he is a Board Member of Lanka Sugar Company (Pvt) Ltd.

Mr. W.D.R. Crishantha
Director - Treasury Representative

Appointed as a Director/ Treasury Representative of Kurunegala Plantations Ltd with effect from 11th January 2020, Mr. Crishantha is also a Director at the General Treasury, where he oversees the Debt Management Department of External Reserves.

He graduated with a Business Statistics (Special) degree from the University of Sri Jayawardenepura in 1999 and completed a Master's degree in International and Development Economics from the Australian National University (ANU), Canberra in 1999. In 2013 he obtained the Master of Financial Economics degree from the University of Colombo.

Mr. Crishantha worked as an assistant director at the national planning development section of the general treasury from 2002 to 2010 and then worked as a Deputy Director from 2011 to 2013. From 2013 up to the present he has been working as a Director at the Management Department of External Reserves, General Treasury. He served as the Treasury Representative for the Board of Directors of Lanka Transformers Ltd (LTL) Holdings, a subsidiary of Ceylon Electricity Board (CEB), from 2015 to 2019. He also served as a Treasury Representative for the Board of Directors at the Institute of Indigenous Medicine (IIM) from 2016 to 2019. Additionally, he has served as a Treasury Representative at the Company Boards of several state owned enterprises since 2003.

Mr. H.A. Nadeeka Hettiarachchi
Director

Mr. H.A. Nadeeka Hettiarachchi took up appointment as a Director of Kurunegala Plantations Ltd with effect from 15th January 2020. Mr. Nadeeka is the Managing Director of NS Pharmaceuticals Company – a wholesale and retail dealer of pharmaceutical products. With his management experience he is well equipped to make an outstanding contribution to the company that we expect will transform it into one of the best RPCs.

He studied at Sri Nissanka Maha Vidyalaya and holds a Bachelor of Business Management degree from the University of Kelaniya, Sri Lanka, where he graduated in 2005. Then he worked as the Public Relations Manager of Wayamba Diagnostic Medical Laboratory (Pvt) Ltd and as an Investigation Officer (Grade 2) at the Consumer Affairs Authority, Ministry of Consumer Affairs.

He acted as the Coordinating Secretary to Hon. Anura Priyadharshana Yapa, MP for Kurunegala and Hon. Johnston Fernando, a Minister from Kurunegala District. He is recognized as a leading businessman in Kurunegala.

Mr. W.A.J.G.D.Wijesinghe
Director

Mr. Wijesinghe has served as a member of the Board of Kurunegala Plantations Ltd from 15th January 2020. He has a wide knowledge of the IT industry and possesses much experience at senior Management Level as an entrepreneur.

He studied at Maliyadeva College, Kurunegala and completed his Advanced Level Examinations in 2002. He has successfully completed an IT Degree at the Academy of Information Technology (AIT), Sri Lanka. Currently he is the Managing Director of Deshapriya Group, Kurunegala.

Mr. S.E. Dias Rathnayake
Director

Mr. Rathnayake has been a Member of the Board of Kurunegala Plantations Ltd from 15th January 2020. He is a well-established entrepreneur, who founded the Asliya Group of Companies through his own experience and management skills. His obtained his higher education at Mawathagama Central College. Mr. Rathnayake is the present Chairman of Wayamba Sinhala Welenda Sangamaya while he also holds the position of Chief Advisor to Wayamba Foreign Employment Association.

Mr. H.C.M.M.Kulasekara
Director

Mr. Kulasekara has served as a member of the Board of Kurunegala Plantations Ltd from 05th February 2020. He is a well experienced businessman who studied at St. Anne's College, Kurunegala and St. Mary's College, Negombo.

After completing his Advanced Level Examinations he joined his family business. He is the Director of Kemahu Trading Company, which is involved in the importation and sales of motor vehicles and spare parts.

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

Mr. I.A.Gunawardana
Manager Human Resource
& Administration
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/Manager Finance (Assigned)
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

SUSTAINABILITY REPORT

As a plantation company, KPL remains committed to ensuring sustainability by boosting growth through the creation of economic, environmental and social stability. Economic sustainability, which translates into financial sustainability of the Company, creates economic opportunities for the communities while bringing in economic benefits to the stakeholders. Being an agriculture based company, its financial sustainability is inseparably intertwined with environmental sustainability, which in turn requires the Company to conserve and protect the natural environment and the ecosystem. This of course requires the sustainable use of land and water, and application of sustainable agricultural practices, including conserving natural resources, to support the Company's business activities. Social sustainability is encouraged by the Company through community interaction within and around the plantation estates. As people living in the surrounding villages remain an integral part of our business, we believe that interaction with these communities undoubtedly fosters social unity. Besides, being a government owned Company, we remain committed to good governance as we are subject to public accountability. In this regard, we strive for good governance through the application of transparent processes, regular monitoring, evaluating and reporting to prevent corruption and misconduct.

Sustainable agriculture practices

We have consistently encouraged sustainable agricultural management practices to ensure 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. To optimize the land use for increased productivity, we have taken immense effort to follow the 'maximum possible palms per acre' policy. Under planting is now implemented across every type of land available. The under planted acreage at the end of 2019 was recorded as 22% (872.33 hectares) of the total Coconut bearing area and during the year Rs. 87.6 million was invested in immature Coconut plantations. This increase in the number of palms per acre will undoubtedly improve the yield of coconuts from all our estates in future, thereby enduring the sustainability of the Company. Our sound agricultural practices such as harrowing, increased usage of organic manure with restricted usage of inorganic fertilizer, contoured drains, mulching, etc. have contributed to a sustainable productivity improvement of our lands. Besides, the usage of organic manure has contributed to the improvement of soil fertility, moisture retention capacity, soil aeration, porous texture and healthy microbial activity of soil. These favourable properties of the soil bear testimony to the good agricultural practices and our dedication to the sustainability of our lands.

Reduction in the usage of synthetic chemicals on plantations

Environmental protection being a critical focus of the Company, we have taken every possible step to reduce the usage of synthetic chemicals such as herbicides, pesticides and fungicides, while increasing the usage of organic manure and practicing biological and mechanical controls.

Biological control

- Use of predator mites (Neoseiulus baraki) to control ordinary mites (Aceria guerreronis) in Coconut plantations – Production of predator mites is carried out in a full-fledged breeding 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 Weevil (Rhynchophorus ferrugineus) in Coconut plantations.
- Introduction of Red Ants (Solenopisis species) for the control of Helopeltis mosquito in Cashew plantations.

Mechanical control

Usage of Glyphosate as a herbicide has been widely debated in various forums and presently the government has banned the usage of this chemical. As alternative weed control mechanisms we are testing and assessing the following methods.

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

Application of organic manure

A significant step taken by the Company to reduce the usage of chemical fertilizer is opting to use organic manure instead. In addition, the usage and handling of chemicals in our plantations are vigilantly monitored. The employees who spray and handle these chemicals at field level are trained and educated in the use of protective equipment and measures and on controlled usage due to the dangers involved.

Biodiversity

We work actively across all our estates to enhance biodiversity. We have successfully carried out assessments to identify both current area of plantation and the potential for future expansion of cultivable area for suitable varieties of intercrop and timber. 26

KPL is aware of the valuable timber that can be harvested from the trees in its plantations as a consumable biological asset. The mature timber is harvested in a systematic manner after obtaining the required approval from the Provincial Environmental Authority, Forest Department, Plantations Ministry and the Divisional Secretariat. We are pleased to state that our Company has systematically established replanting measures to replace the trees being harvested in order to maintain the sustainability.

Employee Benefits and Encouragement

KPL remains steadfast in its commitment to provide a safe, pleasant and rewarding working environment for its employees. Our employees who possess a competitive advantage as qualified, experienced and credible professionals remain our most valuable asset. By appreciating the need for a high degree of professionalism and expertise for the profitable management of our plantations, KPL constantly attempts to acquire and foster a human capital base that has the relevant skills and knowledge. As of end 2019, the total workforce of KPL comprised 1,137 personnel.

Payment of Performance Based Incentives

The Company started a performance-based incentive scheme in 2005 and has continued it while encouraging its employees to deliver better performance. A sum of Rs. 20 million was set aside in the financial statements for the payment of performance-based incentives in the year 2019. The figure for 2018 was Rs. 35.5 million. This provision was made in order to pay two months' worth of Provident Fund Salary to monthly paid employees and Rs. 18,000 to daily paid workers as incentives.

Other Benefits enjoyed by our Employees:

- Distress loan facilities at low interest rates
- Interest free loans for school books and textiles
- Supplying a limited number of coconuts for domestic consumption to all employees at the very nominal rate of Rs. 1 per nut
- Incentive payments for fallen nut collection and for regular monthly attendance to watchmen
- Kerosene oil allowance to watchers without electricity supply
- Workmen's compensation insurance for all employees
- Rs. 1 Million personal accident insurance cover for executives
- Health insurance cover of Rs. 400,000 per family unit for executives
- Financial assistance for higher education of staff members
- Scholarships for higher education to the children of employees
- Payment of one month's salary for un-availed medical leave

Residence Facilities

Over the course of the past few years, we have made an intensive effort to improve the housing conditions across our plantations. The Company has always been concerned about the resident workers and so provided better residences with electricity and sanitary facilities. During the year, we constructed 01 OIC Quarters and 07 Watch Huts with basic facilities like electricity, water supply and sanitation, in addition to renovating a few residential quarters.

Employee Training and Development

KPL continues to invest on training and development of the staff by imparting to them the required skills, knowledge and attitude to enhance their productivity. A wide range of training programs, both in-house and external have been offered with the aim of promoting the employees' continued learning as well as personal development. During the year under review, 13 training programs were offered covering all levels of employees at a cost of Rs. 1.9 Million. In addition, the company also supports a number of diploma, degree and master programs for the employees. For the field staff, on the job training is provided in addition to arranging special training programs conducted by experts in the field of agriculture.

Building lifelong relationships with employees

- The Company organized various employee activities to build lifelong relationships
- Annual all night Pirith Chanting was conducted for the 12th successive year
- The 'Kiribath Dansala' on account of the Annual Poson Festival was held at the Head Office premises at Kurunegala for the 10th successive year
- Annual get together was organized for the staff and the families
- Inter-estate cricket tournament was conducted
- Annual excursion for staff was organized as a Human Resources management strategy. Its purpose was to motivate the employees and it resulted in higher productivity, with increased loyalty and commitment of the employees towards the Company.

KPL and the society

KPL has continuously assisted neighbouring farmers who wished to use the Company land for grazing and holding their cattle. This in turn provided KPL with the benefits of obtaining organic manure in the form of cattle dung and of controlling the weeds through grazing. This arrangement contributes to the enhancement of national milk production and to increase the cattle population at large. The Company has also facilitated neighbouring villagers to cultivate cash crops and semi-perennial crops in our plantations, and this has proved to be of great economic significance to them. While this cooperation increases their family income and the national agricultural production, it also contributes to a better biological and ecological balance in the soil structure of the plantations. This arrangement also enables us to identify and absorb skilled workers, who possess traditional farming knowledge and experience. KPL also undertakes to supply Copra for cultural events such as the Kandy Sri Dalada Perahera, and Peraheras of local temples and Devalayas. The Company also favourably considers requests for timber for the construction/ renovation of places of religious worship and schools. The values of sustainability that we uphold are embedded in our operations with all our business activities and are aimed at promoting Economic, Social and Environmental stability. KPL being a Plantation Company remains dedicated to practicing economically viable farming whilst protecting the environment, preserving biodiversity, and ensuring the well-being of the employees and our Nation at large.

RISK MANAGEMENT

Kurunegala Plantations Limited recognizes risk management as an integral component of good overall management and governance. Therefore, it has made the effort to identify some common risks as well as additional risks that 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 the Company operates. The Board of Directors therefore devotes special attention to the management of business risks in association with the senior management committee to ensure that sound Financial and Operational Control Systems are put in place. From time to time the internal auditors and management team review the systems' effectiveness at addressing the prevailing risks, and it ability to eliminate the downside of risks and use of the upside of risks to safeguard shareholders' investments and assets.

Risk culture

The Board of Directors has clearly expressed its position and a well-defined uniform approach has been adopted to establish a comprehensive risk management system that meets the underlying requirements of such a system. The management by reflecting on its commitment to ethical principles generally takes into consideration the common stakeholder position when making decisions. Fully in agreement with the policies of the leadership, the staff has also recognized the importance of these ethical principles and has continued to tread along the same path.

Risk identification

The Company's top management remains committed to creating a risk culture within the Company by instilling an adequate sense of risk awareness among the employees. The Company's efforts 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 remains cognizant of external developments while identifying external risks. The Company further categorizes these identified risks, some of which are common to every organization while some are specific to the Plantation Sector, for the purpose of exercising effective control.

Operational risks

Coconut being our principal crop it remains the main income generator for the Company. Over 70% of the Coconut produced is consumed locally for culinary purposes leaving less than 30% for industrial usage. This has created market instabilities so that even when there is a high crop production the annual turnover is disappointingly low. However, Kurunegala Plantations 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 production with minimal rejection rate of the harvest and this in turn has earned the confidence of the buyers. The Company further made an effort to establish a strong local buyer base by creating high competition in the market, which has also proved beneficial in distributing the output during high crop yield seasons. KPL thus earned high recognition among the buyers as a customer-friendly supplier due to the easy access they had to collection points, the provision of residential facilities for Coconut huskers, field transport of produce to shelters during adverse conditions, and the flexibility in setting loading hours. During the year, extreme weather conditions caused prolonged drought or flood related situations, which had an adverse impact on all agricultural crops including Coconuts. The severe climate events disrupted the harvesting programs and other agricultural practices. As a protective measure against adverse weather conditions, the Company has adopted several agricultural practices such as mulching, burying husk, using cover crops, harrowing, contouring drains, using organic manure to preserve the soil moisture and conserve the soil. As these practices have returned promising results, the Company has adopted similar practices in safeguarding the rubber plantations as well from the adverse impact of climate changes. These include RRI recommended clones and rain guards for the rubber trees to minimize the loss of output due to extreme weather.

Pests and disease

The coconut mite "Aceria guerreronis", "Plessispa" and "Weligama Wilt" have now been added to the portfolio of pests and diseases prevalent in the plantations, and which have caused tremendous damage and destruction to high quality coconut trees. Coconut mite infestation has been successfully countered by biological means by introducing the eco-friendly Predator Mite. KPL under the guidance of the Coconut Research Institute, breeds the predator mite in the Company laboratory for use in our own plantations and in the neighbouring coconut groves by selling this at a reasonable price. Early detection of infested trees by experienced field staff has enabled us to control and eradicate all pests and diseases in our plantations. The Company in association with the Coconut Research Institute trains the field staff and workers by constantly updating their knowledge by sending them for regular training.

Crop security

Coconut being a culinary product in great demand is highly vulnerable to theft. Protection of Coconuts has consistently been an issue due to isolated small acreages scattered across many Divisional Secretariats. Thus, unusual measures are required to ensure high security to the groves to minimize pilferage. As a theft reduction measure, the Company extended the monthly-harvesting extent up to 90% minimizing the fallen nuts against the normal practice of bi-monthly picking. This method is further supported by strengthening the perimeter fences. In addition, close monitoring and supervision by Superintendents, Assistant Superintendents, Field Staff and Internal Audit Officers have proved effective at minimizing pilferage. The watchers who collect fallen nuts and provide security for Coconuts are also encouraged through incentive payments. The Company has insurance for the crops in transit and to meet the risks posed by natural disasters, fire, theft and accidents.

Shortage of labor

A skilled workforce for harvesting, husking and tapping is an essential requirement in the industry. However, over the last few years, a troublesome issue faced by the management of the Company was the shortage of skilled coconut plantation workers. This has badly hampered the day-to-day management practices at coconut estates. Since Coconut plantations do not retain a resident workforce unlike the Tea and Rubber estates, the Company is compelled to depend on labourers from the neighbouring villages. Therefore, to reduce reliance on manual labourers and maintain the plantations efficiently, the Company adopted the use of machinery for weeding, draining and fertilizing, including judicious chemical weeding as an alternative solution. While we have always been mindful of optimal output from our labour force, we have also obtained very high output through appropriate mechanization. The Company also took measures for staff retention through the provision of free residential facilities, and supplying electricity, water and coconut at concessionary prices. Additionally, incentive payments were made based on performance, and other benefits were made available, such as payment of bonus, scholarships for children's education, various loan schemes to meet essential requirements, distress loans to staff, timely payment of statutory dues, providing professional training and setting up a friendly and caring working environment.

Risk of land acquisition

The Company is highly vulnerable to the risk of acquisition of productive land for national requirements, public purposes and to meet statutory demands. It is worthy of note that Kurunegala Plantations Limited has lost 20% of the land that was originally taken over in 1992 for the establishment of the Company.

Trade unions, social and environmental changes

After 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 the timely payment of wages, statutory dues, prompt attention to areas related to workmen's compensation insurance and labour issues. These measures have in turn strengthened the industrial harmony in the Company.

Risk monitoring and review

The presence and functioning of the Company's risk management components are assessed over time with the purpose of identifying weaknesses in the controls so that the required internal and external changes can be made. While the top management and the audit committee hold the ultimate responsibility for monitoring the ongoing activities through separate evaluations, our internal audit team carries out frequent system based audits by visiting each estate and reporting on the risks in respect of matters that require an immediate response. The effectiveness of the risk management process is reviewed annually, and adjustments are made to the prevailing process. At this stage, pertinent issues are identified and communicated to assist and guide the people who are responsible for risk management within the Company.

CORPORATE GOVERNANCE

The Board of Directors of Kurunegala Plantations Limited operates on the principles of honesty, corporate impartiality, transparency and accountability. These are the governing principles that form the foundation on which it endeavours to build a strong relationship with all its stakeholders and nurture the environment within which the Company operates. The Company's activities are conducted in line with ethical standards and in the best interests of all its stakeholders. This commitment is supported with the right roles, structures and information that are embodied in the 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 constitutes the hub of the corporate governance process.

Responsibility

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

Composition

The Board is comprised of seven (07) Non-Executive appointed Directors including the Chairman. During the year members of the Board of Directors have been changed as follows.

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 Budget, the progress of all activities, and the recurrent and capital expenditure programs. The Board members are given appropriate documentation in advance of each Meeting. Nine (9) Board Meetings were held during the year 2019 as follows:

349th Board Meeting on 13th January 2019

350th Board Meeting on 29th March 2019

351st Board Meeting on 29th April 2019

352nd Board Meeting on 30th May 2019

353rd Board Meeting on 27th June 2019

354th Board Meeting on 18th July 2019

355th Board Meeting on 10th September 2019

356th Board Meeting on 30th September 2019

357th Board Meeting on 31st October 2019

Current Board of Directors are as fallows

Name	Designation	Date of Appoinment
Mrs. A.V.K. Madhavie Herath	Chairman	31/12/2019
Mr. B.L.A.J. Dharmakeerthi	Director	05/02/2020
Mr. W.D.R. Crishantha	Director - Treasury Representative	11/01/2020
Mr. H.A. Nadeeka Hettiarachchi	Director	15/01/2020
Mr. W.A.J.G.D. Wijesinghe	Director	15/01/2020
Mr. S.E. Dias Rathnayake	Director	15/01/2020
Mr. H.C.M.M. Kulasekara	Director	05/02/2020

The attendance of Board of Directors at these meetings during the year 2019 are as follows.

	13.01.2019	29.03.2019	29.04.2019	30.05.2019	27.06.2019	18.07.2019	10.09.2019	30.09.2019	31.10.2019	Attendance
Mr. A.M. Piyasoma Upali-Chairman	√	√	√	√	√	√	√	√	√	09/09
Mr. H.A.P. T. Kumara Dias-Executive Director	√	√	√	√	√	x	√	√	√	08/09
Mr. H.G.S.C.Jayarathne- Working Director	√	√	√	√	√	√	√	√	x	08/09
Mr. H.A.N. S. Kumara -Treasury representative	√	√	x	√	√	√	x	N/A	N/A	05/07
Mr.R.A.L.U.Kumara - Treasury representative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	02/02
Mr. B.L.A.J.Dharmakeerthi	√	√	√	√	√	√	x	√	√	08/09
Mr. A.M.K.B.Abeyasinghe	√	√	√	√	√	√	√	√	√	09/09
Mr. W.M.N.Wijesinghe	√	√	√	√	√	√	√	√	√	09/09

Compliance with legal requirement

The Board of Directors makes every endeavour to ensure that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulations as applicable to state-owned business undertakings in 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 are appointed by the Board of Directors of the Kurunegala Plantations Ltd and the Committee comprises of three Non-Executive Directors. The Audit Committee meetings are scheduled as needed under the Chairmanship of the Board Member representing the General Treasury. The Chairman, Chief Executive Officer and another Non-Executive Director participate in the Audit Committee meetings regularly. Furthermore, Senior Executives and Managers, Area Superintendents and representative from Auditor General's Department participate time to time in the meetings by invitation and the meetings are coordinated by the Manager-Audit of the Company. There had been 04 Audit Committee meetings during the year 2019 and the attendance to the aforementioned meetings are as follows:

Audit Committee Year – 2019

Name	31/01/2019	21/06/2019	09/07/2019	24/09/2019
Mr. H.A.N. Saman Kumara – Chairman Audit Committee – Director Treasury Representative (Appointed to the Board 06/03/2015 and Resigned on 19.09.2019)	√	√	√	x
Mr. B.L.A.J. Dharmakeerthi - Director Additional Secretary to the Ministry of Plantation Industries and Export Agriculture. (Appointed to the Board 22.02.2019)	-	√	√	√
Mr. W.M.D.B. Abeyrathne - Director (Appointed to the Board 13/03/2015 and Resigned on 01/02/2019)	√	-	-	-
Mr. W.M.N. Wijesinghe - Director (Appointed to the Board 01.02.2019 and Resigned on 29.11.2019)	-	√	√	√
Mr. Lakmini Udayakumara - Director Treasury Representative. (Appointed to the Board 19.09.2019 and Resigned on 11.01.2020)	-	-	-	-

Present Audit Committee Year - 2019 / 2020

Name	Appointed to the Board on
Mr. W.D.R. Crishantha Chairman Audit Committee Director - Treasury Representative.	11.01.2020
Mr. B.L.A.J. Dharmakeerthi Director - Additional Secretary to the Ministry of Plantation	22.02.2019
Mr. H.A.N.Hettiarachchi – Director	15.01.2020

The main role and responsibility of the Audit Committee is to exercise and oversight responsibilities in order to maintain better quality and integrity of the Financial Statements and financial reporting process of the Company. This tasks is to be achieved by preparing and presenting information adequately in Financial Statements in accordance with the Sri Lanka Accounting Standards. Further, the Audit Committee should ensure that the internal controls and risk mitigation arrangements in the Company are satisfactory and compliance with legal and statutory requirements including Circulars and Guidelines issued by the General Treasury time to time.

Progress during the Financial Year

The matters brought to the attention of the Audit Committee by the Manager Audit were discussed extensively and appropriate solutions were recommended at the meetings held during the period under review. The proceedings of the Audit Committee were regularly reported to the Board of Directors of the Company for approval and implementation. The Audit Committee reviewed and monitored the scope of the Audit, its objectivity and effectiveness regularly when auditable issues were cropped up time to time. The Committee also reviewed the operations of the Company along with future prospective. Actions taken by the Management in response to the issues raised as well as the effectiveness of the internal controls in place were evaluated in consultation with the Heads of Divisions/ Superintendents and necessary corrective measures were recommended during the meetings.

The report of the Auditor General on the Financial Statements of the Company for the year ended 31st December 2019, together with Management's responses for the corresponding matters were further reviewed in consultation with the Management as well as with Auditors and made immediate arrangements to address the issues highlighted by the Auditors. Weaknesses in internal controls and mal-practices in coconut estates which had already been identified by Internal Audit Division were discussed with the CEO and Superintendents and highlighted the important areas where more attention was needed and submitted the probable recommendations in this regard to the attention of the Board of Directors of the Company.

The Audit Committee wishes to acknowledge with thanks the services rendered by the Internal Audit Division and their efforts to meet the requirements and expectations of the Company. The priceless contribution made by the Members of the Audit Committee as well as other invitees/observers is acknowledged with grateful appreciation and their competence and relevant experience in financial matters have been really helpful for continuous success of the Company.

Mr. W D R Crishantha
Chairman, Audit Committee

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 2019.

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 2019. 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 Plantations 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 2019, signed by the Directors and the Auditor's Report for the same period are given in page 38 to 42

Accounting policies

The Accounting Policies adopted in the preparation of the Financial Statements are further elaborated in pages 47 to 62 of this Report. The Accounting Policies adopted in the previous year are applied without changing.

Revenue

The Company's revenue showed a decrease over 19% against last year. The composition of the revenue is as follows;

	2019 Rs. million	2018 Rs. million	Increase/ (Decrease) %
Coconut	403	532	(24)
Rubber	29	27	7
Intercrop	44	24	83
Other sources	22	30	(27)
Total	613	613	(19)

Profit before tax & profit after tax

The total revenue of the Company for the year 2019 is Rs. 499 million (2018 - Rs. 613 million). The other operating income for the year is Rs. 93 million (2018 - Rs. 68 million). The profit-before tax of the Company the year 2019 is Rs. 120 million (2018 - Rs. 221 million). Financial results of the Company are given in the Statement of Comprehensive Income.

	2019 Rs. million	2018 Rs. million
Profit from Coconut	92	236
Loss from Rubber	(16)	(11)
Profit from other sources	37	32
Gross Profit	113	257
Other operating income	93	68
Administrative expenses	(115)	(154)
Profit from operating activities	91	171
Finance Income	59	78
Finance Expenditure	(30)	(28)
Profit before taxation	120	221
Current year Income tax expense	-	(16)
Deferred taxation	(18)	(16)
Profit for the year	102	189

Coconut sector

The bearing extent of Coconut at KPL was 3,127.23 ha as at end 2 019. Currently the Coconut under-plantation acreage (872.33 ha.) is 22% 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 2019 improved to 16.3 million nuts recording an over 30% increase over last year.

Even though, the production increased by 30%, the Net sales average per nut of Rs. 24.61 recorded in 2019, decline than we expected it would be. The Net sales average per nut for the year 2018 was Rs. 43.22. This situation created an unfavorable impact on coconut revenue recording a Rs. 129 million decrease over the last year.

Rubber sector

The Company held 158.38 hectares of mature Rubber plantation at the end of year 2019 and 28.13 hectares immature plantation. Rubber has long been an unattractive sector due to the low NSA. The loss from rubber increased to 16.1 million from 10.8 million in 2019. The loss in 2017 was Rs. 1.8 million. This was mainly due to the decrease in NSA by Rs. 65 per kilogram in 2019 compared to 2017. (NSA – Rs. 244 in 2019, 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 2019 is 107,280 kilogram while it was 111,112 kilogram in 2018. 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. 44.3 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. 138 million (2018 - Rs. 1110 million) had been invested in Fixed Assets of the Company out of which nearly Rs. 116 million (2018 - 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, however Rs 31 million decrease during the fiscal year under review. The investment of Rs. 204 million, in property plant & equipment, net improvement of consumable biological assets by Rs. 17 million and decrees of current asset by 201 million in the year under review were and the total asset Rs. 2,423 million during year under review.

Liquidity management

Net working capital of the Company Rs. 510 million (2018 - Rs. 686 million) due to a decrease in short term investments. Cash and short term investments Rs. 454.9 million in the year 2019 and Rs. 670 million in 2018 as a result of payment 127.5 million accumulated dividends for the year 2016/2017/2018 and other investments. The Company held over Rs. 430 million in short term investments as at 31st December 2019 compared with Rs. 630 million in 2018. These investments comprised of term deposits at State Banks as follows

	As at 31.12.2019	As at 31.12.2018
Matured within 03 months		
Term Deposits - Bank of Ceylon	60,200,000	10,000,000
Term Deposits - Peoples' Bank	-	85,000,000
Term Deposits - National Savings Bank	-	-
	60,200,000	95,000,000
Matured after 03 months		
Term Deposits - Bank of Ceylon	160,000,000	375,200,000
Term Deposits - Peoples' Bank	50,000,000	50,000,000
Term Deposits - National Savings Bank	160,000,000	110,000,000
	370,000,000	525,200,000
Total	**430,200,000**	**630,200,000**

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 2019 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. 4

Reserves

The Company Reserves as at 31st December 2019 are represented by;

	2019 Rs. million	2018 Rs. million
Retained Earnings	1,336	1,388
Biological Asset Valuation Reserves	360	335
Other Reserves	68	65
	1,964	**1,987**

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. 442.5 million in total have been paid to the General Treasury as dividend. Rs. 15 million is expected to be paid for the financial year 2019.

Directorate

The Names of the current Board of Directors are as fallows.

Name	Date of Appointment
Mrs. A.V.K.M. Herath – Chairman	31/12/2019
Mr. B.L.A.J. Dharmakeerthi	05/02/2020
(Director - Additional Secretary to the Ministry of Plantation)	
Mr. W.D.R. Crishantha – Treasury Representative	11/01/2020
Mr. H.A. Nadeeka Hettiarachchi – Director	15/01/2020
Mr. W.A.J.G.D. Wijesinghe – Director	15/01/2020
Mr. S.E. Dias Rathnayake – Director	15/01/2020
Mr. H.C.M.M. Kulasekara – Director	05/02/2020

The Fallowing Board of Directors had saved in the year 2019

Name	Date of resigned
Mr.A.M. Piyasoma Upali - Chairman	20/12/2019
Mr. H.A.P.T. Kumara Dias - Executive Director	20/12/2019
Mr. H.G.S.C. Jayarathne - Working Director	20/12/2019
Mr. H.A.N. S. Kumara -Treasury representative	19/09/2019
Mr.R.A.L.U. Kumara - Treasury representative	20/12/2019
Mr. B.L.A.J. Dharmakeerthi	20/12/2019
(Director - Additional Secretary to the Ministry of Plantation)	
Mr. A.M.K.B. Abeyasinghe – Director	20/12/2019
Mr. W.M.N. Wijesinghe – Director	20/12/2019

Directors' interest in contracts

The Directors have no direct or indirect interest in contracts.

Directors' share holding

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

Audit committees

Present Audit Committee Year – 2019/2020.

Name	Appointed to the Board on
Mr. W.D.R. Crishantha Chairman Audit Committee Director - Treasury Representative.	11.01.2020
Mr. B.L.A.J. Dharmakeerthi Director - Additional Secretary to the Ministry of Plantation	22.02.2019
Mr. H.A.N. Hettiarachchi Director	15.01.2020

The following Board members had served the Audit Committee during the year 2019.

Name	Date of Appointment	Date of resigned
Mr. H.A.N. Saman Kumara Chairman Audit Committee – Director Treasury Representative	06.03.2015	19.09.2019
Mr. B.L.A.J. Dharmakeerthi - Director Additional Secretary to the Ministry of Plantation Industries and Export Agriculture.	22.02.2019	-
Mr. W.M.D.B. Abeyrathne - Director	13.03.2015	01.02.2019
Mr. W.M.N. Wijesinghe - Director	01.02.2019	29.11.2019
Mr. Lakmini Udayakumara - Director Treasury Representative.	19.09.2019	11.01.2020

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 2019 have been audited by the Auditor General’s Department.

Financial statements

The Financial Statements for the year ended 31st December 2019 was approved by the Board of Directors of the Company on 29th February 2020. Mrs. A.V.K. Madhavie Herath (Chairman) and Mr. W.D.R. Crishantha (Directo r/ 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., Head Office, No. 80, Dambull Road,Kurunegala at 11.30 a.m. on Thursday 24th December 2020. The notice of the Annual General Meeting is attached hereto.

For and on behalf of the Board of Directors

A.V.K. Madhavie Herath Chairman	W.D.R. Crishantha Director	Corporate Advisory Services (Pvt) Limited Secretaries of Kurunegala Plantations Ltd. 04th December 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The financial statements comprise:

A Statement of Comprehensive Income - which presents a true and fair view of the profit and loss of the Company for the financial year; and A Statement of Financial Position - which presents a true and fair view of the state of affairs of the Company as at the end of the financial year, and which complies with the requirement of the Companies Act No. 07 of 2007. The Directors are required to ensure that, in preparing these Financial Statements:

- The appropriate Accounting Policies have been chosen and used in a consistent manner and material departures, if any, have been disclosed and explained;
- All applicable Accounting Standards, as relevant, have been followed;
- Judgments and estimates have been made which are reasonable and prudent.

The Directors are also to ensure that Company has adequate resources to continue in operation and to justify applying the 'going concern bases' in preparing these Financial Statements. Further the Directors are entrusted with the responsibility to ensure that the Company maintains sufficient accounting records with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act No. 07 of 2007. The Directors are also responsible for taking steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with the view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and provide the Auditors with every opportunity to take needed steps and accept whatever assessments they may consider to be appropriate to enable them to give their audit opinion. As per the Companies Act the Board shall cause the Annual General Meeting Report to be sent to 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.
04th December 2020.

මගේ අංකය / எனது இல. / My No. PLA/A/KPL/01/19/11 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 19 August 2020

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 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kurunegala Plantations Limited ("Company") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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) The approval of the Ministry of Plantation Industries or the Treasury had not been received for the decision reached by the Company to discontinue the payment of lease since the year 2009 relating to lands of 1,750.88 hectares in extent released for various purposes of the Government, out of lands leased out to the Kurunegala Plantations Ltd. for planting activities and the lease rental of Rs.214.21 million relating to the said land up to the year under review since then, had not been disclosed in the financial statements.

(b) According to the Guidelines of the Institute of Chartered Accountants of Sri Lanka, assets fully depreciated but still being used should be revalued and brought to account. However, action had not been taken accordingly with regard to 32 motor vehicles, 106 agricultural vehicles and 27 motor bicycles costing Rs.138.51million of the Company.

(c) Out of lands vested by the Janatha Estates Development Board in the year 1992, lands of 551 hectares in extent valued at Rs.15.51 million had been released by the end of the year under review for various common facilities of the Government. The said released lands had not been disclosed in the financial statements of the year under review.

(d) Plans relating to lands leased out for Rs.138.65 million indicated under property, plant and equipment in the Statement of Financial Position, were not available with the Company.

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 believe 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 scepticism 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, 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 section in my report, 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 (2) (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 by the Company 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 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 Regulations 103 and 104	Action had not been taken to report to the Police, fix the responsibility, and to submit preliminary reports and full reports with regard to losses assessed at Rs.609,421 due to accidents occurred to 16 motor vehicles of the Company in the year under review and the loss which was not covered by the insurance amounted to Rs.129,193.
(b)	Paragraph 02 of the Public Enterprises Circular No.95 of 14 June 1994	An allowance named "Adjustment Allowance" totalling Rs.1.2 million at a monthly rate of Rs.1,000 per person had been paid for 10 managers at the medium level, of the Company without the Treasury approval.
(c)	Circular No.39 of 29 May 2009 Department of Management Services - Paragraph 01	Employees' salaries of Rs.13.24 million payable to 36 senior level and staff officers of the Company for deploying estate labourers in service, had been obtained in the year under review as well by the relevant officers, as employees' allowances convertible to cash, without deploying labourers as such and without approval of the Department of Management Services and the General Treasury.
(d)	Public Enterprises Circular No.01/2015 of 25 May 2015 - Paragraph 02	

Official vehicle facilities had been provided to five officers deployed in service at the Head Office, who are not entitled to official vehicles and a sum of Rs.1.32 million had been incurred in the year under review as fuel expenses for those vehicles.

- to state whether the Company has not complied with its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018
- to state whether the resources of the Company had 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 except for the following observations;

(a) The official quarters of the Internal Audit Manager had been repaired without finding out the possibility of constructing a new building by expending a sum of Rs.4.5 million and adding an alternative building to the Company while various construction defects in the frames, doors, windows, laying of tiles and ceiling, incurring an expenditure of Rs.616,988, were apparent in these repairs. The constructions of the official quarters of the Officer in Charge of the Muthugala Estate incurring an expenditure of Rs.2.74 million, had been delayed by 21 months, exceeding the contract period. Moreover, there were construction defects relating to walls, kitchen sink and failure in polishing the floor etc. The advance of Rs.479,880 paid to a private contractor on 13 December 2019 for constructing an official quarters at Thippilitenna, had been retained in hand by the contractor even by 16 June 2020, the date of Audit, without commencing works of the contract.

(b) In terms of Guideline 4.2.1 (b) of the National Procurement Agency Circular No.08 of 25 January 2006, procurement activities envisaged at least for a period of three years shall be listed. However, action had not been so taken and the Company had prepared the Procurement Plan only for the year under review.

(c) The rubber factory constructed on the Attanagalle Estate at a cost of Rs.19.31 million in the years 2016 and 2017 had been closed down since the year 2018. As such, machinery and other assets thereof had remained idle and the Company had to incur a maintenance cost of Rs.456,507 in the year under review as well for this closed down factory.

Signed by
W.P.C.Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2019 Rs.	2018 Rs.
Revenue	4	498,675,657	612,760,082
Cost of sales	5	(385,717,645)	(355,660,797)
Gross profit		112,958,012	257,099,285
Other operating income	6	93,294,777	68,603,202
Administration & general expenses	7	(115,247,075)	(154,346,415)
Profit from operating activities		91,005,713	171,356,072
Net financial income / (expenses)	8	29,165,193	50,055,731
Profit before taxation		120,170,906	221,411,803
Income tax expense	9	(18,132,567)	(32,417,584)
Profit for the year		**102,038,339**	**188,994,219**
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)		2,900,441	522,685
Total comprehensive income for the year		**104,938,780**	**189,516,904**
Earnings per share	10	**5.10**	**9.45**

The accounting policies & notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31st December	Note	2019 Rs.	2018 Rs.
ASSETS			
NON-CURRENT ASSETS			
Leasehold right to bare land	11	66,609,849	69,224,109
Immovable lease assets (other than bare lands)	12	20,539,864	24,260,939
Property, plant & equipment	13	1,506,431,377	1,347,607,060
Consumable biological assets	14	209,633,348	192,413,409
Other financial assets	15	10,152,846	10,281,993
		1,813,367,284	**1,643,787,511**
CURRENT ASSETS			
Inventories	16	51,597,548	46,536,640
Deposits	17	1,086,700	1,166,700
Pre-payments	18	1,961,862	2,975,820
Pre-paid expenditure on short term projects	19	3,479,044	4,816,638
Trade & other receivables	20	78,879,164	76,983,429
Income tax over payment		9,060,199	-
Other financial assets	15	9,322,065	8,901,657
Short term investments	21	430,200,000	630,200,000
Cash and bank balance	22	24,952,228	40,221,649
		610,538,811	811,802,533
Total assets		**2,423,906,095**	**2,455,590,043**
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated capital	23	200,000,010	200,000,010
Retained earnings		1,336,703,589	1,387,534,861
Biological asset valuation reserve		359,967,253	334,597,642
Other reserves		68,219,620	65,319,179
		1,964,890,472	1,987,451,692
NON-CURRENT LIABILITIES			
Retirement benefit obligations	24	79,007,165	76,915,109
Net liability to lessor	25	87,215,638	90,780,842
Deferred tax liability	26	192,943,409	174,810,842
		359,166,212	342,506,793
Net liability to lessor	25	3,565,204	3,565,204
Advance received	27	5,244,537	7,028,626
Income tax payable		-	2,215,473
Trade and other payables	28	91,039,669	112,822,256
		99,849,410	125,631,558
Total equity and liabilities		**2,423,906,095**	**2,455,590,043**

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.

ABEYDEERA MKN
MANAGER - FINANCE (Assigned)

SAMARAKOON SMM
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.

MADHAVIE HERATH AVK
CHAIRMAN
Kurunegala, 28th February 2020

CRISHANTHA WDR
DIRECTOR/ TREASURY REPRESENTATIVE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December	Stated Capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at January 01, 2018	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)	-
Dividend					-
Balance as at December 31, 2018	200,000,010	334,597,642	65,319,178	1,387,534,862	1,987,451,692
Net profit for the year 2019				102,038,339	102,038,339
Other Comprehensive Income			2,900,441	-	2,900,441
Transferred to Biological Assets Reserve		25,369,611		(25,369,611)	-
Dividend - 2016/2017/2018				(127,500,000)	(127,500,000)
Balance as at December 31, 2019	**200,000,010**	**359,967,253**	**68,219,619**	**1,336,703,590**	**1,964,890,473**

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

STATEMENT OF CASH FLOW

For the year ended 31st December	2019 Rs.	2018 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	120,170,906	221,411,803
Adjustments for		
Depreciation & amortization	51,641,458	51,051,498
Provision for retirement benefit obligations	16,329,411	15,753,184
Loss on impairment of plantations	-	-
Immature plantation transfer to expenditure	-	501,250
Profit on disposal of property plant & equipment	-	(1,464,506)
Profit on sales bearer plants	(35,952,689)	(24,939,181)
Gain arising from changes in fair value less cost to sell - consumable biological assets	(26,137,021)	(19,262,318)
Net finance income	(29,165,193)	(50,055,731)
Profit before working capital changes	**96,886,872**	**192,996,000**
Changes in working capital		
Inventories	(5,060,908)	8,643,045
Deposits	80,000	-
Pre-payments	1,013,958	(391,276)
Trade and other receivables	(14,427,332)	(26,263,835)
Pre-paid expenditure on short term projects	1,337,594	1,219,172
Advance received	(1,784,088)	4,689,342
Trade and other payables	(21,782,587)	18,490,385
Cash generated from operations	**56,263,509**	**199,382,833**
Payment of retirement benefit costs	(11,336,914)	(13,563,310)
Income tax paid	(7,702,574)	(16,518,816)
Withholding tax paid	(3,573,098)	(4,472,920)
Economic service charge paid	-	(3,214,253)
Net cash generated from operating activities	**33,650,922**	**161,613,534**
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(204,733,176)	(194,162,972)
Additions to consumable biological assets	(198,189)	(268,979)
Proceeds from disposal of property, plant & equipment	-	1,524,730
Proceeds from disposal of barer plants - coconut & rubber trees	36,555,424	25,733,402
Proceeds from sale of consumable biological assets	9,115,271	7,223,151
Net investment in term deposits	165,200,000	(65,200,000)
Interest received	70,184,174	77,719,742
Net cash flows used in investing activities	**76,123,504**	**(147,430,926)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	(31,794,000)	(29,945,504)
Interst on short term borrowings	(258,586)	-
Loan given to staff	(14,927,000)	(17,639,001)
Staff loan recoveries	14,635,739	11,422,081
Dividend paid	(127,500,000)	
Net cash flows used in financing activities	**(159,843,847)**	**(36,162,424)**
Increase/(decrease) in cash and cash equivalents	**(50,069,421)**	**(21,979,816)**
Cash and cash equivalents at the beginning of the year	135,221,649	157,201,465
Cash and cash equivalents at the end of the period (Note - A)	85,152,228	135,221,649

Note - A **Cash and Cash Equivalents as at**	**31.12.2019 Rs.**	**31.12.2018 Rs.**
Term Deposits matured within 03 months at	60,200,000	10,000,000
Bank of Ceylon	-	85,000,000
Peoples' Bank	-	-
National Savings Bank	13,000,000	34,000,000
Repo	8,497,433	5,534,333
Cash at Bank	3,443,889	677,368
Cash in Hand	10,906	9,948
Postage/Stamps	**85,152,228**	**135,221,649**

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

ACCOUNTING POLICIES

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 08 planting Area Estates as described below.

Attanagalla	Dambadeniya
Dodangaslanda	Kurunegala
Katugampola	Narammala
Hiriyala	

02. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Going Concern

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

2.3 Basis of Presentation

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

- Leasehold Right to Bare Land of JEDB/ SLSPC, which have been revalued as described in Note 11.
- Consumable Biological Assets are measured at fair value less costs to sell Note 14
- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS - 19) Note 24
- Agricultural produce harvested from biological assets are valued at net realizable value. Net realizable value is the estimated selling price less the costs estimated for the realization of such sale.

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

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgments

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

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

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

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

Note 14 - Consumable biological assets

Note 24 -Measurement of defined benefit obligation.

Note 26 - Deferred taxation

2.6 Comparative Information

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

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 incurred to make major changes to land contours, to build new access roads and on other major infrastructure development.

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

3.1.1.2 Subsequent Expenditure

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

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

3.1.1.3 De-recognition

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

3.1.1.4 Borrowing Cost

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

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

3.1.1.5 Depreciation and Amortization

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

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

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

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
Improvements to land	05

The Company depreciated up to and including the year 2018 was as follows; an asset acquired in a particular year is not depreciated for that year and the depreciation of that particular asset begins from the next financial year. When such asset is disposed, the depreciation for the full year is provide in the year in which the said asset is disposed.

However, as per the LKAS 16 depreciation of an asset shall begin when it is available for use. So, the depreciation of asset acquired during the year 2019 has been carried out accordingly.

1. Land Development Cost

Expenditure incurred by KPL on land development, like construction of roads & bridges, ponds were not depreciated up to 2018, but from 2018 on wards such cost is depreciated. The cost incurred prior to 2018 is depreciated over the remaining useful lifetime.

Depreciation of an asset ceases when the asset is classified as held for sale and the asset is derecognized subject to the above depreciation policy. 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. 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.

3.1.2.1Bearer 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.

AssetMaturity Period (Years) Economic

Category (Crop)	Mono Crop	Inter Crop	Lifespan (Years)
Coconut	10	NA	50
Rubber	06	NA	20
Cashew	06	08	20
Cinnamon	2 1/2	03	20
Dragon Fruit	03	04	20
Cocoa	05	06	20
Lime	05	06	20
Mango	06	08	20
Pepper	06	07	20
Rambutan	06	08	20
Coffee	07	08	20
Aricanut	08	10	20
Avocado	08	10	20
Durian	08	10	20
Guava	04	06	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.

3.1.2.3Consumable 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.

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 liability.

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

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

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

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

3.3 Capital Commitments and Contingencies

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

All material Capital Commitments and Contingent Liabilities are disclosed in Note 29.

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

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

3.5 Statement of Comprehensive Income

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

3.5.1 Revenue Recognition

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.

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 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

Company shall be entitle to a tax exemption for agro farming subject to the new amendments to be introduced to the Inland Revenue Act No 24 of 2017 with effect from April 1,2019

Deferred Taxation

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

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Statement of Financial Position, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

The relevant details are disclosed in the respective Notes to the Financial Statements.

3.6 Statement of Cash Flows

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

3.8 Earnings per Share

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

3.9 Events after the reporting period

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

For the year ended 31st December		2019 Rs.	2018 Rs.
4	**REVENUE**		
	Coconut (Note 4.1)	403,232,199	532,156,734
	Rubber (Note 4.2)	29,108,051	27,016,608
	Coconut Husk	19,337,723	27,045,956
	Rambutan	9,427,855	6,516,631
	Pepper	5,719,107	1,107,361
	Cashew	13,322,401	9,982,565
	Mango	8,808,808	1,272,630
	Foliage & Ornamental Plants	269,705	799,150
	Others	9,449,808	6,862,448
		498,675,657	**612,760,082**
4.1	**Coconut Income**		
	Green nuts	374,459,297	501,018,678
	Seed nutsNo of Nuts 305,814	11,602,707	24,034,439
	Copra	17,170,195	7,103,617
		403,232,199	**532,156,734**
	Production (Nuts)	16,300,283	12,553,886
	Sales (Nuts)	16,384,430	12,311,991
	Net Sales Average (per 1000 nuts)	24,611	43,223
	Cost of Sales (per 1000 nuts)	19,002	24,071
4.2	**Rubber Income**		
	RSS	2,837,228	11,815,954
	Latex	25,204,589	12,807,686
	Scrap & Cuttings	1,066,234	2,392,967
		29,108,051	**27,016,608**
	Production (Kg)	107,280	113,085
	Sales (Kg)	119,198	111,112
	Net Sales Average (per 1 Kg)	244	243
	Cost of Sales (per 1 Kg)	380	340
5	**COST OF SALES**		
	Coconut	311,329,548	296,360,095
	Rubber	45,270,613	37,828,715
	Rambutan	2,232,740	2,721,547
	Pepper	5,969,701	3,449,054
	Cashew	6,074,604	2,770,708
	Mango	2,675,079	2,567,175
	Foliage & Ornamental Plants	1,538,664	1,627,893
	Loss on Impairment of Plantations	-	-
	Others	10,626,697	8,335,610
		385,717,645	**355,660,797**

For the year ended 31st December	2019 Rs.	2018 Rs.
6 OTHER OPERATING INCOME		
Profit on sales bearer biological assets (Note - 6.1)	35,952,689	24,939,181
Profit / (Loss) on disposal & sale of Property Plant & Equipment	-	1,464,506
Gain arising from changes in fair value - Consumable Biological assets	26,137,021	19,262,318
Late removal & payment charge -coconut	9,554,842	6,850,141
Lease/ facility fee income	13,706,726	11,891,000
Sand/ Soil	2,923,522	-
Write back/ (Write off)	2,648,075	2,769,017
Other miscellaneous income	2,371,901	1,427,040
	93,294,777	**68,603,202**
6.1 Profit on sales bearer biological assets - Coconut Tree Sales		
Less: Cost of Tress disposed during the year	22,564,424	18,248,411
Add: Accumulated depreciation as at 31st December	(519,253)	(425,961)
	476,649	376,822
	22,521,820	**18,199,272**
Profit on sales bearer biological assets - Rubber Tree Sales		
Less: Cost of Tress disposed during the year	13,991,000	7,484,991
Add: Accumilted depreciation as at 31st December	(3,628,094)	(3,722,367)
	3,067,963	2,977,286
	13,430,869	**6,739,910**
Profit on sales bearer biological assets	**35,952,689**	**24,939,181**
7 ADMINISTRATION & GENERAL EXPENSES		
Payroll Related Expenses	74,386,453	108,336,423
Maintenance & Repairs	12,867,814	11,908,938
Other Administration Expenses	27,992,809	34,101,054
	115,247,075	**154,346,415**
PROFIT FROM OPERATING ACTIVITIES		
is stated after charging the following;		
Directors emoluments	4,029,224	4,092,350
Auditors fees on statutory audit	1,009,900	632,500
Donations	316,080	399,052
Depreciation/ Amortization-		
Leasehold rights to bare land of JEDB Estates	2,614,259	2,614,258
Immovable leased assets of JEDB Estates	3,519,867	3,541,561
Mature Plantation	15,983,257	14,202,140
Property, plant and equipment	29,524,076	30,693,539
Personal Cost includes		
Defined Benefit Plan - Retirement Gratuity	16,329,411	15,753,184
Defined Contribution Plan Cost - EPF and ETF	39,122,309	49,337,035
Performance incentive	13,871,389	35,595,238
Bonus	11,244,758	10,690,875
Holiday Pay	8,057,103	6,698,059
Medical Leave	4,949,413	4,713,525
Salaries & Wages	292,396,027	245,443,029

NOTE TO THE FINANCIAL STATEMENT

For the year ended 31st December	2019 Rs.	2018 Rs.

8 NET FINANCIAL INCOME /(EXPENSE)

FINANCE INCOME		
Interest on Term Deposits	53,342,917	73,291,169
Interest on REPOs	3,335,258	2,317,053
Interest on Loans given to Staff	974,402	827,809
Un-winding of Pre-paid Staff Benefits	1,651,327	1,340,190
	59,303,904	**77,776,221**
Less: FINANCE COST		
Interest on Lease - JEDB	28,228,798	26,380,300
Interest on short term Borrowings	258,586	
Amortization of Staff Cost	1,651,327	1,340,190
	30,138,711	**27,720,490**
Net financial income /(expense)	**29,165,193**	**50,055,731**

9 INCOME TAX EXPENSE

Current Income Tax Expense (Note 9.1 & 9.2)	-	15,825,106
Deferred Taxation (Note 9.3 & 26)	18,132,567	16,592,478
	18,132,567	**32,417,584**

9.1 CURRENT INCOME TAX EXPENSE

In terms of First Schedule item 4, 2 (c) 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% on its taxable income. 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 . However, Since the company has incurred tax losses on business no provision has been made to Financial Statement.

9.2 Reconciliation between Accounting Profit to Income Tax

Accounting Profit Before Taxation	120,170,906	221,411,803
Income from other sources & exempt Income	(88,381,053)	(101,698,300)
	31,789,853	**119,713,503**
Aggregate Disallowable Items	70,347,219	68,768,174
Aggregate Allowable Items	(191,640,808)	(163,772,235)
Exempt Losses applicable to the Period of April 01,2019 to December 31, 2019	-	-
Adjusted Business Profit for the Year	-	24,709,441
Income from Other Sources	-	88,327,031
Assessable Income/(loss)	-	**113,036,472**
Qualifying payments	-	-
Taxable Income	-	113,036,472
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%		
Other Income	-	113,036,472
Tax on Concessionary Rate predominantly engage in agriculture 14%	-	15,825,106
Tax on agricultural activities 10%	-	
Tax on other income 28%	-	
Gross Income Tax Liability	-	**15,825,106**

9.3 DEFERRED TAX

Provision has been made for deferred taxation under the liability method in respect of temporary differences arising from carrying amounts of assets and Liabilities for financial reporting purposes and the amounts used for taxation purpose as described in Note 26. Difference arising from the deferred tax liability has been recognized in the Financial Statements during the year. The deferred tax is calculated on future effective tax rate on agricultural activities - 14%.

For the year ended 31st December	2019 Rs.	2018 Rs.
Deferred tax Expense / (Income) arises from :		
Property Plant & Equipment	1,893,732	1,784,565
Bearer Biological Assets	17,036,713	13,355,775
Consumable Biological Assets	2,236,761	1,723,140
Claimable Loss	(2,540,221)	-
Provision for bad & doubtful debts	(201,530)	(37,596)
Employee Benefit Liability	(292,888)	(233,406)
	18,132,567	**16,592,478**

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.

For the year ended 31st December	2019 Rs.	2018 Rs.
10.1 Basic Earnings per Share		
Profit attributable to Ordinary Shareholders (Rs.)	102,038,339	188,994,219
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings Per Shares (Rs. Cts.)	5.10	9.45

10.2 Diluted Earnings per Share

"There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2019.

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)

COST	
Capitalized Value as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2018	(50,586,168)
Balance as at 31.12.2018	**138,648,764**
Disposals due to change in controlling interest from 01.01.2019 - 31.12.2019	-
Balance as at 31.12.2019	**138,648,764**
AMORTIZATION	
Accumulated amortization as at 01.01.2018	66,810,397
Amortization for the year 2018	2,614,258
Accumulated amortization as at 31.12.2018	69,424,655
Amortization for the year 2019	2,614,259
Disposals due to change in controlling interest from 01.01.2019 - 31.12.2019	-
Balance as at 31.12.2019 (Note - A)	**72,038,914**
WRITTEN DOWN VALUE	
As at 31.12.2018	69,224,109
As at 31.12.2019	**66,609,850**

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 - 31.12.2019	10,058
Amortization as at 31.12.2019 (138,648,765 / 19,358 x 10,058)	72,038,913

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 31.12.2018 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	(28,791,548)	104,545,324
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	**-**	**(33,544,141)**	**123,397,222**

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2019 Rs.		Disposals Rs.	Balance as at 31.12.2019 Rs.
Land Development Cost	1,123,305	-	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations	104,545,324	-	(1,470,542)	103,074,782
	123,397,222	-	**(1,470,542)**	**121,926,681**

Amortization	Balance as at 01.01.2019 Rs.	Chanrge for the year Rs.	Disposals Rs.	Balance as at 31.12.2019 Rs.
Land development cost	993,721	37,418	-	1,031,138
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note A)	80,413,969	3,482,449	(1,269,332)	82,627,086
	99,136,282	**3,519,867**	**(1,269,332)**	**101,386,817**

Carying value	Balance as at 01.01.2019 Rs.	Balance as at 31.12.2019 Rs.
Land development cost	129,585	92,167
Buildings	-	-
Machinery	-	-
Mature plantations	24,131,355	20,447,697
	24,260,941	**20,539,863**

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.

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND) cont…

Note - A Mature plantations

COST

Mature Plantations as at 18.06.1992	
Balance as at 18.06.1992	43,001,122
Disposals of mature plantations due to change in controlling interest from 18.06.1992 - 31.12.2019	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2018	(11,197,866)
Value of Coconut Trees disposed (other than alienation) during the year 2019	(519,253)
Balance as at 31.12.2019 - [a]	**24,304,415**
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 31.12.2018	(1,883,128)
Value of Rubber Trees disposed (other than alienation) during the year 2019	(951,289)
Balance as at 31.12.2019 - [b]	**78,770,366**
Mature Plantations as at 31.12.2019 [c] - (a + b)	**103,074,782**

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND) cont…

AMORTIZATION

Mature Plantations as at 18.06.1992

# Days for the Period from 18.06.1992 - 17.06.2022 (30 Years)	10,957
# Days for the period from 18.06.1992 - 31.12.2019	10,058
Amortization as at 31.12.2019 (24,823,668 / 10,957 x 10,058) - [d]	22,310,286

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

Economic Life time 30 years			COST			AMORTIZATION
Year of Transfer	Description	Date of Disposal	Balance as at 18.06.1992 Rs.	Alienation/ Disposal	Balance as at 31.12.2019 Rs.	Balance as at 31.12.2019
31/12/1994	Value of the Immature plantation		37,756,930			
	Disposal - Korakaha - Disposed at immature stage			(311,473)		
	Disposal - Mahayaya	7/8/1997		(2,957,425)		
	Disposal - Malwatta	7/8/1997		(355,313)		
	Disposal - Ambana (Rubber)	10/9/1994		(223,374)		
	Disposal - Suriyapura	6/6/2000		(92,705)		
	Disposal - Polgammana	1/1/2016		(322,347)		
	Disposal - Polgammana	1/1/2016		(410,721)		
	Disposal - Rubber Trees 2013-2015	1/1/2016		(990,854)		
	Disposal - Rubber Trees - 2016	31/12/2016		(209,249)		
	Disposal - Rubber Trees - 2017	31/12/2017		(326,797)		
	Disposal - Rubber Trees - 2018	31/12/2018		(207,232)		
	Disposal - Rubber Trees - 2019	31/12/2019		(951,289)		
			37,756,930	**(7,358,778)**	**30,398,152**	**25,329,344**
31/12/1995	Value of the Immature plantation		8,429,585			
	Disposal - Mawathagama	15/8/1997		(493,832)		
	Disposal - Walbotale	31/5/2011		(721,401)		
	Disposal - Rubber Trees - 2018	31/12/2018		(18,018)		
			8,429,585	(1,233,251)	**7,196,334**	**5,756,805**

NOTE TO THE FINANCIAL STATEMENT

Economic Life time 30 years			COST			AMORTIZATION
Year of Transfer	**Description**	**Date of Disposal**	**Balance as at 18.06.1992 Rs.**	**Alienation/ Disposal**	**Balance as at 31.12.2019 Rs.**	**Balance as at 31.12.2019**
31/12/1996	Value of the Immature plantation		12,394,880	-	12,394,880	9,502,327
31/12/1997	Value of the Immature plantation		8,045,288			
	Disposal - Mawathagama	15/8/1997		(412,325)		
	Disposal - Pannala	9/4/1999		(748,578)		
	Disposal - Pethiyakanda	6/6/2000		(242,922)		
	Disposal - Rubber Trees - 2017	31/12/2017		(130,979)		
			8,045,288	**(1,534,803)**	**6,510,485**	**4,774,276**
31/12/1998	Value of the Immature plantation		9,962,094			
	Disposal - Polgammana	1/1/2016		(684,684)		
			9,962,094	**(684,684)**	**9,277,410**	**6,493,679**
31/12/1999	Value of the Immature plantation		8,676,654			
	Disposal - Mawathagama	15/8/1997		(420,467)		
	Disposal - Polgammana	1/1/2016		(604,222)		
			8,676,654	**(1,024,689)**	**7,651,965**	**5,101,077**
31/12/2000	Value of the Immature plantation		4,666,747			
	Disposal - Polgammana	1/1/2016		(40,648)		
			4,666,747	**(40,648)**	**4,626,099**	2,929,680
31/12/2001	Value of the Immature plantation		715,044		715,044	429,013
Total [e]			**90,647,222**	**(11,876,855)**	**78,770,367**	**60,316,800**
Amortization - Mature Plantations as at 31.12.2019 [f] - (d + e)						**82,627,086**

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 Rs.	Rubber Rs.	Cashew Rs.	Cinnamon Rs.	Rumbutan Rs.	Guava Rs.	Dragon Fruit Rs.	Mango Rs.	Pepper Rs.	Cocoa Rs.	Durian Rs.	Ariconut Rs.	Waraka Rs.	Coffee Rs.	Total Rs.
Cost															
Balance as at 01.01.2019	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
Additions during the year	113,625,470	5,537,568	943,288	5,962,240	1,441,677	-	-	3,065,374	6,158,054	-	970,261	80,380	291,280	-	138,075,592
Transfers during the year	(60,472,683)	(12,452,696)	(0)	0	(791,140)	-	-	-	(0)	-	-	-	-	-	(73,716,519)
Disposals during the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2019	**545,587,560**	**29,442,592**	**3,083,285**	**12,050,635**	**4,450,029**	-	-	**9,351,122**	**19,626,647**	-	**4,853,846**	**745,111**	**291,280**	-	**629,482,107**

MATURE PLANTS

Cost Useful life of the asset	Coconut 50 years Rs.	Rubber 20 years Rs.	Cashew 20 years Rs.	Cinnamon 20 years Rs.	Rumbutan 20 years Rs.	Guava 6 years Rs.	Dragon Fruit 20 years Rs.	Mango 20 years Rs.	Pepper 20 years Rs.	Cocoa 20 years Rs.	Durian 20 years Rs.	Ariconut Rs.	Waraka Rs.	Coffee Rs.	Total Rs.
Balance as at 01.01.2019	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
Transfers during the year	60,472,683	12,452,696	(1)	(1)	791,140	-	(0)	-	-	-	-			-	73,716,517
Disposals during the year	-	(2,676,805)	-	-	-	(330,079)	-	-	-	-	-			-	(3,006,884)
Balance as at 31.12.2019	**489,147,686**	**92,201,970**	**21,591,410**	**11,752,137**	**4,287,487**	**191,347**	**3,472,230**	**2,086,955**	**13,274,477**	**5,936,675**	**4,656,518**	-	-	**153,769**	**648,752,661**
Amortization															
Balance as at 01.01.2019	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
Charge for the year	8,573,500	4,117,819	1,079,571	526,627	174,817	31,891	173,610	104,348	663,726	296,834	232,826			7,688	15,983,257
Disposals during the year	-	(2,275,280)	-	-	-	(330,079)	-	-	-	-	-			-	(2,605,359)
Balance as at 31.12.2019	**84,301,696**	**34,842,084**	**5,121,581**	**3,254,735**	**1,110,140**	**63,782**	**483,627**	**730,436**	**2,889,189**	**1,752,677**	**358,659**	-	-	**115,324**	**135,023,930**
Written down value															
As at 01.01.2019	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
As at 31.12.2019	**404,845,991**	**57,359,886**	**16,469,829**	**8,497,402**	**3,177,347**	**127,565**	**2,988,603**	**1,356,519**	**10,385,288**	**4,183,998**	**4,297,859**	-	-	**38,445**	**513,728,732**
TOTAL BEARER BIOLOGICAL ASSETS															
Written down value															
As at 01.01.2019	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
As at 31.12.2019	**950,433,551**	**86,802,478**	**19,553,114**	**20,548,037**	**7,627,376**	**127,565**	**2,988,603**	**10,707,641**	**30,011,935**	**4,183,998**	**9,151,705**	**745,111**	**291,280**	**38,445**	**1,143,210,838**

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	Electri--fication	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	30			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost																
Balance as at 01.01.2019	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
Additions during the year	-	722,463	27,278,163	874,091	15,608,572	4,408,552	-	2,474,392	8,264,470	284,540	9,409,009	989,116	-	70,313,368	45,894,765	116,208,133
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,550,550)	(49,550,550)
Transferred (from)/ to		-	-	175,000	-	-		-	(617,338)		442,338	-	-	-	-	-
Balance as at 31.12.2019	**8,123,564**	**4,742,217**	**269,178,455**	**10,687,958**	**85,985,056**	**157,519,974**	**1,849,609**	**18,489,268**	**29,751,430**	**4,539,130**	**13,562,168**	**3,410,502**	**3,751,046**	**611,590,377**	**18,700,103**	**630,290,481**
Depreciation																
Balance as at 01.01.2019	-	-	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
Charge During the year	-	1,213,746	6,383,358	247,234	10,019,114	5,427,199	138,721	1,580,157	2,667,840	453,073	950,440	68,090	375,104	29,524,076		29,524,076
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-			-		-
Balance as at 31.12.2019	-	**1,213,746**	**26,428,114**	**1,746,155**	**62,430,170**	**145,415,442**	**752,526**	**9,205,412**	**14,479,218**	**3,503,865**	**1,044,732**	**100,351**	**750,212**	**267,069,943**	-	**267,069,943**
Written down value																
As at 01.01.2019	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		3,375,938	303,731,142	22,355,888	326,087,030
As at 31.12.2019	**8,123,564**	**3,528,471**	**242,750,341**	**8,941,803**	**23,554,886**	**12,104,532**	**1,097,083**	**9,283,857**	**15,272,212**	**1,035,265**	**12,517,436**	**3,310,151**	**3,000,834**	**344,520,435**	**18,700,103**	**363,220,538**
"Fully depreciated assets as at 31.12.2019"																-

TOTAL OF PROPERTY, PLANT AND EQUIPMENT	
Written down value	
As at 01.01.2019	1,347,607,060
As at 31.12.2019	1,506,431,376

Acquisition of land

The land called Pollaththapitiya, 1.416 hectare in extent where the Head office of the company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on 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	31.12.2019 Rs.	31.12.2018 Rs.

14 CONSUMABLE BIOLOGICAL ASSETS

14.1 TIMBER TREES

Balance as at the beginning of the year	191,937,743	179,755,932
Gain / (loss) arising from changes in fair value less cost to sell	25,567,800	19,404,962
Sale value	(9,115,271)	(7,223,151)
Balance as at the end of the year	**208,390,272**	**191,937,743**

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.

14.2 LIVESTOCK

Cattle		
Balance as at the beginning of the year	475,666	349,332
Addition during the year	5,442	8,613
Gain / (loss) arising from changes in fair value for the Year	773,005	124,573
Death/Sale value	(11,037)	(6,852)
Balance as at the end of the year	**1,243,076**	**475,666**
Total Consumable Biological Assets	**209,633,348**	**192,413,409**

Livestock are measured at their fair value less cost to sell. The fair value of livestock is determined in accordance with the circulars issued by the National Livestock Development Board.

15 OTHER FINANCIAL ASSETS

	Loan Given to Employees Rs.	Pre Paid Staff Benefit Rs.	Total Rs.
Balance at 01.01.2018	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 at 31.12.2018	**17,508,362**	**1,675,288**	**19,183,650**
Loan granted during the year -2019	13,387,695	1,539,305	14,927,000
Loan recovered during the year -2019	(12,984,412)	(1,651,327)	(14,635,739)
Balance at 31.12.2019	**17,911,645**	**1,563,266**	**19,474,911**
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 at 31.12.2018	**17,508,361**	**1,675,289**	**19,183,650**
Non Current Balance as at 31.12.2019	9,620,036	532,810	10,152,846
Current Balance as at 31.12.2019	8,291,609	1,030,456	9,322,065
Balance at 31.12.2019	**17,911,645**	**1,563,266**	19,474,911

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

Distress Loans		2019	2018
Kurunegala Plantation Limited		5.00%	5.00%
Market interest rate of similar loans			
01.12.2014 - 31.12.2014	11.50%		
01.01.2015 - 31.12.2015	11.50%		
01.01.2016 - 20.11.2016	13.00%		
21.11.2016 - 31.12.2016	14.00%		
01.01.2017 - 31.12.2017	14.00%		
01.01.2018 - 31.12.2018	13.00%		
01.01.2019 - 31.12.2019	12.50%		

16 INVENTORIES

AS AT	31.12.2019 Rs.	31.12.2018 Rs.
Produce Stocks	31,645,775	28,233,287
Input Materials, Spares & Consumables	17,227,463	15,852,616
Growing Nurseries	2,724,311	2,450,736
	51,597,548	**46,536,640**

NOTE TO THE FINANCIAL STATEMENT

	AS AT	31.12.2019 Rs.	31.12.2018 Rs.
17	**DEPOSITS**		
	Deposits on purchase of Fuel	530,000	520,000
	Deposits on purchase of other products & Services	41,700	41,700
	Deposits for rented Colombo office	510,000	600,000
	Deposit kept at Labour Tribunal for Gratuity	-	-
	Others	5,000	5,000
		1,086,700	**1,166,700**
18	**PRE-PAYMENTS**		
	Insurance	1,291,174	1,445,442
	Pre-paid subscriptions	102,450	102,450
	Pre-paid amount on service agreements	7,006	23,935
	Pre-paid Rents	-	46,666
	Cadastral Survey	-	965,586
	Others	561,231	391,740
		1,961,862	**2,975,820**
19	**PRE PAID EXPENDITURE ON SHORT TERM PROJECTS**		
	Cut foliage Project - Attanagalla (Note 19.1)	3,479,044	4,671,859
	Manioc	-	110,896
	Compost Manufacturing	-	-
	Pasture	-	-
	Paddy	-	33,882
		3,479,044	**4,816,638**

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.

		31.12.2019 Rs.	31.12.2018 Rs.
20	**TRADE AND OTHER RECEIVABLES**		
	Trade Debtors		
	Produce Debtors - Coconut	61,527,955	52,198,169
	Less: Rejection provision	(1,332,226)	(1,199,215)
	Recoverable loss on sale of Coconut	4,647,268	3,276,781
	Produce Debtors - Rubber	5,569,527	3,796,427
	Produce Debtors - Others	424,774	451,239
	Rent Receivables	76,645	58,478
	Other Receivables		
	Interest Receivable	7,702,105	20,233,702
	Staff debtors	2,319,413	2,091,372
	Cadastral Survey	965,586	-
	Economic Service Charges Carried Forward	2,184,041	34,642
	Sundry Debtors	563,840	372,098
	Less: Provision for Bad & Doubtful Debts	(5,769,764)	(4,330,264)
		78,879,164	**76,983,429**

	AS AT	31.12.2019 Rs.	31.12.2018 Rs.
21	**SHORT TERM INVESTMENTS**		
	Matured within 03 months		
	Term Deposits - Bank of Ceylon	60,200,000	10,000,000
	Term Deposits - Peoples' Bank	-	85,000,000
	Term Deposits - National Savings Bank	-	-
		60,200,000	**95,000,000**
	Matured after 03 months		
	Term Deposits - Bank of Ceylon	160,000,000	375,200,000
	Term Deposits - Peoples' Bank	50,000,000	50,000,000
	Term Deposits - National Savings Bank	160,000,000	110,000,000
		370,000,000	**535,200,000**
		430,200,000	**630,200,000**
22	**CASH & BANK BALANCES**		
	Stamps	10,906	9,948
	Repo	13,000,000	34,000,000
	Cash at Bank	8,497,433	5,534,333
	Cash in Hand	3,443,889	677,368
		24,952,228	**40,221,649**
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.

		31.12.2019 Rs.	31.12.2018 Rs.
24	**RETIREMENT BENEFIT OBLIGATIONS**		
	Balance as at the beginning of the year	76,915,109	75,247,920
	Charged during the year	13,428,970	15,230,499
	Gratuity paid /payable during the year	(11,336,914)	(13,563,310)
	Balance as at the end of the year	**79,007,165**	**76,915,109**

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 2019 by Actuarial & Management Consultants (Pvt) Limited.

AS AT	31.12.2019 Rs.	31.12.2018 Rs.
The movement in the retirement benefit obligations over the year is as follows.		
Interest Cost	8,460,662	8,277,271
Current Service Costs	7,868,749	7,475,913
Total included in the staff cost (Note 07)	**16,329,411**	**15,753,184**
Past Service Cost	-	-
Actuarial (Gain)/Loss recognized immediately	(2,900,441)	(522,685)
Amount Recognized in the statement of other comprehensive income	**(2,900,441)**	**(522,685)**
Total recognized in the comprehensive income	**13,428,970**	**15,230,499**

24 RETIREMENT BENEFIT OBLIGATIONS

Balance as at the beginning of the year	76,915,109	75,247,920
Charged during the year	13,428,970	15,230,499
Gratuity paid /payable during the year	(11,336,914)	(13,563,310)
Balance as at the end of the year	**79,007,165**	**76,915,109**

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 2019 by Actuarial & Management Consultants (Pvt) Limited.

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

Interest Cost	8,460,662	8,277,271
Current Service Costs	7,868,749	7,475,913
Total included in the staff cost (Note 07)	**16,329,411**	**15,753,184**
Past Service Cost	-	-
Actuarial (Gain)/Loss recognized immediately	(2,900,441)	(522,685)
Amount Recognized in the statement of other comprehensive income	(2,900,441)	(522,685)
Total recognized in the comprehensive income	**13,428,970**	**15,230,499**

24. RETIREMENT BENEFIT OBLIGATIONS cont…

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

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
Daily Paid Staff's wage rates	Rs.480 or Rs. 740 as applicable.

Financial Assumptions (2019)

Rate of Interest	11% p.a
Rate of Increase of Salaries	
Executive Staff	7% p.a next increment due on 01/06/2020
Non Executive Staff - Head office	6% p.a next increment due on 01/06/2020
Estate Staff	25% p.a once in 3 years next increment due on 01/06/2020
Watchers	9% p.a next increment due on 01/06/2020
Daily Paid Staff	9% p.a. Next increment due on 01/06/2020
Daily Paid Staff's wage rates	Rs.480 or Rs. 740 as applicable.

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 Executive and, Non Executive Staff - Head office:
Monthly Salary = Basic Salary + COLA (Rs. 7,800/-)
Matching Allowance of Rs. 10,000/- is added for the Executives, who entitles for the said allowance.
For Estate Staff:
Monthly Salary = Basic Salary

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

	AS AT	18.06.1996 Rs.	31.12.2019 Rs.	31.12.2018 Rs.
25	**NET LIABILITY TO LESSOR**			
	Gross lease liability	401,114,000	208,440,230	216,626,230
	Less: Finance charges applicable to future periods	(226,419,004)	(117,659,388)	(122,280,184)
	Net lease liability	**174,694,996**	**90,780,842**	**94,346,046**
	a) Payable after 5 years;			
	Gross Liability		167,510,230	175,696,230
	Less: Finance charges applicable to future periods		(94,555,408)	(99,176,204)
	Net Liability		**72,954,822**	**76,520,026**
	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**
			90,780,842	**94,346,046**
	Net liability to lessor			
	Non - current liability			
	Current Liability		87,215,638	90,780,842
			3,565,204	3,565,204
			90,780,842	**94,346,046**

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	31.12.2019 Rs.	31.12.2018 Rs.
26	**DEFERRED TAX LIABILITIES**		
	Balance as at the beginning of the year	174,810,842	158,218,364
	Charged during the year	18,132,567	16,592,478
	Balance as at the end of the year	**192,943,409**	**174,810,842**
	Cliamable Loss	18,144,433	-
	Bearer Biological Assets	(1,143,210,838)	(1,021,520,030)
	Consumable Biological Assets	(208,390,272)	(192,413,409)
	Property, Plant & Equipment	(129,487,462)	(115,960,808)
	Provision for doubtful debts	5,769,764	4,330,264
	Retirement Benefit Obligation	79,007,165	76,915,109
		(1,378,167,211)	**(1,248,648,875)**
	Applicable Tax Rate	14%	14%
	Net Deferred Tax Liabilities	**(192,943,409)**	**(174,810,841)**

The company recognized Deferred Tax Assets of Rs. 14,408,991 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. -207,352,400 Accordingly, Net Deferred Tax Liability as at December 31st, 2019 is Rs. 192,943,409.

27	**ADVANCE RECEIVED**		
	For Sub Lease/ Land given on facility basis	5,244,537	4,908,726
	Others	-	2,119,900
		5,244,537	**7,028,626**
28	**TRADE AND OTHER PAYABLES**		
	Trade & Other Creditors & Accrued Expenses	8,101,108	14,725,450
	Checkroll Wages	14,535,009	14,712,566
	Refundable Bid Securities, Security Deposits & Retentions	17,458,223	17,156,265
	Gratuity Payable	2,632,803	3,784,666
	EPF Payable	4,010,511	3,804,111
	ETF Payable	653,982	624,262
	Medical Leave Payable	4,869,969	4,549,066
	Economic Service Charge Payable	680,709	1,306,755
	Provision for Brokerage-Coconut	636,648	570,090
	Provision for Bonus Payment	11,732,918	10,733,627
	Provision for Performance Incentives	20,000,000	35,595,220
	Provision for Holiday Pay Payment	5,727,788	5,260,177
		91,039,669	**112,822,256**

29 CAPITAL COMMITMENTS & CONTINGENCIES

29.1 Capital Commitment

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

29.2 Contingent Liabilities

There were no contingent liability other than disclose as at the reporting date.

29.2 CONTINGENT LIABILITY - DETAILS OF LEGAL CASES FILED

Court Case	Description	Present Situation
DMR/1366/18 - Commercial Court, Colombo.	Non Paymnt of Rs 1,414,441.40 by New Produce & General Brokers Company regarding the purchase of coconut parcels through CDA coconut Auction.	Relevant Case is Going on
M/13834 - District Court - Kurunegala.	Non Payment of Rs. 429,988.35 by W.A.K.N.Rodrigo regarding the purchase of coconut parcels of KPL.	Relevant Case is Going on
16089/M - District Court - Kurunegala	Non payment of Rs 796,182.66 by K.T.Jayaweera & Broker company regarding the purchase of coconut parcels through CDA coconut auction.	Relevant Case is Going on
CA/WRIT/224/2018 - Court of Appeal, Colombo	Payment of gratuity based on one month salary instead of ½ month salary to employee over 10 years of service & Salary paid to former CEO Mr.N.M.S.K. Nillegoda.	Relevant Case is Going on
1970 M - Attanagalla Magistrate Court.	Non Payment of Rs. 375,000.00 by G.Kumuduni regarding the purchase of Rambutan harves at attanagalla Area Estates.	Relevant Case is Going on
1236/L - Attanagalla District Court	Deed has been given to G.S.M.Hilmi & his family by the LRC from Halgahapitiya Division (20.47 acre) of Attanagalla Area Estates without the concent of KPL. This party has filed the case againsed KPL at Attanagalla District Court for non providing of possession of the land to them by KPL.	Relevant Case is Going on
45/2016 - Court of Appeal, Colombo	Ven. Rajawela Nandarathana thero, Padmawathi Piriven Rajamaha viharaya, Keragala, Henegama has filed a case against KPL at Court of appeal to acquire 67 acres 3 roots and 24 perches from Danaukanda Division of Attanagalla Area Estates, Land Reform Commision has given concent and charged Rs. 306,410.42 from the Ven. Rajawela Nandarathana thero.	Relevant Case is Going on
176/Land - Wariyapola District Court	R.M.Krishantha has field a case at Wariyapola District Court against KPL for non providing of possession of 19 acres Wewagedara Division of Hiriyala Area Estates as he has a deed for this land extent.	Relevant Case is Going on
B/1918/17 - 2029 PC - Magistrate Court - Kurunegala	Lost of 4914 Coconut worth Rs. 175,358.50 at Kurunegala Area Estates.	Suspect has escaped from the area & Police Investigations are going on
23/K/10188/2016 - LT Kurunegala	Malpractices done by Assistant Superintendent S.C.Wijethilaka while on duty. Claiming reinstatement or compensation for the same.	Relevant Case is Going on
B/57624 Magistrate Court - Kuliyapitiya	Lost of 5542 Coconut worth Rs.224,494.00 at Dambadeniya Area Estates.	Relevant Case is Going on

30 EVENTS AFTER THE REPORTING PERIOD.

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

	AS AT	31.12.2019 Rs.	31.12.2018 Rs.
31	**RELATED PARTY TRANSACTIONS**		
	There are no related party transaction during the year.		
31.1	**Key Management Personnel**		
	Key Management Personnel includes all Board of Directors and Chief Executive Officer.		
	Short term employment benefits	4,029,224	6,407,735
32	**GOVERNMENT GRANTS**		
	Non-monetary Grants received		
	From PHDT (Grants related to income)	-	570,158
	"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)		
	The subsidy received for fixing of rain guards has been deducted from the related cost		

33 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk Management Framework

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

Credit Risk

Credit risk is the risk of financial Loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and investment securities. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows,

AS AT	31.12.2019 Rs.	31.12.2018 Rs.
Loans and Receivables		
Trade and other Receivables	78,879,164	76,983,429
Short Term Investment	370,000,000	535,200,000
Cash and Cash Equivalents	24,952,228	40,221,649
	473,831,392	**652,405,078**

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.

AS AT	31.12.2019 Rs.	31.12.2018 Rs.
FINANCIAL RISK MANAGEMENT		
Net liability to the lessor	90,780,842	94,346,046
Trade and other payables	91,039,669	112,822,256
	181,820,511	**207,168,302**

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 – 2019 will be held at Head Office, No. 80, Dambull Road,Kurunegala at 11.30 a.m. on Thursday 24th December 2020 for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2019 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditors of the Company for the year 2020.
3. To declare a Final Dividend of Rs. 15 million payable from the profits for the year ending 31st December 2019.
4. To pass the special Resolution to amendment of part of Articles of Association as per the letter dated 10.09.2020 from Mr.S.R.Attygalle, Secretary to the Treasury, Ministry of Finance.
5. Any other business.

By Order of The Board of Kurunegala Plantations Ltd.

CORPORATE ADVISORY SERVICES (PVT) LTD.

SECRETARIES OF KURUNEGALA PLANTATIONS LTD.

Date: 04th December 2020.

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.

Mrs. A.V.K. Madhavie Herath or failing him

Mr. B.L.A.J.Dharmakeerthi or failing him

Mr. W.D.R. Crishantha or failing him

Mr. H.A. Nadeeka Hettiarachchi or failing of him,

Mr. W.A.J.G.D.Wijesinghe or failing him,

Mr. S.E. Dias Rathnayake or failing him,

Mr. H.C.M.M.Kulasekara 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 – 2019 of the Company to be held at Head Office, No. 80, Dambull Road,Kurunegala at 11.30 a.m. on Thursday 24th December 2020 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 2019 with the Report of the Directors and Auditors thereon.		
2	To appoint Auditor General's Department as Auditors of the Company for the year 2020.		
3	To declare a Final Dividend of Rs. 15 million payable from the profits for the year ending 31st December 2019.		
4	To pass the special Resolution to amendment of part of Articles of Association as per the letter dated 10.09.2020 from Mr.S.R.Attygalle, Secretary to the Treasury, Ministry of Finance		
5	Any other business.		

Signed this .... day of .... 2020.

....

Signature

Shareholders NIC/ PP/ Co. Reg.No.

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

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