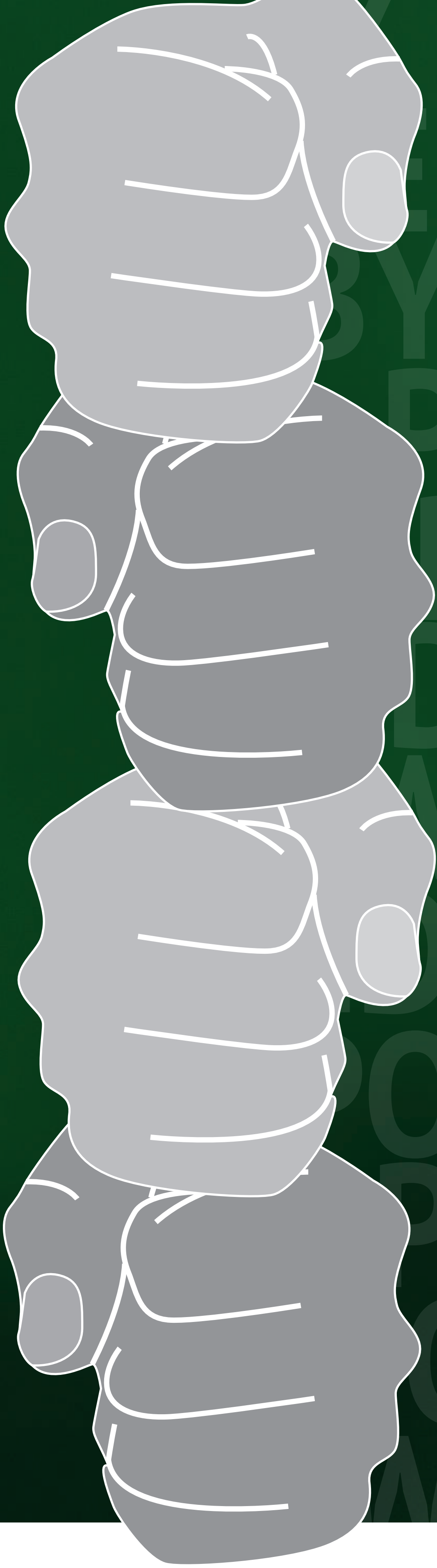
POWERED BY PEOPLE



Kurunegala Plantations Limited

Ministry of Coconut Development and Janatha Estate Development

Annual Report 2013

About Us

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

Kurunegala Plantations Limited from 18th June 1992 had been managed by the Private Sector. Due to being economically non-viable and in a state of downfall owing to lack of proper management by the private sector during a period of nearly 13 years, the Government decided to take over the management of the Company with effect from 01st January 2005 and was brought under the purview of the Ministry of Plantation Industries.

Since then Kurunegala Plantations Limited came under the purview of several ministries and from the year 2010 it comes under the purview of the Ministry of Coconut Development & Janatha Estate Development.

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

KPL comprises of 08 Area Estates with a land area of 5,261.17 hectares that encompass different agro climatic zones spanning the three districts of Kurunegala, Gampaha and Anuradhapura. Each area estates comprising of small acreages are scattered over 02 to 03 Divisional Secretariats.

The Company holds 4,102.33 hectares of Coconut Plantations and 253.62 hectares of Rubber Plantations.

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Powered by People

Kurunegala Plantations Limited has made its reputation on proven performance that has consistently sustained profitability and proactive responses to market trends. This year too, we have continued our strong financial performance. As a State owned entity we are strongly conscious of our public accountability and obligations to wider society and overall national economy. Our efficient management systems, strong governance and motivated employees ensure that our public obligations are met at all times, for long term stability and sustainability. Building on our current performance we hope to contribute further to the national economy in the future.

Our vision

To be the model plantation and agri-business management company in the South East Asian Region

Our mission

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

Core values

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

Financial Highlights

		2013	2012	Variation %
OPERATING HIGHLIGHTS				
COCONUT				
Bearing Extent	Hectares	**3,264.04**	3,391.50	(3.8)
Production	No of Nuts	**13,000,150**	18,103,053	(28.2)
Sales	No of Nuts	**13,010,454**	18,683,392	(30.4)
NSA (per 1000 nuts)	Rs.	**30,951**	22,327	38.6
COP (per 1000 nuts)	Rs.	**16,386**	13,531	21.1
Profit (per 1000 nuts)	Rs.	**14,565**	8,797	65.6
Yield per Hectare	No of Nuts	**3,983**	5,338	(25.4)
Profit per Hectare	Rs.	**58,011**	46,954	23.5
RUBBER				
Bearing Extent	Hectares	**192.62**	188.28	2.3
Production	Kg	**188,934**	209,898	(10.0)
Sales	Kg	**186,118**	209,322	(11.1)
NSA (per 1Kg)	Rs.	**330**	371	(11.1)
COP (per 1Kg)	Rs.	**256**	213	20.5
Profit (per 1Kg)	Rs.	**74**	159	(53.4)
Yield per Hectare	Kg	**981**	1,115	(12.0)
Profit per Hectare	Rs.	**72,621**	176,960	(59.0)
EARNING HIGHLIGHTS				
Total Revenue	Rs.	**475,890,175**	491,819,486	(3.2)
Gross Profit	Rs.	**207,093,357**	194,536,365	6.5
Other Operating Income	Rs.	**95,827,085**	89,353,353	7.2
Profit from Operating Activities	Rs.	**193,669,763**	176,742,698	9.6
Profit before taxation	Rs.	**213,628,985**	193,051,212	10.7
Profit after taxation/ Profit for the year	Rs.	**208,145,938**	177,266,345	17.4
Gross Profit Margin	%	**43.52**	39.55	10.0
Net Profit Margin	%	**43.74**	36.04	21.4
Earning per share (EPS)	Rs.	**10.41**	8.86	17.4
BALANCE SHEET HIGHLIGHTS				
Total Assets	Rs.	**1,616,447,736**	1,451,022,440	11.4
Total Equity	Rs.	**1,280,014,666**	1,111,084,824	15.2
Number of shares in issue	No.	**20,000,001**	20,000,001	0.0
Cash & Short-term investments	Rs.	**335,741,661**	325,659,031	3.1
Net Assets per Share	Rs.	**64.00**	55.55	15.2
Current Ratio	No of times	**5.61**	5.03	11.5
Quick Ratio	No of times	**4.84**	4.43	9.3
OTHER INFORMATION				
Number of Employees	Nos.	**1,400**	1,503	(6.9)
Salaries wages including contributions to provident & trust funds	Rs.	**206,683,002**	205,525,353	0.6
Performance Incentives	Rs.	**27,429,989**	22,717,215	20.7
Bonus	Rs.	**8,614,940**	7,458,393	15.5
Total Tax Paid to Government	Rs.	**5,238,236**	12,365,842	(57.6)

18th June 1992
to
31st December 2004

01st January 2005

06th June 2006

18th April 2007

18th June 2010

16th November 2010
to date

Milestones

KURUNEGALA PLANTATIONS LIMITED (KPL) was established under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Businesses 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 the Lake House Plantations (Private) Limited.

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

KPL functioned under the Ministry of Coconut Development

KPL functioned under the Ministry of Public Estate Management & Development.

KPL functioned under the Ministry of State Resources and Enterprise Development.

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

Kurunegala Plantations Ltd under the private management (1992-2004) operated on bank overdrafts on and off and was continuing in overdraft situation since 1997 for a period of 08 years. The bank overdraft at the time of take-over the management of the Company by the Government on 01.01.2005 was Rs. 7.9 Mn.

KPL continuing to maintain its position as a National Gold Winner by winning the National Gold Award once again and also wins the Gold awards for Large Category Producer (Plantation) creating a new record in National Agri-business Awards becoming the only agri-business company to win the Gold Award in two consecutive years and the only plantation company to win the Gold Award for Large Category Producer (Plantation) for 03rd consecutive year.

2013

KPL becomes a National Gold Winner in agri-business once again bagging the Gold Award for Large Category Producer (Plantation) at National Agri-Business Awards 2012.

2012

The Company settles the total bank overdraft of Rs. 7.9 Mn & records a positive balance of Rs. 8.2 Mn laying the foundation towards strong financial position.

2005

Achievements

KPL wins the Gold Award for Large Category Producer (Plantation) and the Bronze Award at national level at the National Agri-Business Awards 2011.

2011

The Company Continuing with annual records of Turnover, Profits and Cash & short investments.

2006 – 2013

KPL has lost large extents of productive lands due to release of lands for national requirements, public purposes and Statutory Declarations. Kurunegala Plantation Limited has lost 20% (1,293.86 hectares) of the land originally handed over (6,555.03 hectares) to the company in 1992 with the establishment of the company. Through effective intervention of the Ministry of Coconut Development and Janatha Estate Development this risk has now been minimized.

Extents of lands held

1992: 6,555.03	2004: 5,537.28
2005: 5,451.41	2006: 5,450.28
2007: 5,450.28	2008: 5,409.70
2009: 5,393.51	2010: 5,393.51
2011: 5,327.77	2012: 5,316.43
2013: 5,261.17	

Management Information

Chairman's Review

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

Dr. Sunil Jayasekara
Chairman

"Profit after tax (PAT) for the year 2013 increased to Rs. 208.15 million compared with Rs. 177.27 million in 2012 despite the low coconut production due to the prolonged droughts and unusually low rubber prices due to international low demand for natural rubber during the year"

On behalf of the Board of Directors of Kurunegala Plantations Ltd (KPL), it is a great pleasure and a privilege to present this Annual Report and the Audited Financial Statements for the year 2013.

As the Chairman of KPL, I am extremely proud to announce that this year too, KPL has increased its profitability, which is a great achievement compared with lower profits recorded by many plantation companies and agri business enterprises due to the severe drought that prevailed during the year.

KPL won two Gold Awards at the National Agribusiness Awards in 2013. They are the National Agribusiness Gold Award and the Gold Award for the Large Category Producer (Plantations) for the second and third consecutive years respectively.

GOVERNANCE AND MANAGEMENT

With effect from 24th September 2013, a new Board of Directors had been appointed to KPL by the 'Secretary to the Treasury', on behalf of the government and the Company continued to function under the Ministry of Coconut Development and Janatha Estate Development. The Committee on Public Enterprises (COPE) evaluated the Company on 01st March 2013, and commended our achievements and progress.

Audit Committee Meetings were held under the Chairmanship of the Board Member who represents the Treasury. The Chairman, Executive Director (ED), Working Director (WD), Chief Executive Officer (CEO), Senior Managers and Area Superintendents participated by invitation. Monthly Senior Management Meetings and Superintendents Progress Reviews were chaired by the CEO with the participation of the Chairman, ED and WD. The visits made to estates by the Chairman and Board of Directors increased the motivation of staff and other employees.

COLLABORATION WITH MINISTRY

The Ministry of Coconut Development & Janatha Estate Development was awarded the prestigious "Excellent Exhibition Zone" award at Deyata Kirula National Exhibitions for the consecutive years 2013 & 2014. The Company making a rich contribution is proud to be a member of this team.

Monthly reviews on progress conducted by the Ministry have immensely benefited for further improvements of the company. The online coconut plantations management network monitoring system implemented by the Ministry has strengthened the internal control systems of the company.

The Ministry in its accelerated national coconut development program has identified the high potential of Kurunegala Plantations Limited (KPL) towards contributions made by way of producing and supplying of high quality seed nuts. During the year 2013, KPL has supplied 1,172,433 seed nuts becoming a leading producer in the island.

We appreciate concentrated efforts made by the Ministry in controlling and eradicating the pests & diseases of coconut plantations in Sri Lanka. The destructive diseases 'Weligama Wilt' has been successfully controlled and confined to the Southern Province of Sri Lanka whilst the 'Mite Menace' (Aceria guerreronis) too has been successfully controlled by introducing predator mite (Neoseiulus baraki). The production and release of the predator mite regionally has been actively responded by KPL via establishing a laboratory in Katugampola Area Estates which has given expected results.

PRODUCTION:

Harvested coconut production during the year 2013 was 13 million coconuts, when compared with 18.10 million coconuts in 2012. The drop was mainly due to severe drought in 2013 and in the previous two years. The effect of prolonged droughts was more severe in KPL estates within the Dry Agro-Climatic Zone. Adverse drought effects were mitigated by appropriate scientific management practices and agronomic technologies. Pilferage was minimized by strengthening the supervision, efficient collection of fallen nuts and security measures with strong perimeter fences, particularly in areas prone.

Chairman's Review

"On-behalf of the Board of Directors and all categories of staff of the Company, I extend my gratitude to His Excellency the President, the government and ministers, for regaining management of the Company in 2005 and am pleased to State that the Company has reciprocated through dividends since 2007"

PROFIT:

Profit after tax (PAT) for the year 2013 increased to Rs. 208.15 million compared with Rs. 177.27 million in 2012 despite the low coconut production due to the prolonged droughts and unusually low rubber prices due to international low demand for natural rubber during the year.

Despite many development and reinvestment activities, KPL increased cash and short term investments to Rs. 335.74 million. The Company has fixed deposits of Rs. 326 million as short-term investments in State banks. These funds will be utilized for future agricultural and value added projects, as per the Strategic Corporate Plan.

During the year, the Company paid Rs. 40 million as dividends to the Treasury, which was highly commended by the Treasury and other higher authorities. I am proud to State that KPL is recognized as one of the best managed Regional Plantation Companies (RPC). In addition to dividends, KPL has contributed Rs. 32.78 million as rental payments on lease lands while fulfilling all statutory payments and obligations to staff including EPF, ETF, Gratuity, etc.

STRATEGIC CORPORATE PLAN FOR SUSTAINABLE GROWTH

Our Company has successfully implemented the development program envisaged in the Strategic Plan (2011-2013). This resulted in increased profitability, coconut production productivity and human resource advancements. KPL has achieved a high level of growth since 2005. Therefore, it is now essential to pursue further higher levels of growth, while consolidating benefits with correct modalities.

The new Board appointed in September 2013 has paid a special attention towards new areas in order to enhance the trend of growth. A SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis was carried out to develop a new Strategic Corporate Plan (SCP: 2014-2018). The new Plan emphasizes sustainable coconut based plantation management, effective and efficient utilization of all resources and assets, for higher profitable enterprise that will unlock value through strategic value-added projects and export industries. This new Plan is aligned with the "Mahinda Chinthana Idiri Dekma" and 'Kapruka Navodawa' National Coconut Sector Development Plan of the Ministry. A special aspect of the new Plan is the emphasis on being a Green Company. KPL will continue to grow Nitrogen Fixing Trees which will also reduce the Carbon Foot Print. These trees will provide green nitrogen manure and fuel wood for anticipated dendro power projects. The plan also incorporates organic farming, conservation of soil and water through Sloping Agricultural Land Technology (SALT), pollination and micro climate improvement by growing flowering and fruit trees along boundaries, production of value added products such as virgin coconut oil, fibre, charcoal and diversification into export products such as foliage. We have alleviated the 'Aceria gurreronis' coconut mite menace through the biological control method of breeding and releasing the predator Neoseilus baraki, with technical assistance from CRI scientists. We are also implementing random and system audit programs and adhering to the specific agricultural and management calendar prepared for the whole year, for management discipline.

HUMAN RESOURCES

Our Company emphasizes the importance of human resources to turn around plantation assets. Hence our human resource advancement programs continued to be focused on commercial management, to achieve sustainable high yields and profits, through honest, dedicated and disciplined employees. This includes recognition, rewards and incentives based on performance.

ACKNOWLEDGEMENT

On-behalf of the Board of Directors and all categories of staff of the Company, I extend my gratitude to His Excellency the President, the government and Hon. Ministers for regaining management of the Company in 2005 and am pleased to State that the Company has reciprocated through dividends since 2007.

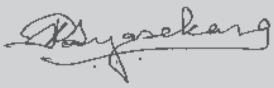
We are grateful to our Minister of Coconut Development and Janatha Estate Development, Hon. A. P. Jagath Pushpakumara for all the encouragement and strategic directives to fast-track coconut development programs and to Deputy Minister Hon. Antony Victor Perera for the assistance. We also thank the Secretary to the Ministry Mr. Nihal Somaweera, Additional Secretary Mr. D.M.L. Bandaranayake and all Ministerial Officials for their assistance and support.

We are proud of the contribution of all staff who have worked with honesty and dedication. The understanding and cooperation extended by trade unions, socio-political authorities and neighbouring villagers are also appreciated.

As the present Chairman of KPL, I express my sincere gratitude to the former Chairman, Mr. Panduka Jayasinghe and the previous Board. I am specially grateful to all my colleagues in the present Board for their valuable contribution and encouragement.

My special thanks goes to our CEO, Mr. Sunil Nillegoda, the Senior Management and all levels of KPL field and supportive staff for their honest and dedicated work as a united coherent team and congratulate them on their contributions resulting in high achievements.

Finally, we all at KPL make sure to further develop our company with many innovative development programmes towards a sustainable growth to benefit all our stake holders while partnering with the national effort of our motherland to be the Wonder of Asia.



Dr. Sunil Jayasekara
BSc (Chemistry Hons, Peradeniya, SL),
Ph.D. (Queensland, Australia), C.Chem.
Chairman

Kurunegala Plantations Ltd
22 April 2014

Board of Directors


Prof. W. P. Gamini
de Alwis


Mr. J. Dewapiran


Mr. G. V. A. W. D.
Gamaarachchi

Board of Directors

Dr. Sunil Jayasekara

Chairman

Appointed as the Chairman of Kurunegala Plantations Ltd (KPL) with effect from 24th September 2013 Dr. Jayasekara is a soil scientist and chartered chemist with 36 years of experience in agricultural research and development. He also has many years of management experience in reputed public and private enterprises. He earned his Chemistry Special BSc (Hons) from the University of Peradeniya (1977) and his PhD from the University of Queensland, Australia (1989). Dr. Jayasekara was awarded a Colombo Plan Fellowship to pursue postgraduate studies in Australia and also earned a Fellowship at the International Centre for Theoretical Physics (ICTP), Trieste-Italy (1987).

His international exposure includes work as the soil scientist of the one month, two member consultancy mission in 1990, to Abu Dhabi, United Arab Emirates (UAE), to improve the coconut gardens on an invitation by the first president of the UAE, the Emir of Abu Dhabi, His Excellency, Sheikh Zayed bin Sultan Al Nahyan. Dr. Jayasekara has worked with many international organisations such as, the Food and Agriculture Organization (FAO), the Asia Pacific Coconut Community (APCC) and the International Atomic Energy Agency (IAES), National Fertilizer Secretariat of Sri Lanka and several national organisations.

His previous postings in the public service includes the Chairman/ CEO of Chilaw Plantations Ltd (CPL: 2010-2013), Director Plantations at Strategic Enterprise Management Agency (SEMA: 2006-2010), Chairman/ MD at ANCL-Lake House (2005-2006); Chairman, Tea research Board (2004-2005), Director Plantations, CPL (2002-2004), Chairman, Coconut Cultivation Board (CCB: 1994-2001) and Soil Scientist at the Coconut Research Institute (CRI: 1978-1994).

Dr. Jayasekara has to date authored 58 research papers with presentations at international and local conferences. He was awarded at the Inaugural Inventions Awards in 1994 by the Sri Lanka Inventors Commission, for inventing the Rainmeter (Automatic Rain Gauge) and was a recipient of the World HRD Awards at the World HRD Congress, (2006: Mumbai, India) for Achieving Corporate Goals Through Human Resources and Policy Strategies, among Sri Lankan institutes.

During his career, Dr. Jayasekara has made many contributions to the development of the coconut industry. One of his major contributions is the development and implementation of the Differential Fertilizer Recommendation (DFR: 1988) Package for coconut (based on leaf-soil nutrient levels and productivity), for the first time in the world. This Innovation has subsequently been adopted by other coconut growing countries. In Sri Lanka, the programme is being continued at the CRI, with high grower demand resulting in sustainable high yields and savings. In addition, Dr. Jayasekara's recommendation of Eppawala rock phosphate for coconut, since 1986, has resulted in significant annual foreign exchange savings. His introduction of the modified Coconut Climber, based on the Indian model is another beneficial contribution.

He pioneered the innovative development and implementation of the 'Kapruka Ayojana' Credit Package (1998) for development of coconut lands by the CCB. This programme is continuing to date, through a sustainable revolving fund, with high acceptance and demand by growers. He initiated and steered the implementation of strategically focused scientific technologies and extension programmes by the CCB, with frequent field participations since 1994, resulting in the highest ever recorded national coconut production of 3,096 million coconuts in the year 2000. He contributed to SEMA's State acquisition of CPL from the Private Managing Agent (1992-2008) in 2008, with wide range of benefits. He initiated establishment of the world's first Aceria Mite Management Predator Breeding Laboratory at Palugaswewa CPL Estate, in 2011, with significant benefits. Chilaw Plantations Ltd was able to win Bronze Award at National Agri-business Awards 2013 during his tenure of his Chairmanship.

Mr. P. G. Amarakoon

Executive Director

Mr. Amarakoon joined Kurunegala Plantations Ltd on 24th September 2013, as the Executive Director. He holds a B.A. (Hons) and B.Phil degree from University of Colombo. After graduation in 1974 he worked as an Assistant Lecturer of the University of Colombo until he joined the Sri Lanka Administrative Services in July 1974.

Mr. Amarakoon's history of public service includes the office of Divisional Revenue Officer (DRO) at Walapane, the Galagedara Assistant Government Agent (AGA), Assistant Land Commissioner in Nuwara Eliya, Divisional Land Commissioner in Monaragala, Executive Director at the Hadabima Authority of Sri Lanka, Additional Government Agent (AGA) of the Monaragala District, and District Secretary of Monaragala from 1996 to 2002. Mr. Amarakoon was the Chairman of Pelawatta Sugar Corporation and a Board Member of the Sewanagala Sugar Corporation. He was then promoted to the post of Chief Secretary of the Uva Province from 2002 to 2004 and was subsequently transferred to the Central Province as the Chief Secretary from 2004 to 2011.

Currently, in addition to his position as the Executive Director of Kurunegala Plantations, he is a Director of the International Buddhist Academy at Pallekele. Mr. Amarakoon has had much foreign exposure and international training in Germany, the Netherlands, Thailand, Singapore, Malaysia, China, Nepal, India, Bangladesh, Pakistan and Africa.

Mr. R. W. M. Jude Rukantha Perera

Working Director

Mr. Perera joined Kurunegala Plantations Ltd on 17th May 2010, as the Working Director and had been reappointed as the Working Director on 24th September 2013.

Mr. Perera had been elected as the Mayor of the Municipal Council of Kegalle in 1997 and subsequently in 2002 to 2007. Mr. Perera's achievements include making the Kegalle Municipal Council the best among all Municipal Councils in the Island. He was the youngest Mayor in the history of the Municipal Council of Kegalle, and was also the Mayor elect with the most number of preferential votes. His leadership and initiatives were not only proven within the boundaries of Kegalle, but beyond, as he was appointed the Chairman of the all island Municipal Councillors' association.

Mr. Perera held the positions of Coordinating Secretary of the Ministry of Developments of North-Western Province during 2002 - 2005, the Coordinating Secretary of the Ministry of Labour in 2009 and the Media Secretary of the Ministry of Judiciary, 2010 - 2012. He has the distinction of being the longest serving board member of Kurunegala Plantations Limited. He presently serves as a member of the Municipal Council of Kegalle.

Board of Directors

A. P. Kurumbalapitiya

Director/ Treasury Representative

Appointed as Director/ Treasury Representative of KPL with effect from 16th August 2013. Mr. Kurumbalapitiya gained his education at Dharmaraja College Kandy and entered the University of Sri Jayewardenepura and graduated in Public Finance. Mr. Kurumbalapitiya also holds a Post Graduate Diploma in Accounting and Financial Management from the Sri Jayawardenepura University, and he is a Certified Business Accountant of the Institute of Chartered Accountants of Sri Lanka.

Mr. Kurumbalapitiya joined the Sri Lanka Government Accountant Service in 1994 as an Accountant. At present he is a Director of the Department of State Accounts and he served different departments in the Treasury in the last 10 years. He also represented the Treasury in a number of Public Enterprises such as the Industrial Development Board, the Ranaviru Seva Authority, Sri Jayewardenepura Hospital and Kahatagaha Graphite Lanka Ltd.

Prof. W. P. Gamini de Alwis

Appointed as Director of KPL with effect from 24th September 2013. Prof De Alwis's qualifications include PhD, UK (2010), Diploma in Counselling, SLFI (2008), Master of Science in Applied Psychology, University of Colombo(2005), Master of Public Administration, University of Sri Jayawardenapura (1984), Post Graduate Diploma in Urban Development, Pune, India (1985), Post Graduate Diploma in Urban Development, University of Moratuwa (1980) and a Bachelors Degree in Business Administration, Vidyodaya University (1971). His professional qualifications include, Planner (MITP) from the Institute of Town Planners of Sri Lanka and he is a member of the Sri Lanka Institute of Personnel Management. He is currently a Professor of Management and Organizational Studies from 2006 at the Faculty of Management & Finance of the University of Colombo. His research interest areas are: Organizational Psychology, Organizational Behaviour, Organizational Analysis and Entrepreneurship. He has presented more than 20 research papers at research conferences and published 3 books in the field of management .

His previous public posts include Head of the Department of Commerce at the Faculty of Management & Finance, University of Colombo (1993 - 1997), Senior Management Consultant at the Sri Lanka Institute of Cooperative Management (1987 - 1991), Manager, Human Settlement Research & Training, at the National Housing Development Authority (1984 – 1987), Planning Officer at the Urban Development Authority (1980 – 1984) and Research Officer at the MARGA Research Institute (1972 - 1980).

Prof. De Alwis has served on various Boards and Committees and was a Consultant to the Deputy Minister for Livestock Development & Estate Infrastructure. He was a Consultant to the Livestock Development Board (1997 to 1999), a Consultant at the Kotalawala Defense University, a board member of the Social Security Board of Sri Lanka (2008-2010) and a Senior Consultant at the Management Studies Division of the Open University of Sri Lanka (1999 – 2000).

His public profile include the position of President of the Rotary club of Kolonnawa (2001/ 2002) and he was recognized with the Best President Award of the Rotary Clubs in Sri Lanka (Rotary International District 3220).

Mr. Jeyaganapathipilley Devapiran

Appointed as Director of KPL with effect from 24th September 2013. Mr. Devapiran has many years of experience in overall business management and administration. Positions held by him include, Managing Partner of RRR & Co for 15 years, Partner of Ganeshan Company since 1945, Managing Director of Teclever Lanka (Pvt) Ltd, ICORE Technology Solution Pvt Ltd, Board member (2006) of the Sri Lanka Foundation, under the Presidential Secretariat and Board Director (2007) of the Independent Television Network. In addition, Mr. Devapiran is an Executive Committee Member of the Essential Commodity Food Import & Traders Association, the Global Organization of Indian Origin (GOPIO) and TheIndo-Sri Lanka Community Council. Mr. Devapiran is a distinguished member of the public and holds a number of public posts. These include the position of Trustee, of the Ginthupitiya Sri Sivasubramaniya Swamy Temple since 1978, Vice President of the Pettah Traders Association. Involves a lot of public, welfare activities for the betterment of the people. Peace loving citizen.

Mr. G. V. W. Dhammika Gamaarachchi

Appointed as Director of KPL with effect from 24th September 2013. Mr. Gamaarachchi has wide public and private sector exposure as an Attorney at Law and also as a banker, counting 25 years' experience in law and 15 years as a banker. He is presently practicing as an Attorney at law at Kurunegala, specially on civil matters. His previous positions include, Chairman of the Kahatagaha Graphite Company, Deputy Chairman of the National Gem & Jewellery Authority, Deputy Chairman of the Export Development Board and Consultant to the SME Bank.

Chief Executive Officer's Review

"The achievement of high turnover and profit annually with the establishment of new records, especially in a challenging environment in the Plantation Sector is a very rare phenomenon. This is the very reason that distinguishes and upholds KPL from other companies."

N. M. S. K. Nillegoda
CEO

"In 2006, after a period of one year of acquiring the management of the Company, the company recorded a Rs. 38.94 million profit from operating activities, which was recorded as the highest ever achieved in the history of KPL. This profit, when compared with that of the year 2005, was an increase by 15%. The Company recorded a profit before tax of Rs. 23.29 million in the year 2006, a growth of 18% when compared with that of the year 2005."

At the time, the management of KPL was taken over by the Government on 01st January 2005 from private management, the Company was operating under a bank overdraft of Rs.7.9 million. After the take-over, the Company was not only able to settle the bank overdraft during the same year itself, but was also able to retain a favourable bank balance of Rs.8.2 million in its bank current account as at 31st December 2005. Accordingly, an outstanding progress was achieved in the first year of State management. The profit before tax earned by the Company during the year 2005 was Rs.19.75 million, which was the highest in the history of KPL.

In addition to the above, the private management had not been able to draw a sum of Rs.40.6 million being their Management Fee, due to poor liquidity position that prevailed during their tenure of management. This sum had been fully settled under the State management on account of settlement of the Arbitration between the Company and the private management. The arbitration was a result of taking over the management of the Company from the private management to the State management with effect from 01.01.2005. In addition a sum of Rs. 8.5 million payable by Janatha Estates Development Board to M/s H.L. De Mel & Co., had not been settled during the tenure of private management too. This payment too had been fully settled by the Company.

In 2006, after a period of one year of acquiring the management of the Company, the company recorded a Rs. 38.94 million profit from operating activities, which was recorded as the highest ever achieved in the history of KPL. This profit, when compared with that of the year 2005, was an increase by 15%. The Company recorded a profit before tax of Rs. 23.29 million in the year 2006, a growth of 18% when compared with that of the year 2005. This had then been recorded as the highest profit ever made in a year for KPL. Under the present management, the Company has continued to break records year after year with achievements that are highly impressive.

In recognition of the outstanding performance in 2011 and evaluating the contribution made by KPL to the Nation, the Company was awarded the National Level Award of the All Island Gold Winner at the National Agri Business Awards, 2012. This could be considered the most prestigious achievement the Company has gained in the history of its operations. Furthermore, Kurunegala Plantations Limited once again won the Gold Award for Large Category Producer (Plantations) confirming the stability of highest level of performance.

These triumphs continued in 2013, when in recognition of the Company's achievements, KPL won two Gold Awards at the National Agribusiness Awards. They were the National Agribusiness Gold Award, which the Company won for the second consecutive year demonstrating the quality of its performance against the national competition and emerging head and shoulders above most contenders, and the Gold Award for the Large Category Producer (Plantations), which the Company won for the third consecutive year. These significant conquests highlight the triumphant rise of the Company in enhancing the confidence amongst the employees in the potential and abilities of the Company.

Since that point, when the State took over KPL and appointed a State controlled management team, we have not only turned the Company around, but have continued to break Company records on turnover and cash and cash equivalents. We have also invested in our future sustainability by implementing scientific agricultural and plantation management practices maintaining over 20% immature extent against the total coconut extent. We have expanded inter-cropping from 1.5% of coconut land area in 2005, to 12%. Productivity per land unit, which was 37 bearing palms in 2005, has been improved to 58 bearing palms. As a result of our agro management practices, today we have the best coconut plantations in the country producing high quality nuts that bring above average market prices. I am happy to State that our achievements have been recognised by the national authorities and also by independent

Chief Executive Officer's Review

"Despite many challenges faced during the year, the Company achieved a profit from operating activities of Rs. 193.67 million and a Profit after Tax (PAT) of Rs. 208.15 million which is an 17% growth in profitability, compared with Rs. 177.27 million PAT of 2012, which had been once again recorded as the highest ever in the history."

parties who have commended and presented us with many awards based on our performance.

Following these momentous performances that demonstrate the calibre of management, professional expertise and specialisation of the KPL team the results achieved during the year 2013 retained their high expectations. Despite many challenges faced during the year, the Company achieved a profit from operating activities of Rs. 193.67 million and a Profit after Tax (PAT) of Rs. 208.15 million which is an 17% growth in profitability, compared with Rs. 177.27 million PAT of 2012, which had been once again recorded as the highest ever in the history.

The achievement of high turnover and profit annually with the establishment of new records, especially in a challenging environment in the Plantation Sector is a very rare phenomenon. This is the very reason that distinguishes and upholds KPL from other companies.

COCONUT PRODUCTION

Coconut cultivation faced a challenging year due to the impact of prolonged weather pattern changes including the effects of droughts experienced since before 2011. Revenue from coconut had recorded a marginal decrease of 0.5% when compared with the revenue of Rs. 404.19 million in the previous financial year. This was mainly due to low crop situation of 28% when compared with year 2012. Nevertheless, the production of high quality coconuts fetching best prices per nut had been able to mitigate this situation. We recorded the best Net Sales Average (NSA) per nut of Rs. 30.95 in 2013.

Our performance is a result of a combination of scientific management and agricultural practices. Enhanced internal controls, incentive schemes and active efforts on attitude change have significantly reduced production leakages heightening productivity. The application of scientific agricultural practices such as timely and correct application of fertiliser, soil management and regular under-planting have enhanced yield and ensured younger crop generations to sustain yields into the future. Stronger financial management, including cost controls and transparent accounting has enabled more efficient working capital management and eliminated financial vulnerability of the Company.

RUBBER PRODUCTION

Total revenues from rubber, our secondary crop fell to Rs. 62.41 million when compared with Rs. 77.96 million in 2013. Due to the slack demand and increased global production the NSA has dropped to Rs. 330 per Kg in 2013 from Rs. 371 per Kg in 2012. Rubber production too fell by 10% to 188,934 Kg against 209, 898 Kg in 2012. This is mainly due to the adverse weather conditions which disrupted tapping.

INTERCROPS

Expansion of intercrops have been highly successful at KPL since 2006 and today, these inter crops are generating significant and growing streams of revenue for the company. In addition to being alternative revenue sources, the intercrops also reduce operational risk due to over-dependence on a limited number of crops. At the time of takeover in 2005, inter-crop extent was 62.5 hectares. This has been increased to 476.05 hectares which includes pepper, cinnamon, rumbutan, durian, dragonfruit, mango, cocoa, cashew, etc. The company has established the largest durian cultivation consisting of more than 1,000 trees at Mahayaya Area Estates which is reported as the largest in the island. With more acreage turning into maturity, the current year saw income from intercrops increase by a significant 15% to Rs. 11.12 million, from Rs. 9.66 million in 2012.

ACKNOWLEDGEMENT

I wish to convey my gratitude to Hon. Jagath Pushpakumara - Minister of Coconut Development & Janatha Estate Development, Hon. Antony Victor Perera - Deputy Minister of Coconut Development & Janatha Estate Development, Mr. Nihal Somaweera - Secretary to the Ministry and all Ministerial Staff for their guidance and support, former Chairman and the Board of Directors for their valuable inputs and encouragement over the years that have helped bring the Company to the present prestigious position. I thank the current Chairman and the Board of Directors for their guidance and support at all times during the year. I am grateful to all members of the Senior Management Team, the Area Superintendents and all employees for their hard work and dedication throughout the year and I am confident that the KPL winning team will continue to be an inspiration on professionalism and hard work to the rest of the country.

N. M. S. K. Nillegoda
CEO

Kurunegala Plantations Ltd
22 April 2014

Senior Management

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

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

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

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

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

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

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

Area Superintendents

Mr. K. J. S. Perera

Mr. M. L. A. P. Perera

Mr. G. K. A. Jayawardana

Mr. K. L. H. C. Perera

Mr. A. M. P. Abeykoon

Mr. K. P. D. N. Kalugalla

Mr. U. P. R. M. Pathirana

Mr. M. T. J. Perera

Our Plantations

We strive to create a sustainable business, not only in regard to the financial performance of the Company, but also in the areas of social and environmental development








Management Discussion & Analysis

MANAGEMENT DISCUSSION

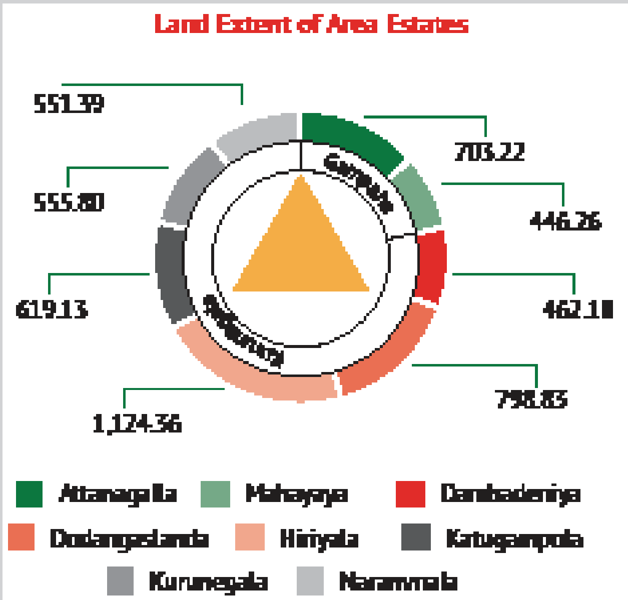
About the company

Kurunegala Plantations Limited (KPL) was established as a fully government-owned Company on 18th June 1992 under the State Privatization Policy by vesting some of the estates then managed by Janatha Estates Development Board under Board (V). From 18th June 1992 to 31st December 2004, Kurunegala Plantations Limited had been managed by Lake House Plantations (Private) Limited. Due to being economically non-viable and in a State of downfall owing to the lack of proper management by the private sector during a period of nearly 13 years, the Government took over the management of the Company with effect from 01st January 2005 under the purview of the Ministry of Plantation Industries. This could be considered as the turning point of the history of Kurunegala Plantations Ltd. Thereafter, it was brought under the purview of the Ministry of Coconut Development in June 2006. Since April 2007, Kurunegala Plantations Limited functioned under the Ministry of Public Estate Management & Development, and since June 2010 the Company was under the purview of the Ministry of State Resources and Enterprise Development. For development of coconut cultivation and coconut based industries, with new technology, as envisaged in 'Mahinda Chinthana' of His Excellency Mahinda Rajapaksa, the President of Sri Lanka, a new Cabinet Ministry, Ministry of Coconut Development & Janatha Estate Development was established in November 2010. Since then, the Company operates under the Ministry of Coconut Development & Janatha Estate Development.

Operational scope

KPL comprises of 08 Area Estates with a land area of 5,261.17 hectares that encompass different agro climatic zones spanning the three districts of Kurunegala, Gampaha and Anuradhapura. Each area estates comprising of small acreages are scattered over 2-3 Divisional Secretariats. The wide geographic spread of KPL's land holdings result in higher administration and monitoring costs. Therefore, in 2012 and 2013, the Company rationalised estate management by amalgamating some estates. The Datusenapura Estate in Kalaweva in Anuradhapura District and the Hiriyala Area Estate in Kurunegala district, were amalgamated into one Area Estate in 2013. The Wariyapola Area Estate was amalgamated with the Hiriyala Area Estate in 2012. This land rationalisation exercise has resulted in a sharp reduction in operating costs and a more cohesive management, which allows uniform implementation of scientific agricultural practices for higher overall productivity.

Following the amalgamation of estates, the 8 estates are; Attanagalla and Mahayaya, in Gampaha, and Dambadeniya, Katugampola, Hiriyala, Narammala, Kurunegala and Dodangaslanda in Kurunegala District.



Quality of management

Since the change of management in 2005, KPL has adopted a management of high quality which has been recognised even at national level for many triumphs the Company has achieved and the large contribution to the national economy, coconut industry and the fulfilment of social responsibility. The Company has proven that it is one of the most professionally managed Plantation Companies in the country through its financial and agricultural performance.

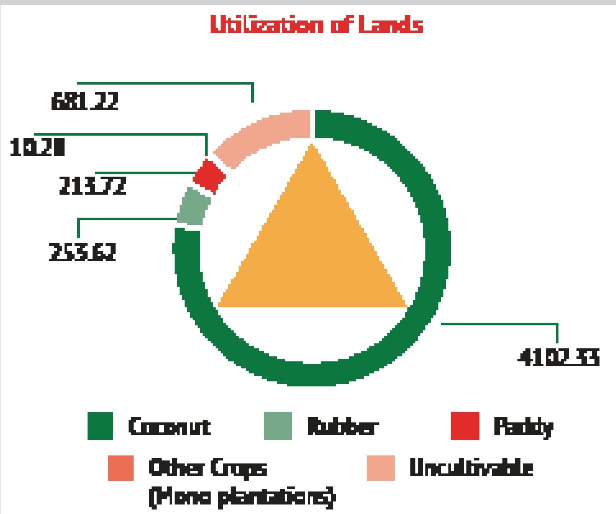
In 2011, KPL won the Gold Award for the Large Category Producer (Plantations) and the Award for 2nd Runner up at National Level, at the National Agri Business Awards 2011, conducted by the National Agri Business Council.

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

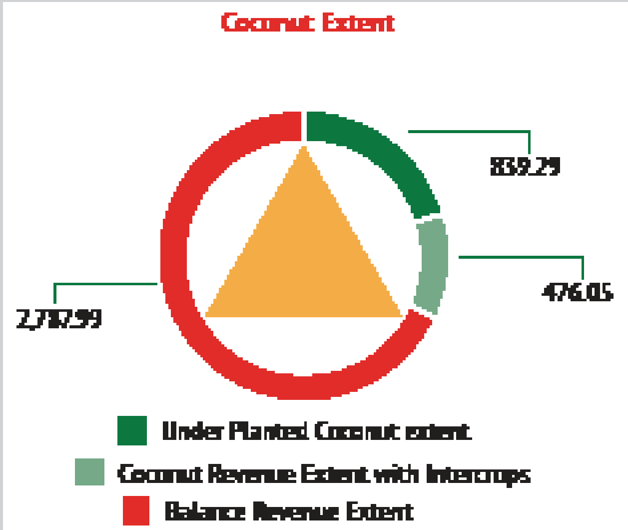
In 2013, KPL won two Gold Awards at the National Agribusiness Awards. The National Agribusiness Gold Award, for the second time, and the Gold Award for the Large Category Producer (Plantations), for the third consecutive year.

Product portfolio

The Company holds 4,102.33 hectares of coconut plantations and 253.62 hectares of rubber plantations. KPL also maintains a range of other crops that are grown as intercrops under coconut. Coconut is the main crop in all 08 area estates while rubber has been confined to Attanagalla, Mahayaya and Dodangaslanda areas.



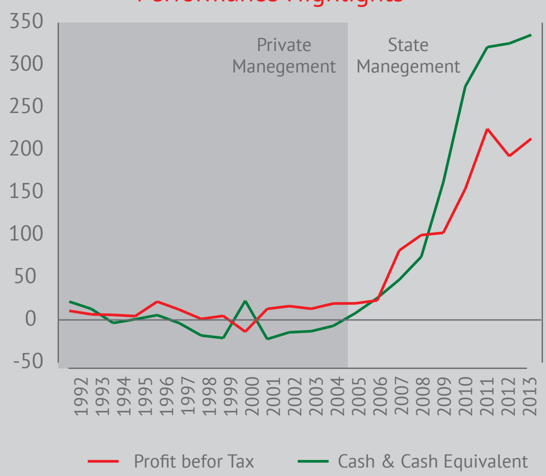
New areas for expansion of rubber in order to enhance the land productivity have been identified and Kurunegala and Narammala areas have commenced new establishment of Rubber. Inter-cropping is carried out considering land & climatic suitability.



FINANCIAL REVIEW

Operating results of the Company indicate the continuous financial improvement since the management was taken over from the private sector. The cash and short term investments of the Company too has seen remarkable improvements since the changeover of management from a negative cash flow situation to an increasingly strong position to record Rs. 335.74 million in 2013.

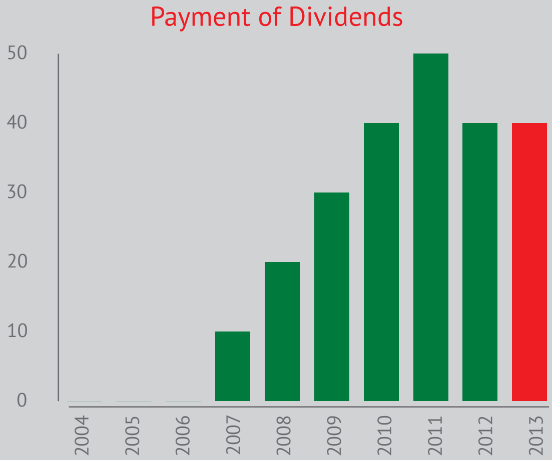
Performance Highlights



Management Discussion & Analysis

Payment of dividends

While most government institutions are a burden to the Treasury, KPL has not only been transformed to a successful self financing institution, but has also fulfilled its commitment by way of paying dividends to the Golden Shareholder, the Treasury. After the government take-over of the management of KPL in 2005, for the first time in its history, the Company has proudly effected and continued the following payments of Dividends to the Golden Shareholder, the General Treasury. We are proud to State that during the current financial year too, KPL continues to be a self-financing public enterprise under State management. We look forward to declaring Rs. 40 million as dividends for the year 2013. With this amount, the payment made since 2007, with the payment in 2013 a total dividends of Rs. 230 million has been paid to the State.

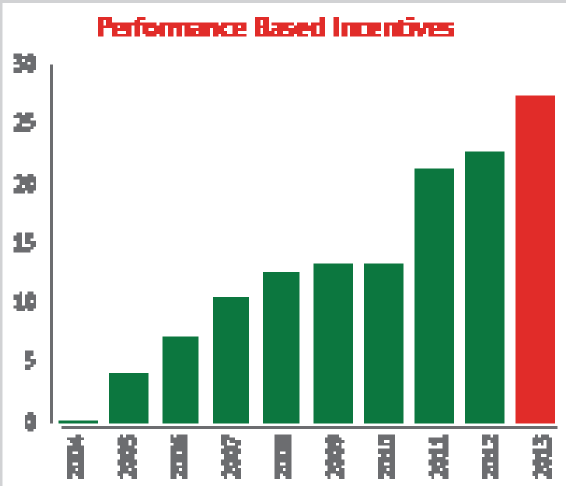


Incentive payments

As a means of motivating employees and gaining employee loyalty, the Company continues to pay handsome above-average-performance based incentives to employees who are encouraged to reach greater heights of performance.

- Taking into account the progress achieved in the year 2005, a sum of Rs. 4.1 million was paid as incentives for the first time in the history of the Company. One month's salary was paid to monthly paid employees whilst Rs.2,000 per daily paid employee.
- This practice was followed in the year 2006 and a sum of Rs. 7.1 million was awarded as incentives, paying one and half month's salary to monthly paid employees and Rs. 3,000 per daily paid employee.
- With further enhancement of incentives, in the year 2007, a sum of Rs.10.3 million was awarded, paying one and half month's salary to monthly paid employees and Rs.5,000 per daily paid employee.
- Based on the high performance achieved by the Company during the year 2008, the company paid one and half month's salary to monthly paid employees and Rs. 7,500 per daily paid employee. The total amount paid in 2008 was Rs. 12.5 million.
- Continuing the policy of incentive scheme further, we take humble pride in the fact that we were able to pay a sum of Rs. 13.25 million as incentives on the same basis as in the previous year during the year 2009 too.
- The Company continuing the Incentive Scheme paid a sum of Rs. 13.3 million on the same basis in year 2010.
- Considering the performance of year 2011, the company increased the payment of performance based incentives to a payment equal to 02 months' salary to monthly paid employees, and Rs.10,000 to a daily paid employee. The total amount paid had been Rs. 21.2 million.

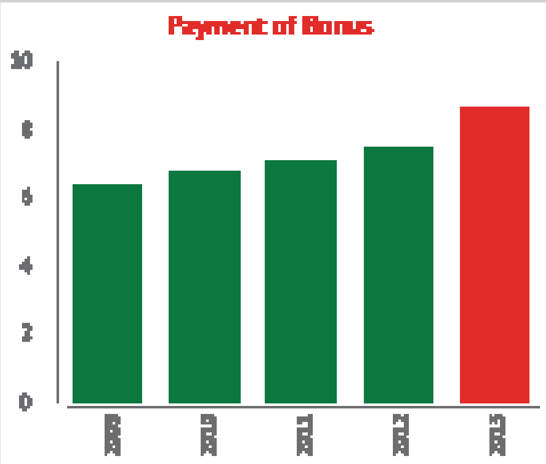
  It is important to mention that the daily paid employees, who are on lower levels of income of the Company in the year 2011, have enjoyed 5 times more incentive payments when compared with 2005, the first year of payment of Incentives.
- Continuing the policy of payment of incentives applied in 2011 the Company paid Rs.22.7 million as performance-based incentives for the year 2012.



- The company is proud to have increased the performance based incentives from 02 months salary to 2 1/2 months salary to monthly paid staff and Rs. 10,000 to Rs. 12,500 for a daily paid employee. Total amount of incentives paid for year 2013 was Rs. 27.4 million.

Payment of bonus

Up to year 2009 the employees' profit share had been paid considering the performance of respective Area Estate. This varied from a minimum of Rs. 1,000. The company in 2009 implemented the bonus payment scheme to employees in line with Treasury guide lines. The amount paid as bonus since 2009 are as follows.



Profit after tax

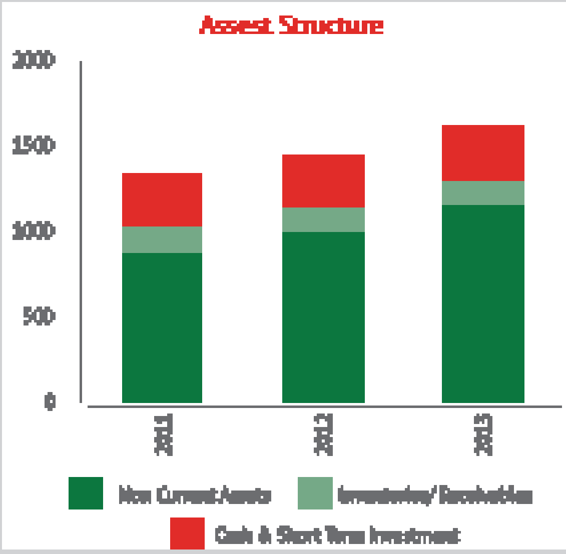
The company continued its record breaking performance in 2013 with growth in profits although many plantation companies and industries recorded lower profitability during the current financial year when compared with last year.

Development of assets

During the current financial year too, the Company continued its development and diversification programs in accordance with the long term strategy of sustainable development. A significant sum of Rs. 186.70 million was invested in capital assets out of which Rs. 93.66 million had been on establishment of coconut under plantations, rubber new plantations and intercrops and maintenance of immature areas.

The total assets of the Company was valued at Rs. 1.62 billion at the end of year 2013 which amounts to an asset growth of Rs. 165.43 million compared with previous financial year. Total asset comprised of Rs. 1.14 billion non-current assets and Rs. 473.18 million as current asset. Non-current asset saw a growth of 15% during the year compared with previous financial year and current asset were enhanced by 3%.

The Company's cash and short term investments improved further during the current year, from Rs. 325.66 million to Rs. 335.74 million as a result of prudent financial management practices applied by the Company. The Company held Rs. 326 million in short term investments as at 31st December 2013 compared with Rs. 320 million in 2012. These investments comprised of fixed deposits at State banks.



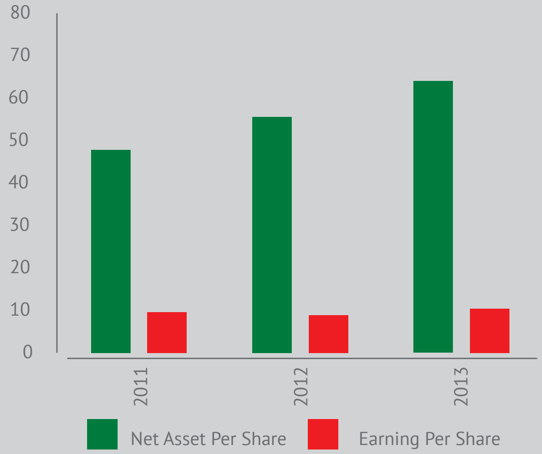
Liquidity management

The current ratio of the Company stood at 5.61 (no of times) compared with 5.03 (no of times) in 2012. The quick ratio improved to 4.84 from 4.43 when compared with last year.

Management Discussion & Analysis

Net asset per share & earnings per share (EPS)

The EPS was Rs. 10.41 for the current financial year compared with EPS of Rs.8.86 in the previous year. The net asset per share was increased from Rs. 55.55 in 2012 to Rs. 64.00 in 2013.



Coconut production

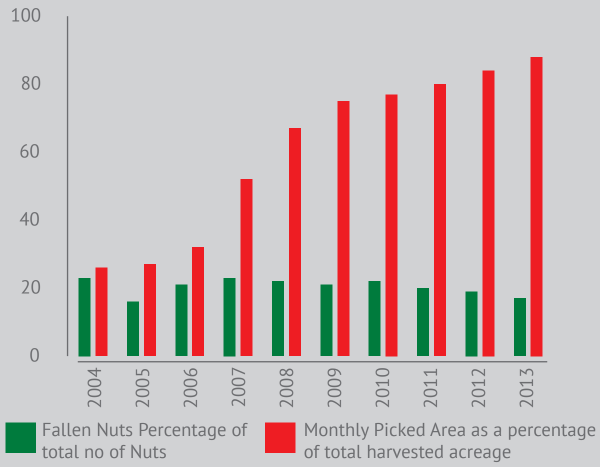
The baring extent of coconut at KPL was 3264.04 hectares, as at end 2013. This is a decrease by 4% in baring land extent compared with previous financial year. This drop is a result of under-planting, release of land for statutory declarations and acquisition for State development programs. Currently the coconut under-plantation acreage is over 20% of the total coconut extent. KPL coconut estates have a density of 58 palms per acre, compared with best practice of around 60 palms per acre. It is noteworthy to mention that the palms per acre had been increased from 37 in 2005, year in which the management of the Company had been taken over to the Government. KPL coconuts are sold in transparent and accountable manner at the public auctions conducted by the Coconut Development Authority. The Company also manufactures copra and coconut oil in a limited capacity.

The principal crop of KPL is coconut which accounts for the major share of revenue. In 2013, revenue from coconut decreased by 0.5% to Rs. 402.37 million from Rs. 404.19 million in 2012. Most of the time KPL net sales average (NSA) had been above the auction average. Net sales average per nut was Rs. 30.95 in 2013 whilst this had been Rs. 22.33 in 2012.

Coconut yields have continued on an increasing trend since 2005 to peak in 2012. However, in 2013, KPL and other growers experienced a considerable draw back. KPL's production fell to 13.0 million nuts from the historically high production of 18.10 million in 2012. This lower yield is a result of impacts of drought over the period of 2011 and before. Weather pattern in many regions of Sri Lanka has changed and rainfall spread has reduced, resulting in comparatively lower number of wet days. Further, heavy rainfall in a short period result in high runoff levels and poor infiltration.

KPL focusing on reducing pilferage and enhancing the productivity, monthly harvesting of coconuts in every possible plantation in place of bi-monthly harvesting has been introduced. This reduces the number of fallen nuts minimizing the avenues for pilferage. Further, an additional bunch of coconut could be harvested within the year since this method removes the mature bunch immediately so that water and nutrients needs for maintenance of the mature bunch could be saved for the use of enhancing the productivity of the palm.

The monthly harvesting extent has now reached the maximum of 88% of the harvesting acreage whereas in 2004 it had recorded as 26%. In this scenario too, the company has been able to maintain a stable percentage of fallen nuts ranging from 17% to 20% over the past 03 years, which reflects the effectiveness of this strategy.



Cost of production (COP)

The COP per nut has been increased due to the downfall of the production. Minimizing of wastage, increasing of labour output and introduction of alternatives in place of labour has contributed towards maintaining of COP at optimum level. Total cost of production stood at Rs.213 million in 2013 which is a reduction of 13% compared with cost of production of Rs. 245 in 2012. However, the COP per nut increased to Rs. 16.39 in 2013 against Rs. 13.53 in 2012.

Rubber production

The Company maintains 192.62 hectares of mature rubber which is our secondary plantation crop. The company has expanded the rubber plantations focusing on increasing the land productivity and preserving of environment.

In 2013, rubber revenue continued its declining trend from 2012 due to lower prices in international markets. Total income in 2013 was Rs. 62.41 million against Rs. 77.96 million in 2012. The NSA dropped by 11% to Rs. 330 per kg in 2013 when compared with Rs. 371 per kg in 2012.

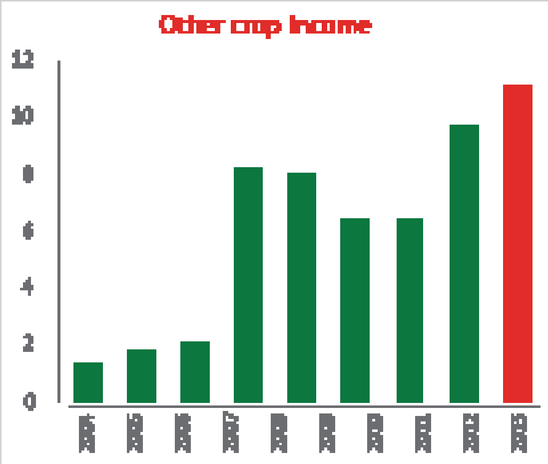
The national rubber production dropped by 14% in year 2013 due to adverse weather conditions which disrupted harvesting. In this context, the company's rubber production outperformed the national production achieving a crop of 188.93 Kg. for 2013 which is a drop of only 10% when compared with 2012.

Value added rubber processing.

KPL has acquired the latest technology from the Rubber Research Institute to produce quality RSS sheets. A new RSS factory has been set up at Attanagalla Area Estate. The Company will undertake the construction of a waste water treatment plant in order to ensure environmental compliance in 2014. We hope to benefit from this facility in the upcoming financial year.

Other crops

Since 2005, KPL has extensively diversified into intercrops with great success. In 2005, the extent of other crop had been 62.49 hectares. At the end of 2013 other crop extent accounted for 486.33 hectares recording a very significant increase of over 07 times. Currently KPL produces pepper, cinnamon, rambutan, durian, dragon fruit, mango, cocoa, cashew, etc. as intercrops. KPL has established the largest durian plantation in Sri Lanka, with 1,040 trees in the Mahayaya Area Estate. Cashew, cinnamon, dragon fruit, mango and guava have been cultivated in the dry zone estates in Kurunegala while rambutan and durian have been established well in the wet zone, in Gampaha. Rambutan, cashew, cocoa and pepper are now coming into maturity contributing to increase the turnover of the Company. As a result, income from non-core crops increased from Rs. 9.66 million in 2012 to Rs. 11.12 million in 2013, recording an increase of 15% increase.



Cut foliage & ornamental plants

KPL has initiated a new venture of 'Foliage Project' at Attanagalla Area Estate, to cater the local and export market demand for cut foliage and ornamental plants. The new venture will create new job opportunities for people in the area and would benefit the national economy through foreign exchange earnings. The first consignment of ornamental plants will be exported to the Republic of Korea in the coming financial year.

Sustainability Report

Sustainability Review

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

In addition, we also believe in ensuring social sustainability through interaction with communities in the locality of our plantations, as they too are an integral part of our business. As a public organisation we are conscious of our overall public accountability, both in terms of good governance and also in the context of meeting social welfare needs. We ensure good governance through application of transparent processes and regular monitoring and reporting systems that prevent corruption and misconduct. We also ensure good governance by setting an example for our employees in our behaviour and conduct.

OUR PEOPLE

We are proud to uphold that our people are our greatest asset and they have competitive advantage as qualified, experienced and credible professionals. The evidence is clear that plantations cannot be managed profitably without a high degree of professionalism and expertise. KPL is fortunate to have acquired and fostered the human resource base that has made this possible.

The total workforce of KPL comprises 1400 personnel.

Grade	Head office	Estates	Total
Executives	11	22	33
Clerical & Allied	29	115	144
Minor & Allied	21	32	53
Watchers & check roll workers	-	1,170	1,170
Total	61	1,339	1,400

MOTIVATING OUR STAFF

The allocation for performance based incentives was Rs. 27.4 million in 2013. We believe a healthy reward system, coupled with consistent and clear control structures will encourage employees to perform better. This can be seen by the productivity increases in the Company.

TRAINING AND DEVELOPMENT

We invest in continuous training of our staff to ensure the availability of the correct skills to develop the company. In 2013, the investment in employee training was Rs. 1.02 million. A total number of 20 training programs were conducted during the year targeting all levels of employees. 05 employees have participated in foreign training sessions.

EMPLOYEE WELFARE FACILITIES

We provide many benefits to our employees. During the year, more than Rs. 50 million was invested in construction of staff quarters and watcher houses for providing of better residence facilities to employees. Living conditions of staff and watchmen have been improved with related facilities such as water, electricity and sanitary.

OIC Quarters

Before

After

Watch Huts

Before

After

Other staff benefits and incentives include scholarships for higher education, distress loan facilities at low interest rates, financial assistance for higher education of staff members, interest free loans for school books and textiles, incentive payments on fallen nut collection and monthly attendance incentives to watchmen, Rs. 01 million personal accident insurance cover for all executives and health insurance cover of Rs. 400,000 per family unit for executives. We have also changed the gratuity formula with effect from 01st February 2014 and accordingly employees with less than 10 years' service is paid half month's salary for each completed year of service, subject to a minimum of 05 years' service whilst employees with more than 10 years' service is paid one month salary for each year of service. These benefits and incentives have contributed towards higher productivity and loyalty towards the Company. The payment of one month's salary for un-availed medical leave has tremendously improved attendance and KPL records 98% employee retention.

Incentive Ceremony

Sustainability review

SUSTAINABLE AGRICULTURAL PRACTICES.

We have implemented sustainable agricultural management practices across all 08 estates. This has been done through increased land use efficiency, crop diversification, inter-cropping and under-planting. In KPL estates 20% of total coconut area is being under planted with quality seedlings bringing a balance of generations. Good agricultural practices such as harrowing, using of organic manure and inorganic fertilizer, ploughing, establishment of cover crops, contour drains, mulching, etc. are being practiced. During the year Rs. 93 million was invested in immature plantations, out of which 78% was for coconut plantations, 15% for rubber and 7% for others.

KPL has increased the usage of organic fertilizer by using 875 metric tons of organic manure which represents 24% increase when compared with 2012. All coconut under-plantations are given 50% of their nutrient requirement through organic manure. In addition to the supply of nutrient, the organic manure helps to enhance the texture of the soil and the water retention capacity. Furthermore, it would enhance the cation exchange capacity of the soil and minimizes the leaching out.

To counter coconut mite (Aceria guerreronis) damage biologically by using predator mite, we have established laboratory to produce the predator mite (Neoseiulus baraki). This technique is also eco-friendly.

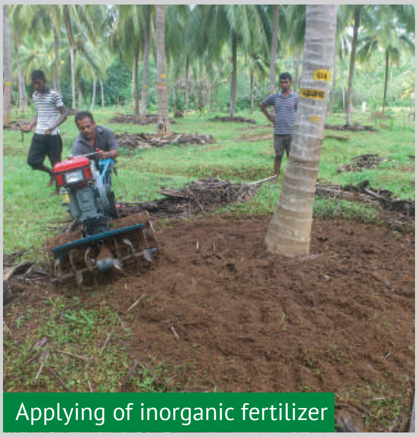
Good Agricultural Practices

Establishment of cover crops


Ploughing


Mulching


Applying of organic manure


Applying of inorganic fertilizer


Contour drains

USE OF MICROBES TO ENHANCE FERTILIZER EFFICACY

KPL signed an MOU with the Institute of Fundamental Studies (IFS), Hantana, in 2012, to develop mechanisms to use microbes to enhance efficacy of fertilizer. The objective of the project is to reduce the usage of chemical fertiliser to coconut by 50% and will have far reaching benefits such as reduction of fertilizer cost, eco-friendly method of fertilization and saving of foreign exchange which will benefit the country at large. Initial results of the project are encouraging and the project is now at preliminary stages of recommendations.

SOCIAL RESPONSIBILITY

KPL met its wider social responsibilities in many different ways during the year.

The Company issued 1.7 million quality coconut seed nuts for planting purposes. This will benefit the national coconut development programme.

Cattle belonging to neighbouring farmers are allowed to grace in KPL estates where KPL benefits from the organic manure (cow dung) produced by the animals and in return control the weeds. This is a win-win situation. Milk production by these animals contribute to the national milk production.

In addition, the Company provides copra for cultural pageants such as Kandy Sri Dalada Perahera, Pereheras of local temples and devalayas. Providing timber for construction of places of religious worship and schools have been favourably considered by the Company.


Annual pirith ceremony


Staff annual trip


Inter-estates cricket tournament


Annual staff get together

Risk Management

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

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

OPERATIONAL RISK

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

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

PEST AND DISEASE

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

CROP SECURITY

Other than the normal risks of fire, floods and natural disasters, coconut being a high consumable culinary product, is largely vulnerable for thieving. Small acreages scattered-over many Divisional Secretariats have resulted in naming of estates as Area Estates. This situation has increased the need of high security to minimize pilferage. Maximized monthly harvesting extents to 88% of the revenue acreage has minimized the percentages of fallen nuts against the normal practice of bi-monthly picking which result in high percentages of fallen nuts which becomes more susceptible for thieving. This practice with the strengthening of perimeter fences, close monitoring and supervision by Superintendents, Assistant Superintendents, Field Staff and Internal Audit Officers, have shown very promising results in minimizing pilferage. Incentive payments for fallen nut collection for watchers too has encouraged the collection and security of coconut. The Company has insured the crop in transit to meet with the risks involved in natural disasters, fire and thieving.

SHORTAGE OF LABOUR

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

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

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

RISK OF LAND ACQUISITION

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

TRADE UNIONS, SOCIAL AND ENVIRONMENTAL CHANGES

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

Corporate Governance

The Board of Directors of Kurunegala Plantations Limited operates on the principles of integrity, corporate fairness, transparency and accountability, and these governing principals would be the foundation on which it will endeavour to build strong relationship with all stakeholders and nurture the environment within which the Company operates. The Company's activities are conducted with the ethical standards and in the best interest of stakeholders. This commitment is supported with the right roles, structures and information which are embodied with policies, procedures and processes that are designed not only to ensure regulatory compliance and sustainability of business but also to enhance business value.

BOARD OF DIRECTORS

The Board of Directors is ultimately accountable and responsible for the performance of the Company and is the focal point of the corporate governance process.

RESPONSIBILITY

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

COMPOSITION

The Board comprised seven Non-Executive Directors including the Chairman.

BOARD MEETINGS

The Board Meetings are scheduled on a monthly basis. At these Meetings the Board sets out the strategic direction of the Company, reviews the annual budgets, the progress of all activities the recurrent and the capital expenditure programs.

The Board members are given appropriate documentation in advance of each Meeting. The new Board has been appointed with effect from 24th September 2013. The previous Board met 08 times and the present board 03 times during the year 2013. The attendance at these meetings are as follows.

Previous Board (Upto 24.09.2013)

Mr. Panduka Jayasinghe *Chairman/ Managing Director*	8/8
Mr. M.A.S.N. Kurera *Executive Director*	6/8
Mr. R.W.M.J.R. Perera *Working Director*	8/8
Mrs. W.G. Chandrika *Treasury Representative (Resigned w.e.f 11.02.2013)*	2/8
Mr. K.D. Peiris	8/8
Mr. B.R. Kularatne	8/8
Mr. I.A.M. Appuhamy	8/8

Present Board (From 24.09.2013)

Dr. Sunil Jayasekara *Chairman*	3/3
Mr. P.G. Amarakoon *Executive Director*	3/3
Mr. R.W.M.J.R. Perera *Working Director*	3/3
Mr. A.P. Kurumbalapitiya *Director/Treasury Representative*	2/3
Prof. W.P. Gamini de Alwis	2/3
Mr. G.V.A.W.D. Gamaarachchi	1/3
Mr. J. Dewapiran	3/3

AUDIT COMMITTEE

The Audit Committee is comprised of three Non-Executive Directors. The Chairman of the Audit Committee is the Board Director who represents the Treasury of Sri Lanka. The Audit Committee Meetings are scheduled on a monthly basis. Audit Committee Meetings were held regularly under the Chairmanship of the Board Member representing the Treasury. The Chairman, Executive Director, Working Director, Chief Executive Officer, Senior Managers and Area Superintendents participated these meetings by invitation and the meetings were coordinated by the Manager Audit. Two Committees were functioned during the year 2013 with the changes in the Board of Directors. The attendance of the members of the Committees at these meetings are as follows.

Previous Audit Committee (Upto 24.09.2013)

Mrs. W.G. Chandrika *Treasury Representative (Resigned w.e.f 11.02.2013)*	1/1
Mr. B.R. Kularatne	1/1
Mr. I.A..M. Appuhamy	1/1

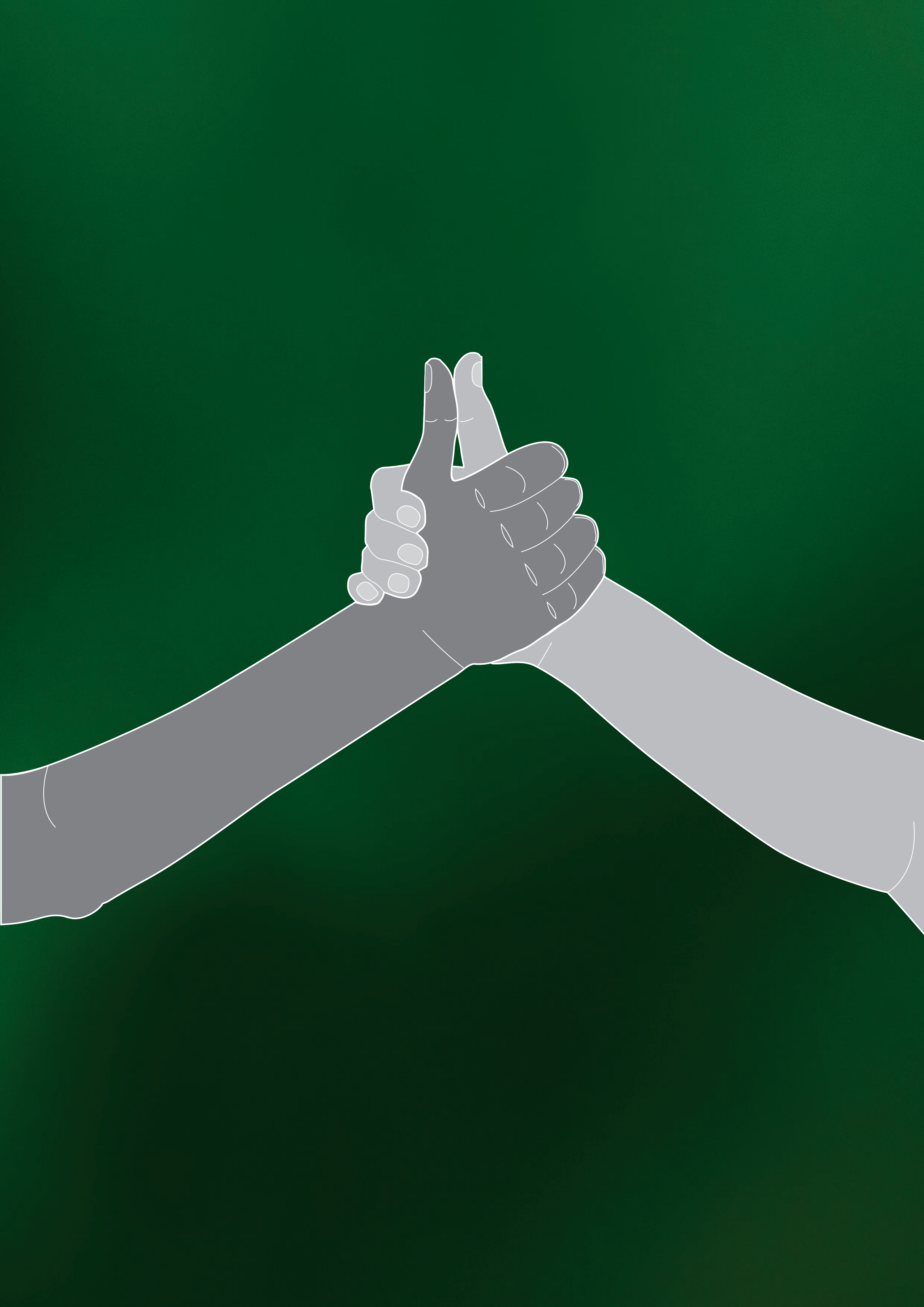
Present Audit Committee (From 24.09.2013)

Mr. A.P. Kurumbalapitiya *Treasury Representative*	1/1
Mr. G.V.A.W.D. Gamaarachchi	1/1
Mr. J. Dewapiran	1/1

COMPLIANCE WITH LEGAL REQUIREMENT

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

Financial Reports



Annual Report of the Board of Directors

The Directors of the Company have pleasure in presenting their Annual Report together with the Audited Financial Statements of Kurunegala Plantations Limited for the year ended 31st December 2013.

GENERAL

Kurunegala Plantations Limited (KPL) is a limited liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government owned Businesses undertakings into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007 with a new registration number PB 1319. The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala.

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

PRINCIPAL ACTIVITIES AND NATURE OF BUSINESS

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

Attanagalla	Katugampola
Dambadeniya	Kurunegala
Dodangaslanda	Narammala
Hiriyala	Mahayaya

GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly the financial statements are prepared based on the Going Concern Concept.

FINANCIAL STATEMENTS & AUDITOR'S REPORT

The duly completed Financial Statements signed by the Directors and the Auditor's report thereon for the year ended 31st December 2013 are given on page no. 50.

ACCOUNTING POLICIES

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

REVENUE

The revenue of the Company for the year 2013 is Rs. 475.89 million (2012 - Rs. 491.82 million). The other operating income for the year is Rs. 95.83 million (2012 – Rs. 89.35 million) whilst the interest income for the year is Rs. 44.34 million (2012 - Rs. 38.20 million).

RESULTS AND APPROPRIATIONS

The profit-after tax of the Company the year 2013 is Rs. 208.15 million (2012 – Rs. 177.27 million). Financial results of the Company are given in the Statement of Comprehensive Income.

Detailed description of the results and appropriations are as follows.

	2013	2012
Profit from coconut	**189,350,000**	159,243,556
Profit from rubber	**13,988,267**	33,318,065
Profit from other crops	**3,755,090**	1,974,744
Profit from other operating activities	**95,827,085**	89,353,353
	302,920,442	283,889,718
Administrative expenses	**(109,250,679)**	(107,147,020)
Profit from operating activities	**193,669,763**	176,742,698
Net Finance Income		
Interest Income	**44,336,994**	38,200,820
Interest expenses	**(24,377,772)**	(21,892,306)
	19,959,222	16,308,514
Profit before income tax expenses	**213,628,985**	193,051,212
Income tax expense	**(5,483,047)**	(15,784,867)
Profit for the year	**208,145,938**	177,266,345

CAPITAL EXPENDITURE & INVESTMENTS

During the year 2013 Rs. 186.70 million (2012 – Rs. 164.81 million) had been invested in fixed assets of the Company out of which Rs. 93.66 million (2012 – Rs. 73.4 million) had been incurred on immature plantations.

SHORT TERM INVESTMENTS

The Company held Rs. 326 million short term investments as at 31st December 2013 (as at 31st December 2012 – Rs. 320 million). This investment comprises of fixed deposits at Government Banks. (Rs. 40 million at Bank of Ceylon , Rs. 168 million at People's Bank and Rs. 118 million at National Savings Bank).

STATED CAPITAL

The total amounts received by the Company in respect of the issue of shares are referred to as stated capital. The total stated capital of the Company as at 31 December 2013 was Rs. 200,000,010. This comprises 20,000,000 ordinary shares and 01 Golden Share held by the Secretary to the Treasury of Sri Lanka. No other allotment of shares were made during the year.

RESERVES

The Company reserves as at 31st December 2013 are represented by retained profit of Rs. 889.23 million, timber reserves of Rs. 183.16 million and other reserves of Rs. 7.63 million.

DIRECTORATE

The Board of Directors had been changed during the year 2013. The names of the Directors who held office during the year are given below.

From 01.01.2013 to 23.09.2013

Name	Date of Appointment
Mr. Panduka Jayasinghe *Chairman/ Managing Director*	17th May 2010
Mr. M.A.S.N. Kurera *Executive Director*	17th May 2010
Mr. R.W.M.J.R. Perera *Working Director*	17th May 2010
Mrs. W.G. Chandrika *Treasury Representative* *(Resigned with w.e.f. 11th February, 2013)*	17th June 2010
Mr. K.D. Peiris	17th May 2010
Mr. B.R. Kularatne	17th May 2010
Mr. I.A.M. Appuhamy	17th May 2010

From 24.09.2013 to 31.12.2013

Dr. Sunil Jayasekara *Chairman*	24th September 2013
Mr. P.G. Amarakoon *Executive Director*	24th September 2013
Mr. R.W.M.J.R. Perera *Working Director*	24th September 2013
Mr. A.P. Kurumbalapitiya *Treasury Representative*	16th August 2013
Prof. W.P. Gamini de Alwis	24th September 2013
Mr. G.V.A.W.D. Gamaarachchi	24th September 2013
Mr. J. Dewapiran	24th September 2013

DIRECTORS' INTEREST IN CONTRACTS

The Directors have no direct or indirect interest in contracts.

DIRECTORS' SHARE HOLDING

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

AUDIT COMMITTEES

The following Board members had served on the Audit Committee during the year 2013.

From 01.01.2013 to 11.02.2013

Mrs. W.G. Chandrika (Treasury Representative)
Chairperson

Mr. B.R. Kularatne

Mr. I.A.M. Appuhamy

From 24.09.2013 to 31.12.2013

Mr. A.P. Kurumbalapitiya (Treasury Representative)
Chairman

Mr. G.V.A.W.D. Gamaarachchi

Mr. J. Dewapiran

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 payable by the Company as at the balance sheet date have been paid or, where relevant provided for.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company other than those disclosed in the note no. 29 to the financial statements in this report.

AUDITORS

The Accounts for the year 2013 have been audited by the Messrs. Dayananda Samarawickrema & Co., (Chartered Accountants).

ANNUAL REPORT

The Board of Directors have approved the financial statements on 22nd April 2014.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at No.11, 3rd Floor, Duke Street, Colombo 01 on Thursday, 26th June 2014 at 1.30 p.m.

The notice of the annual general meeting is attached hereto.

For and on behalf of the Board of directors

Dr. Sunil Jayasekara
Chairman

R. W. M. J. R. Perera
Working Director

Corporate Advisory Services (Pvt) Limited
Secretaries – Kurunegala Plantations Limited

Colombo, 22 April 2014

Statement of Directors' responsibility

The responsibilities of the Directors in relation to the Financial Statements are set out in the following statement. The responsibilities of the Auditors, in relation to the financial statements prepared in accordance with the provision of the Companies at No.7 of 2007, are set out in the report of the Auditors.

THE FINANCIAL STATEMENTS COMPRISE:

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

- A balance Sheet, which presents a true and fair view of the State of affairs of the Company as at the end of the financial year, and which complies with the requirement of the Act.

The Directors are required to ensure that, in preparing these financial statements:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

- All applicable accounting standards, as relevant, have been followed;

- Judgments and estimates have been made which are reasonable and prudent.

- The Directors are also to ensure that Company has adequate resources to continue in operation and to justify applying the "going concern bases" in preparing these financial statements.

Further the Directors have the responsibility to ensure that the Company maintains sufficient accounting records with reasonable accuracy, the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act No 7 of 2007.

The Directors are also responsible for taking steps to safe guard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with the view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

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

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

COMPLIANCE REPORT

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

By Order of the Board

CORPORATE ADVISORY SERVICES (PVT) LTD
Secretaries - Kurunegala Plantations Limited

Independent Auditor's Report

Dayananda Samarawickrema & Co.,
CHARTERED ACCOUNTANTS

Partners
H.G. Dayananda F.C.A.
J. Rajasuriya F.C.A., BA
K.G. Chandana Kumara A.C.A

No. 20/26, Station Lane, (Janatha Pola Road)
NUGEGODA, SRI LANKA.
Tele : 2854614, 2809650, 2822940
Fax : 2820112
E-mail : dsandco@sltnet.lk

TO THE SHAREHOLDERS OF KURUNEGALA PLANTATIONS LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kurunegala Plantations Limited which comprise the Statement of Financial Position as at 31st December 2013 and the, Statement of Comprehensive Income, Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate Accounting Policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2013 and the Financial Statements give a true and fair view of the Company's State of affairs as at 31st December 2013 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements.

In our opinion, these Financial Statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.

DAYANANDA SAMARAWICKREMA & CO.,
Chartered Accountants,

Nugegoda.
22 April 2014

Statement of Comprehensive Income

For the year ended 31st December 2013

	Note	2013 Rs.	2012 Re-stated Rs.
Revenue	04	**475,890,175**	491,819,486
Cost of Sales	05	**(268,796,818)**	(297,283,121)
Gross Profit		**207,093,357**	194,536,365
Other Operating Income	06	**95,827,085**	89,353,353
Administration & General Expenses	07	**(109,250,679)**	(107,147,020)
Profit from Operating Activities		**193,669,763**	176,742,698
Net Financial Income / (Expenses)	08	**19,959,222**	16,308,514
Profit before Taxation		**213,628,985**	193,051,212
Income Tax Expense	09	**(5,483,047)**	(15,784,867)
Profit For the year		**208,145,938**	177,266,345
Other Comprehensive Income			
Defined benefit plan actuarial gains/ (losses)		**783,904**	6,839,858
Total Comprehensive Income for the year		**208,929,842**	184,106,203
Earnings Per Share (Rs. Cts.)	10	**10.41**	8.86

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

Figures in bracket indicate deductions

Statement of Financial Position

As at 31st December

	Note	2013 Rs.	2012 Re-stated Rs.
ASSETS			
Non Current Assets			
Leasehold Right to Bare Land	11	**99,727,614**	102,897,569
Immovable Lease Assets (Other than Bare Lands)	12	**50,411,777**	55,253,756
Bearer Biological Assets	13A	**632,375,347**	548,569,164
Consumable Biological Assets	13B	**130,885,608**	125,890,158
Property, Plant & Equipment	14	**225,018,509**	154,398,849
Other Financial Assets	15	**4,848,097**	4,938,188
Total Non Current Assets		**1,143,266,952**	**991,947,684**
Current Assets			
Inventories	16	**41,909,937**	37,317,228
Deposits & Pre-payments		**4,529,765**	5,778,757
Pre-paid Expenditure on short term project	17	**10,263,971**	2,488,128
Income Tax Refund		**7,571,822**	1,467,715
Trade & Other Receivables	18	**68,063,660**	82,359,530
Other Financial Assets	15	**5,099,968**	4,004,367
Short Term Investments	19	**326,000,000**	320,000,000
Cash and Cash Equivalents	20	**9,741,661**	5,659,031
Total Current Assets		**473,180,784**	459,074,756
TOTAL ASSETS		**1,616,447,736**	1,451,022,440
EQUITY & LIABILITIES			
Capital and Reserves			
Stated Capital	21	**200,000,010**	200,000,010
Retained Earnings		**889,230,196**	755,412,408
Timber Reserves		**183,160,698**	148,832,548
Other Reserves		**7,623,762**	6,839,858
Total Equity		**1,280,014,666**	1,111,084,824
Non Current Liabilities			
Retirement Benefit Obligations - Gratuity	22	**124,782,559**	122,612,895
Net liability to the lessor	23	**71,344,225**	74,909,429
Deferred Income - Grants & Subsidies	24	**-**	-
Deferred Tax Liabilities	25	**55,944,676**	51,177,581
Total Non Current Liabilities		**252,071,460**	248,699,905
Current Liabilities			
Net liability to the lessor	23	**3,565,204**	3,565,204
Advances received	26	**1,675,873**	204,627
Trade and other payables	27	**79,120,533**	87,467,880
Total Current Liabilities		**84,361,610**	91,237,711
TOTAL EQUITY AND LIABILITIES		**1,616,447,736**	1,451,022,440

The Accounting Policies & Notes form an integral part of these Financial Statements.
Figures in bracket indicate deductions
It is certified that the Financial Statements have been prepared in compliance with requirements of Companies Act No 07 of 2007.

P. M. D. G. Premathilaka
Manager Finance

The Board of Directors are 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.

Dr. Sunil Jayasekara
Chairman

R. W. M. J. R. Perera
Working Director

Kurunegala.
22nd April 2014

Statement of Changes in Equity

For the year ended 31st December 2013

	Stated Capital Rs.	Timber Reserve Rs.	Retained Earnings Rs.	Other Reserves Rs.	Total Rs.
Balance as at 1st January 2012					
as Previously reported	200,000,010	111,428,668	644,668,414	-	956,097,092
Prior year adjustments					
Gratuity provision adjustment			(46,178,108)	-	(46,178,108)
Leas interest expense adjustment			67,059,637	-	67,059,637
Balance as at 1st January 2012 - Restated	200,000,010	111,428,668	665,549,943	-	976,978,621
Profit for the year - Restated (Note A)			177,266,345	-	177,266,345
Transferred to Timber Reserve		37,403,880	(37,403,880)		-
Other Comprehensive Income		-	-	6,839,858	6,839,858
Dividend Paid - 2011			(50,000,000)	-	(50,000,000)
Balance as at 31st December 2012	**200,000,010**	**148,832,548**	**755,412,408**	**6,839,858**	**1,111,084,824**
Profit for the year	**-**		**208,145,938**	**-**	**208,145,938**
Transferred to Timber Reserve		**34,328,150**	**(34,328,150)**		
Other Comprehensive Income				**783,904**	**783,904**
Dividend Paid - 2012			**(40,000,000)**	**-**	**(40,000,000)**
Balance as at 31st December 2013	**200,000,010**	**183,160,698**	**889,230,196**	**7,623,762**	**1,280,014,666**

NOTE A - PROFIT RECONCILIATION FOR THE YEAR 2012

	Rs.
Profit for the year 2012 as previously reported	170,292,768
Previous Year Adjustments	
Gratuity Provision	(17,482,940)
Finance Cost - Lease interest expenses	9,995,027
Impact of the consumable biological asset	
Sale value of timber trees	(22,942,390)
Gain arising from changes in fair value of Consumable Biological Assets	37,403,880
Restated profit for the year 2012	177,266,345

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

Figures in bracket indicate deductions

Statement of Cash Flows

For the year ended 31st December 2013

	2013 Rs.	2012 Rs.
Cash flows from operating activities		
Profit before Income Tax Expenses	**213,628,985**	193,051,212
Adjustments for		
Depreciation/Amortization	**38,633,551**	29,381,368
Interest on lease agreement	**22,742,587**	20,852,763
Interest on temporary bank loan	**469,199**	210,986
Amortization of staff loans	**1,165,986**	828,557
Provision for Retirement Benefit Obligations	**23,593,586**	22,608,466
Amortization of Grants	**-**	(260,585)
Interest Income	**(44,336,994)**	(38,200,820)
Profit from Disposal of Property Plant & Equipments	**74,868**	(443,035)
Loss on Transfer of Expenditure on PPE	**-**	9,079,178
Income tax paid	**(6,820,059)**	(19,555,293)
Provision for Performance Incentive	**27,429,989**	22,717,215
Provision for Bonus	**8,614,940**	7,458,393
Gain/(Loss) from Changes in fair value of Consumable Biological Assets	**(34,828,150)**	(37,403,880)
Operating Profit Before Working Capital Changes	**250,868,488**	210,324,525
Changes in Working Capital		
(Increase)/Decrease in Inventories	**(4,592,709)**	21,275,748
(Increase)/Decrease in Deposits & Pre-payments	**1,248,993**	(1,840,600)
(Increase)/Decrease in Trade and Other Receivables	**16,944,631**	9,714,727
(Increase)/Decrease in pre-paid Expenditure on short term project	**(7,775,843)**	1,545,441
Increase/(Decrease) in Rent received in advance	**1,471,246**	(20,381,262)
Increase/(Decrease) in Trade and Other Payables	**(7,995,099)**	(3,398,063)
Payment of Gratuity	**(20,640,018)**	(8,134,590)
Payment of Performance incentive	**(22,765,896)**	(21,158,401)
Payment of Bonus	**(7,162,538)**	(7,231,825)
Cash received from sales of valuable trees	**29,332,700**	22,942,390
Net Cash From/(Used in) Operating Activities	**228,933,956**	203,658,090
Cash Flows from / (Used in) Investing Activities		
Purchase of Property, Plant & Equipment	**(186,700,542)**	(164,809,564)
Proceeds from disposal of Property, Plant & Equipment	**1,578,214**	2,488,920
Interest Received	**40,522,256**	32,547,768
Net Cash Flows From/(Used in) Investing Activities	**(144,600,072)**	(129,772,876)
Cash Flows from / (Used in) Financing Activities		
Lease Rental Paid	**(32,776,546)**	(12,593,275)
Interest on temporary Bank Loans - BOC	**(469,199)**	(210,986)
Loans Given to Staff	**(7,427,800)**	(11,092,835)
Staff Loan Recoveries	**6,422,291**	4,290,173
Dividend paid	**(40,000,000)**	(50,000,000)
Net Cash Flows From/(Used in) Financing Activities	**(74,251,254)**	(69,606,923)
Net Increase/(Decrease) in Cash and Cash Equivalents	**10,082,630**	4,278,291
Cash and Cash Equivalents at the beginning of the year	**325,659,031**	321,380,740
Cash and Cash Equivalents at the end of the period (Note A)	**335,741,661**	325,659,031

Statement of Cash Flows

For the year ended 31st December 2013

(Note A) **Cash and Cash Equivalents at the end of the period**	**As at 31.12.2013 Rs.**	As at 31.12.2012 Rs.
Fixed deposit-BOC	**40,000,000**	79,500,000
Fixed deposit-People's Bank	**168,000,000**	10,000,000
Fixed deposit - NSB	**118,000,000**	230,500,000
REPO	**7,000,000**	-
Postage /Stamps	**5,088**	8,042
Cash in Transits	**-**	47,585
Cash at Bank	**2,438,289**	4,476,403
Cash in Hand	**298,284**	1,127,001
	335,741,661	325,659,031

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

Figures in bracket indicate deductions

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. 07 of 2007.

The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala.

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

1.2 Principal Activities and Nature of Business

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

Attanagalla	Katugampola
Dambadeniya	Kurunegala
Dodangaslanda	Narammala
Hiriyala	Mahayaya

1.3 Date of Authorization for issue

The Financial Statements of Kurunegala Plantations Limited for the year ended 31st December 2013 was authorized for issue by the Board of Directors on 22nd April 2014.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Going Concern

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

2.2 Basis of Presentation

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

- Leasehold Right to Bare Land of JEDB/SLSPC, which have been revalued as described in Note 11.
- Consumable Mature Biological Assets are measured at fair value less costs to sell (Note 13)
- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS - 19) (Note 21)
- Agricultural produce harvested from biological assets are valued at net realizable value. Net realizable value is the estimated selling price less the costs estimated for the realization of such sale.

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

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

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

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

Note 11-Tangible Assets Other than right-to-use land and bearer biological assets

Note 13- Consumable Biological Assets

Note 21- Measurement of Defined Benefit Obligation.

Note 24 - Deferred Taxation

2.5 Comparative Information

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Assets and the Basis of their Valuation

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

3.1.1 Property, Plant & Equipment

3.1.1.1 Recognition and Measurement

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

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

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

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

Permanent Land Development Costs are costs incurred to make major changes to land contours, to build 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 de-recognized.

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

3.1.1.3 De-recognition

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

3.1.1.4 Borrowing Cost

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

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

3.1.1.5 Depreciation and Amortization

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

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

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

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

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

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

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

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

3.1.1.6 Leased Assets

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

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

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

3.1.1.7 Impairment of Non-Financial Assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available.

If no such transaction can be identified, an appropriate valuation model is used.

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

3.1.2 *Biological Assets*

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

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

3.1.2.1 *Bearer Biological Assets*

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

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

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

Mature Bearer Biological Assets	
Coconut	Over 50 years
Rubber	Over 20 years
Other Crops	Over 20 years

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

3.1.2.2 *Infilling cost on Bearer Biological Assets*

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

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

3.1.2.3 *Consumable Biological Assets*

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

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

The main variables in DCF model concerns.

Variable Comment

Currency valuation Rs.

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

3.1.2.4 Recognition and Measurement

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

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

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

3.1.3 Financial Instruments

3.1.3.1 Financial Assets

3.1.3.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

3.1.3.1.2 Subsequent Measurement

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

Financial assets at fair value through profit or loss

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

The Company did not hold any financial asset designated as financial asset at fair value through profit or loss during the year ended December 31, 2013.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

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

Held-to-Maturity Investments

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

Available-for-Sale Financial Investments

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

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

3.1.3.1.3 De-Recognition

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

- The rights to receive cash flows from the asset have expired

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

3.1.3.1.4 Impairment of Financial Assets

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

The Company did not recognize any impairment losses in respect of financial assets for the year ended December 31, 2012 and December 31, 2013.

3.1.3.2 Financial Liabilities

3.1.3.2.1 Initial Recognition and Measurement

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

3.1.3.2.2 De-recognition

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

3.1.3.3 Offsetting of Financial Instruments

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

3.1.3.4 Financial Risk Management

Credit Risk

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

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

Liquidity Risk

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

Interest Rate Risk

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

3.1.4 Inventories

3.1.4.1 Agricultural Produce harvested from Biological Assets

Agricultural produce harvested are valued at the quoted prices net of point of sale costs in the sales contracts when sold after the reporting date and valued at average estimated net selling price when sales contracts are not entered into up to the time of preparing the financial statements.

In the case of coconuts the net realizable value after converting into copra is used for valuation when uncertainty exists in the market.

3.1.4.2 Agricultural Produce after further processing

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

3.1.4.3 Input Material, Consumables and Spares

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

3.1.4.4 Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.1.5 Cash & Cash Equivalents

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

3.2 Liabilities and Provisions

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

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

3.2.1 Employee Benefits

3.2.1.1 Defined Contribution Plans – EPF & ETF

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

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

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

3.2.1.2 Defined Benefit Plan – Retirement Gratuity

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

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

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

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

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

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

However at the Board meeting held on 24.01.2013 the Board decided to change company's existing gratuity formula, which will give half month salary for each completed number of years as gratuity to its retiring employees. As per new decision made on 24.01.2013 the new gratuity formula is as follows.

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

- Employees with more than 10 years' service to be paid one month salary for each year of service.

Change of this accounting policy has been adjusted to financial statements with retrospective effect as form 2012.

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

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

3.3 Capital Commitments and Contingencies

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

All material Capital Commitments and Contingent Liabilities are disclosed in Note 28.

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

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

3.5 Statement of Comprehensive Income

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

3.5.1 Revenue Recognition

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

3.5.1.1 Sale of Goods

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

3.5.1.2 Interest Income

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

3.5.1.3 Gains or Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within the 'other income' in the Statement of Comprehensive Income.

3.5.2 Expenditure Recognition

3.5.2.1 Operating Expenses

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

3.5.2.2 Finance Cost

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

3.5.2.3 Tax Expense

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

3.5.2.3.1 Current Taxes

Current tax expense for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.5.2.3.2 Deferred Taxation

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

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

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

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

The relevant details are disclosed in the Note 25 & 09 to the Financial Statements.

3.6 Statement of Cash Flows

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

3.8 Earnings per Share

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

3.9 Events after the reporting period

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

4 REVENUE

	2013 Rs.	2012 Rs.
Coconut (Note 4.1)	**402,365,395**	404,191,573
Rubber	**62,405,810**	77,964,363
Rambuttan	**3,072,425**	3,943,221
Pepper	**1,499,150**	724,195
Cashew	**1,018,656**	933,256
Cinnamon	**871,474**	549,354
Others	**4,657,265**	3,513,524
	475,890,175	491,819,486

4.1 Coconut Income

	2013 Rs.	2012 Rs.
Green nuts	**342,821,037**	336,593,145
Seed nuts	**48,465,111**	42,663,876
Oil	**11,061,380**	19,298,641
Copra	**17,867**	5,635,911
	402,365,395	404,191,573

5 COST OF SALES

	2013 Rs.	2012 Rs.
Coconut	**213,015,395**	244,948,017
Rubber	**48,417,543**	44,646,298
Rambuttan	**668,693**	536,630
Pepper	**387,097**	407,386
Cashew	**961,129**	1,247,190
Cinnamon	**573,612**	778,360
Others	**4,773,349**	4,719,240
	268,796,818	297,283,121

6 OTHER OPERATING INCOME

	2013 Rs.	2012 Rs.
Sales of coconut trees	**12,622,984**	17,346,081
Sale of rubber trees	**5,631,860**	-
Gain / (loss) arising from changes in fair value less cost to sell - Consumable Biological Assets	**34,328,150**	37,403,880
Sales of husks	**22,000,033**	12,929,090
Late removal & payment charge -coconut	**5,018,553**	7,715,616
Lease/ facility fee income	**4,588,872**	3,780,832
Amortization of grants	**-**	260,585
Profit / (Loss) on disposal & sale of PPE	**(74,868)**	443,035
Write back/ (Write off)	**1,834,728**	1,362,450
Nursery income	**3,522,771**	4,184,752
Profit / (Loss) on tractor unit (Note - 06.1)	**262,342**	(1,760,854)
Miscellaneous income	**6,091,660**	5,687,886
	95,827,085	89,353,353

6.1 Profit/ (Loss) on tractor unit

Provision of Rs. 630,512 (Rs. 471,747 - 2012) for the payment of performance incentives and Rs. 84,075 (Rs. 67,500 - 2012) for payment of bonus for tractor unit employees are included in Administration & General Expenses, Note no. 7.

7 ADMINISTRATION & GENERAL EXPENSES

	2013 Rs.	2012 Rs.
Payroll Related Expenses	**67,216,624**	60,306,943
Maintenance & Repairs	**12,493,403**	20,365,544
Other Administration Expenses	**29,540,652**	26,474,533
	109,250,679	107,147,020

PROFIT FROM OPERATING ACTIVITIES
is stated after charging the followings

	2013 Rs.	2012 Rs.
Directors emoluments	**4,210,036**	5,306,499
Auditors fees on statutory audit	**590,000**	530,000
Performance incentives	**27,429,989**	22,717,215
Bonus	**8,614,940**	7,458,393
Donations and CSR	**1,993,996**	1,765,143
Loss on transfer of Expenditure on PPE	**-**	9,079,178
Depreciation/Amortization-		
Leasehold rights to bare lands	**3,169,955**	2,988,533
Immovable leased assets (other than bare lands)	**4,841,979**	5,056,544
Mature plantations	**8,228,002**	7,400,635
Property, plant and equipment	**22,393,615**	13,935,657
Personnel Cost-		
Salaries, Wages, EPF & ETF	**206,683,002**	205,525,353
Defined benefit plan cost-Retiring Gratuity	**23,593,586**	22,608,466

8 NET FINANCIAL INCOME /(EXPENSE)

8.1 INTEREST INCOME

	2013 Rs.	2012 Rs.
Interest on Fixed Deposits	**41,252,290**	33,895,955
Interest on Treasury Bills	**-**	1,768,695
Interest on REPOs (Note 08.1.1)	**1,445,447**	1,308,660
Interest on Loans given to Staff	**473,271**	398,953
Un-winding of Pre-paid Staff Benefits	**1,165,986**	828,557
	44,336,994	38,200,820

8.2 INTEREST EXPENSE

	2013 Rs.	2012 Rs.
Interest on Lease - JEDB	**22,742,587**	20,852,763
Interest on Temporary Bank Loans	**469,199**	210,986
Amortization of Staff Cost	**1,165,986**	828,557
	24,377,772	21,892,306
Net Financial Income	**19,959,222**	16,308,514

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

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

Accordingly, net income earned from secondary market transactions of Government securities for the year 2013 by the Company has been grossed up in the Financial Statements by adding 1/9th and the resulting notional tax credit amounted to Rs. 144,545.

9 INCOME TAX EXPENSES

9.1 Current Taxes

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

	2013 Rs.	2012 Rs.
Current Income Tax Expense (Note 9.2)	**1,146,157**	7,778,863
Under/(Over) provisions of income tax in previous year	**(430,205)**	-
Deferred Taxation (Note 9.3 & 25)	**4,767,095**	8,006,004
	5,483,047	15,784,867

9.2 Reconciliation between Accounting Profit to Income Tax

For the year ended 31st December		
Accounting Profit Before Taxation	**213,628,982**	186,077,635
Income from other sources & exempt income	**(77,424,290)**	(89,820,721)
	136,204,692	96,256,914
Aggregate Disallowable Items	**66,810,551**	48,156,140
Aggregate Allowable Items	**(176,237,586)**	(105,118,295)
Adjusted Profit from the Business	**26,777,657**	39,294,759
Income from Other Sources	**43,171,008**	37,372,263
Total Statutory Income	**69,948,665**	76,667,022
Qualifying payments	**(58,487,095)**	(27,537,851)
Taxable income	**11,461,570**	49,129,171
Tax on agricultural activities 10%	**1,146,157**	3,320,725
Tax on other income 28%	-	4,458,138
Income Tax on Profits for the year	**1,146,157**	7,778,863

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 25. Difference arising from the deferred tax liability has been recognized in the Financial Statements during the year.

Deferred tax Expense / (Income) arises from :		
Accelerated depreciation for tax purpose	**(2,414,803)**	(694,709)
Amortization of Mature & Immature Plantations	**(8,407,163)**	(6,590,203)
Provision for bad & doubtful debts	**155,787**	(188,483)
Employee Benefit Liability	**5,899,084**	(532,609)
	(4,767,095)	(8,006,004)

10 EARNINGS PER SHARE

The calculation of the earnings per share is based on Profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

10.1 Basic Earnings per Share

	2013 Rs.	2012 Rs.
Profit attributable to Ordinary Shareholders (Rs.)	**208,145,938**	177,266,345
Weighted average number of ordinary shares	**20,000,001**	20,000,001
Earnings Per Shares (Rs. Cts.)	**10.41**	8.86

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2013. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

11 LEASEHOLD RIGHT TO BARE LAND

11.1

The leasehold rights to the lands of all the estates have been taken into the books of the company as at June 18, 1992, immediately after the formation of the company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board has decided at its meeting held on March 08, 1995 that these bare lands would be revalued, at the values established for these lands, by the valuation specialist Mr. D.R. Wickramasinghe just prior to the formation of the company. The revalued amount taken to the June 18, 1992 Balance Sheet was Rs. 189,234,932 The carrying values are given in Note 11.3 below.

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

11.2

Though JEDB has handed over all 13 Estates to the Company, of these estates, leases for only 5 estates have been executed and the leases for the balance 8 estates (Dambadeniya, Dodangaslanda, Hiriyala, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola) remain to be executed. These leases will be retroactive to June 22, 1992, the date of formation of the company. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed. This Memorandum of Record is considered as an agreement between JEDB and the Company.

11.3 Leasehold Right to Bare land (53 years)

Cost Balance as at 01.01.2013 Rs.	Accumulated amortization as at 01.01.2013 Rs.	Amortization for the year Rs.	Accumulated amortization as at 31.12.2013 Rs.	**Written down value as at 31.12.2013 Rs.**	Written down value as at 31.12.2012 Rs
168,007,552	65,109,983	3,169,955	68,279,938	**99,727,614**	102,897,569

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

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

These assets are taken into the 18th June 1992 balance sheet and depreciated as follows :

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

The carrying values for such assets are as follows

Revaluation	Balance as at 01.01.2013	Transfer in /(out)	Additions / (Disposals)	**Balance as at 31.12.2013**
Land Development Cost	1,123,305	-	-	**1,123,305**
Building	17,693,752	-	-	**17,693,752**
Machinery	34,841	-	-	**34,841**
Mature Plantations	122,903,503	-	-	**122,903,503**
	141,755,401	-	-	**141,755,401**

Amortization	Balance as at 01.01.2013	Transfer in /(out)	Charge for the year	**Balance as at 31.12.2013**
Land Development Cost	769,078	-	37,444	**806,522**
Buildings	14,536,993	-	707,751	**15,244,744**
Machinery	34,841	-	-	**34,841**
Mature Plantations	71,160,733	-	4,096,784	**75,257,517**
	86,501,645	-	4,841,979	**91,343,624**

Carrying Value	Balance as at 01.01.2013	**Balance as at 31.12.2013**
Land Development Cost	354,227	**316,783**
Building	3,156,759	**2,449,008**
Machinery	-	**-**
Mature Plantations	51,742,770	**47,645,986**
	55,253,756	**50,411,777**

Carrying value

Investment in plantation assets which were categorized as immature at the time of handing over to the company by way of estate leases, are shown under immature plantations (revalued as at 18.06.1992). Investment in such immature plantations to bring them to bearing are shown under note 13A. When these plantations come in to bearing the additional investments incurred to bring them to such stage were transferred from the category immature plantations under Note 13A and a corresponding transfer from immature plantations to mature plantations was made in this note.

13 A BEARER BIOLOGICAL ASSETS

The following are the investments in plantations since the formation of the company. The assets (including plantation assets) taken over under estate leases are set out in Notes 11 and 12. Continuing investments in immature plantations taken over under these leases are shown in this Note.

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

	IMMATURE BIOLOGICAL ASSETS						
	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Others	Total
Cost							
Balance as at beginning of the year	226,537,734	25,655,601	10,883,959	965,756	1,629,675	18,023,854	283,696,579
Additions during the year	73,175,213	13,616,882	1,170,787	1,598,383	380,534	3,716,418	93,658,217
Transfers during the year	(20,961,171)	(4,624,778)	-	-	(309,108)	(3,247,626)	(29,142,683)
Disposals during the year	(1,624,032)		-	-	-		(1,624,032)
Balance as at end of the year	**277,127,744**	**34,647,705**	**12,054,746**	**2,564,139**	**1,701,101**	**18,492,646**	**346,588,081**

	MATURE BIOLOGICAL ASSETS						
	Coconut	Rubber	Cashew	Cinnamon	Rambutan	Others	Total
Cost	50 years	20 years	20 years	20 years	20 years		
Balance as at beginning of the year	269,492,514	45,847,040	7,043,903	2,468,600	1,256,246	2,407,625	328,515,928
Additions during the year	20,961,172	4,624,778	-	-	309,108	3,247,626	29,142,683
Balance as at end of the year	290,453,686	50,471,818	7,043,903	2,468,600	1,565,354	5,655,251	357,658,611
Amortization							
Balance as at beginning of the year	40,528,554	19,947,025	716,781	1,376,579	279,877	794,527	63,643,343
Charge for the year	5,389,850	2,292,352	216,183	219,831	77,544	32,242	8,228,002
Balance as at end of the year	45,918,404	22,239,377	932,964	1,596,410	357,421	826,769	71,871,345
Written Down Value as at 31.12.2013	**244,535,282**	**28,232,441**	**6,110,939**	**872,190**	**1,207,933**	**4,828,482**	**285,787,266**
TOTAL BEARER BIOLOGICAL ASSETS	521,663,026	62,880,146	18,165,685	3,436,329	2,909,034	23,321,128	632,375,347

13 B CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	2013 Rs.	2012 Rs.
As at 1st January	**125,890,158**	111,428,668
Gain / (loss) arising from changes in fair value less cost to sell	**34,328,150**	37,403,880
Decrease due to harvest	**(29,332,700)**	(22,942,390)
As at 31st December	**130,885,608**	125,890,158

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

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

Key assumption used in Valuation

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

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

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

Regulatory and environmental risks

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

Supply and demand risk

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

Climatic and other risks

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

14 PROPERTY, PLANT AND EQUIPMENT

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

	Acquisition of Land	Improvements to Land	Buildings	Wells	Fencing	Motor Vehicles	Machinery	Furniture & Fittings	Equipment	Computer Equipment	Work in progress	Total
Useful Life of the Assets (years)	-		40	40	3	5	13 $^{1}/_{3}$	10	8	5		
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2013	8,123,564	2,746,569	42,830,057	3,991,194	13,916,596	99,285,897	661,000	7,126,183	9,310,449	2,236,550	13,340,635	203,568,694
Additions during the year	-	-	14,750,881	1,112,701	12,188,792	38,212,654	124,609	1,897,559	2,706,978	323,750	35,065,036	106,382,960
Disposal during the year	-	-	-	-	-	(5,150,498)	-	-	-	-	(13,340,635)	(18,491,133)
Balance as at 31st March 2013	**8,123,564**	**2,746,569**	**57,580,938**	**5,103,895**	**26,105,388**	**132,348,053**	**785,609**	**9,023,742**	**12,017,427**	**2,560,300**	**35,065,036**	**291,460,521**
Accumulated Depreciation												
Balance as at 01st January 2013	-	-	2,081,129	653,938	2,370,403	37,878,748	-	1,220,590	3,637,806	1,327,231	-	49,169,845
Charge for the year	-	-	1,070,752	99,779	4,638,866	14,610,271	-	701,637	996,690	275,620	-	22,393,615
Disposal during the year	-	-	-	-	-	(5,121,448)	-	-	-	-	-	(5,121,448)
Balance as at 31st December 2013	**-**	**-**	**3,151,881**	**753,717**	**7,009,269**	**47,367,571**	**-**	**1,922,227**	**4,634,496**	**1,602,851**	**-**	**66,442,012**
Written Down Value												
As at 31st December 2012	8,123,564	2,746,569	40,748,928	3,337,256	11,546,193	61,407,149	661,000	5,905,593	5,672,643	909,319	13,340,635	154,398,849
As at 31st December 2013	**8,123,564**	**2,746,569**	**54,429,057**	**4,350,178**	**19,096,119**	**84,980,482**	**785,609**	**7,101,515**	**7,382,931**	**957,449**	**35,065,036**	**225,018,509**

The land called Polaththanapitiya, with 1,416 hectare in extent where the Head office of the company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on July 15th 1987.

Since the legal title of the land was not transferred to JEDB the land is now owned by the Government. Compensation upon acquisition had not been paid to the original owners of the land , H.L. De Mel and Company. Based on a court of appeal order the company was requested by the Ministry of Plantation Industries to pay the legal compensation of Rs. 3.5 Mn has been paid to the 1st owner through the Divisional Secretary Kurunegala on condition suggested by the Ministry that the land will be transferred to the company by the government. An additional legal interest of Rs. 4,623,564.00 is payable for the delay in payment of Rs.3.5 Mn over 18 years. The Company has agreed to pay this amount at the request of the Ministry of Plantation Industries. The total of the amount paid relating to the acquisition of the land is, therefore Rs. 8,123,564. The full amount is disclosed in these accounts as acquisition cost of the land. The transfer of the land to the company has not yet been effected.

15 OTHER FINANCIAL ASSETS

		2013	2012
Non Current		**Rs.**	Rs.
Loans given to Employees	15.1	**4,366,450**	4,531,908
Pre-paid Staff Benefits	15.2	**481,647**	406,280
		4,848,097	4,938,188
Current			
Loans given to Employees	15.1	**4,187,149**	3,260,988
Pre-paid Staff Benefits	15.2	**912,819**	743,379
		5,099,968	4,004,367

15.1 LOANS GIVEN TO EMPLOYEES

Balance at the beginning of the year	**8,942,555**	2,139,893
Loans granted during the year	**7,427,800**	11,092,835
Loans recovered during the year	**(6,422,291)**	(4,290,173)
	9,948,064	8,942,555
Transfer to pre-paid staff benefits	**(1,394,466)**	(1,149,659)
Balance at the end of the year	**8,553,598**	7,792,896
Non Current	**4,366,450**	4,531,908
Current	**4,187,149**	3,260,988
	8,553,599	7,792,896

15.2 PREPAID STAFF BENEFITS

Balance at the beginning of the year	**1,149,659**	172,256
Additions during the year	**1,410,793**	1,805,960
Amortization	**(1,165,986)**	(828,557)
Balance at the end of the year	**1,394,466**	1,149,659
Non Current	**481,647**	406,280
Current	**912,819**	743,379
	1,394,466	1,149,659

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

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

Kurunegala Plantations - Distress Loans	5%
Market interest rate	20%

16 INVENTORIES

	2013 Rs.	2012 Rs.
Produce Stocks	**25,909,936**	19,596,417
Spares & Consumables	**9,199,581**	8,120,500
Input Materials	**4,748,123**	5,761,607
Growing Nurseries	**1,053,111**	1,767,204
Live Stocks	**600,051**	559,710
Other Stocks	**399,135**	1,511,790
	41,909,937	37,317,228

17 PRE-PAID EXPENDITURE ON SHORT TERM PROJECTS

Cut foliage Project - Attanagalla	**9,399,286**	-
Pineapple	**504,324**	1,446,544
Others	**360,361**	1,041,584
	10,263,971	2,488,128

18 TRADE & OTHER RECEIVABLES

Trade Debtors	**51,943,982**	67,499,191
Other Receivables		
Interest Receivable	**15,430,991**	12,782,229
Staff Debtors	**1,591,688**	1,250,075
Sundry Debtors	**733,533**	906,704
	69,700,194	82,438,199
Provision for Bad & Doubtful Debts	**(1,636,534)**	(78,669)
	68,063,660	82,359,530

The Company's exposure to the credit and current risk and impairment losses related to trade and other receivables is disclosed in note 30.

19 SHORT TERM INVESTMENTS

Fixed Deposits - Bank of Ceylon	**40,000,000**	79,500,000
Fixed Deposits - People's Bank	**38,000,000**	10,000,000
Fixed Deposits - National Savings Bank	**118,000,000**	230,500,000
Retiring Gratuity Fund - People's Bank	**130,000,000**	-
	326,000,000	320,000,000

20 CASH & CASH EQUIVALENTS

Cash in Hand	**298,284**	1,127,001
Cash at Bank	**2,438,289**	4,476,403
REPOs	**7,000,000**	-
Postage/Stamps	**5,088**	8,042
Cash in Transits	**-**	47,585
	9,741,661	5,659,031

21 STATED CAPITAL

	2013 Rs.	2012 Rs.
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 21.1)	**10**	10
	200,000,010	200,000,010

21.1 The Golden Shareholder

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

22 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

Balance at the beginning of the year	**122,612,895**	71,117,801
Prior year adjustment due to policy change	-	46,178,108
Charged during the year	**22,809,682**	15,768,608
Payments made / transferred to payable during the year	**(20,640,018)**	(10,451,622)
Balance at the end of the year	**124,782,559**	122,612,895

The Valuation method used by the actuaries to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19 ,'Employee Benefits'. An actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2013 by Actuarial & Management Consultants (Pvt) Limited.

At the Board Meeting held on 24.01.2013 the Board decided to change company's existing gratuity formula. Change of this accounting policy has been retrospectively adjusted to financial accounts & necessary adjustments were incorporated accordingly.(Note 3.2.1.2)

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

	2013 **Rs.**	2012 Rs.
Interest Cost	**11,332,296**	10,878,875
Current Service Costs	**12,261,290**	11,729,591
Total included in the personnel cost [Note 07]	**23,593,586**	22,608,466
Net Actuarial (Gain)/Loss recognized immediately	**(783,904)**	(6,839,858)
Total recognized in the comprehensive income	**22,809,682**	15,768,608
Amount Recognized in the statement of other comprehensive income	**783,904**	(6,839,858)

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

22.2.1 Financial Assumptions

Rate of Interest		10% p.a (2012 - 10%)
Rate of Increase of Salaries	Estate Staff	2% p.a next increment due on 01/06/2014
	Executive Staff	3% p.a next increment due on 01/06/2014
	Non Executive Staff	2% p.a next increment due on 01/06/2014
	Daily Paid Staff	9% p.a. Next increment due on 01/06/2014

22.2.2 Demographic Assumptions

In addition to the above financial assumptions, demographic assumptions such as mortality, withdrawal, disability and retirement age were considered for the actual valuation. A 1967/70, A 1949/52 mortality table issued by Institute of Actuaries, London was used to estimate the gratuity liability of the company.

Retirements-Age	Male/Female	60 Years

Rs. 20,640,018 includes the payment of Rs. 16,864,579 and Rs. 3,775,439 as transferred to gratuity payable account.

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

23 NET LIABILITY TO LESSOR

	2013 Rs.	2012 Rs.
Gross lease liability	**257,591,031**	265,777,031
Less: Finance charges applicable to future periods	**(145,384,214)**	(150,005,010)
Net Lease Liability	**112,206,817**	115,772,021
Less : Value of lands alienation	**(37,297,388)**	(37,297,388)
	74,909,429	78,474,633
a) Payable after 5 years;		
Gross Liability	**216,661,031**	224,847,031
Less: Finance charges applicable to future periods	**(122,280,234)**	(126,901,030)
Net Liability	**94,380,797**	97,946,001
Less: Value of lands alienation	**(37,297,388)**	(37,297,388)
	57,083,409	60,648,613
b) Payable within 2 to 5 years;		
Gross Liability	**32,744,000**	32,744,000
Less: Finance charges applicable to future periods	**(18,483,184)**	(18,483,184)
Net Liability	**14,260,816**	14,260,816
c) Payable within 1 year;		
Gross Liability	**8,186,000**	8,186,000
Less: Finance charges applicable to future periods	**(4,620,796)**	(4,620,796)
Net Liability	**3,565,204**	3,565,204
	74,909,429	78,474,633

Consequent to the ruling on estate leases by the Urgent Issue Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the liability to lessor comprises of two components. The discount rate is 4% per annum. The lease rental paid for the period (excluding the contingent rental) is applied in settlement of the gross liability to lessor and the interest is charged to Statement of Comprehensive Income.

The lease of the estates have been amended with effect from June 18th, 1996 to an amount substantially higher than the previous nominal lease rental of Rs. 500 per estate per annum. The first lease rental payable under the revised basis is Rs. 8,186,000 from June 18th, 1996 to June 17th, 1997. The amount is to be inflated annually by the Gross Domestic Product (GDP) Deflater and is in the form of a contingent rental.

The payment due in each subsequent 12 month period till the end of lease on June 18th, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflater and the next year's first two quarters' total lease payment increased by the current year's GDP Deflater. The charge to the Statement of Comprehensive Income during the current period is Rs. 22,742,587 which comprises the interest portion of the fixed lease rental and the contingent lease rental.

Company has released lands on behalf of and under the direction of Government to Coconut Cultivation Authority, Board of Investment of Sri Lanka, District Land Reform Authority and various other parties values of which based on the taking over values from JEDB amount to Rs. 37,297,388. Lease liability to JEDB has been reduced by this amount as it was with the value of these lands that the lease liability had originally been computed and these lands are not in the possession of the company now. However, no agreement is reached with government authorities with regard to this reduction.

Up to 31.12.2012 Kurunegala Plantations accounted lease rental payment in their accounts as per PMDD calculation but actual lease rentals were paid as per KPL calculations where alienated land was considered in its calculation. The difference of both calculations was Rs. 77,054,664 as ta the December 31st, 2012 which was shown as unsettled balance in the previous year audited accounts. As per decision made by the Board of Directors on 24.12.2013 the above unsettled liability to JEDB amounting to of Rs. 77,054,664 was transferred from the Liability to Retained earnings.

24 DEFERRED INCOME - GRANTS AND SUBSIDIES

	31.12.2013	31.12.2012
CAPITAL	**Rs.**	Rs.
Balance at the beginning of the year	**-**	10,423,410
Grant Received during the year	**-**	-
Balance Transfer on Disposal of relevant assets	**-**	(10,423,410)
Balance at the end of the year	**-**	-
AMORTIZATION		
Balance at the beginning of the year	**-**	1,746,204
Amortized During the year	**-**	260,585
Balance Transfer on Disposal of relevant assets	**-**	(2,006,789)
Balance at the end of the year	**-**	-
	-	-

The above represents the funds received from Plantation Human Development Trust (PHDT) are for the development of workers' welfare facilities.

25 DEFERRED TAX LIABILITIES

Balance at the beginning of the year	**51,177,581**	43,171,577
Charged during the year	**4,767,095**	8,006,004
Balance at the end of the year	**55,944,676**	51,177,581

25.1 Recognized Deferred Tax Assets & Liabilities

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

Taxable/ (Deductible) Temporary Differences:		
Bearer Biological Assets	**(632,375,347)**	(548,303,715)
Property, Plant & Equipments	**(53,490,509)**	(29,342,472)
Provision for doubtful debts	**1,636,534**	78,669
Retirement Benefit Obligation	**124,782,559**	65,791,705
	(559,446,763)	(511,775,813)
Applicable Tax Rate	**10%**	10%
Net Deferred Tax Liabilities	**(55,944,676)**	(51,177,581)

The company recognized deferred tax assets of Rs. 12,641,909 as at the reporting date, as the management is confident that the deferred tax assets would be realized in the future due to the availability of taxable profits in the future. Moreover, deferred tax liabilities recognized as at reporting date is Rs. 68,585,585. Accordingly Net deferred tax liability as at December 31st, 2013 is Rs.55,944,676.

Future Applicable Tax Rate

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

26 ADVANCE RECEIVED

For rent	**669,719**	204,627
For supply of cut foliage & foliage plants	**1,006,154**	-
	1,675,873	204,627

27 TRADE AND OTHER PAYABLES

	2013 Rs.	2012 Rs.
Trade payables	**1,750,133**	12,057,984
Bonus payable	**8,814,909**	7,362,506
Performance incentives payable	**27,378,619**	22,714,525
Lease rental payable	**-**	6,468,755
Holiday pay provision	**4,555,416**	4,569,287
Refundable tender, security deposits & retentions	**9,586,253**	10,946,906
Other Creditors including accrued expenses	**27,035,203**	23,347,917
	79,120,533	87,467,880

28 CAPITAL COMMITMENTS

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

29 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.

30 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,

Loans and Receivables	2013 Rs.	2012 Rs.
Trade and other Receivables	**68,063,660**	82,359,530
Cash and Cash Equivalents	**9,741,661**	5,659,031
	77,805,321	88,018,561

Liquidity Risk

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

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

Non-derivative financial liabilities	**2013** **Rs.**	2012 Rs.
Net liability to the lessor	**74,909,429**	78,474,633
Trade and other payables	**79,120,533**	87,467,880
	154,029,967	165,942,513

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 result in a material interest rate risk.

Ten Years Summary

OPERATING RESULTS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
COCONUT										
Baring Extent (Hectares)	4,042.69	3,947.89	3,712.69	3,741.20	3,756.10	3,766.57	3,734.26	3,455.27	3,391.50	**3,264.04**
Production (Nuts)	13,536,105	11,368,921	15,914,656	15,404,540	15,010,322	17,309,128	15,474,602	15,543,555	18,103,053	**13,000,150**
NSA (per 1000 nuts)	9,999	11,868	10,150	16,099	20,387	16,896	22,904	25,680	22,327	**30,951**
COP (per 1000 nuts)	5,876	7,935	7,780	9,005	11,691	9,627	12,364	12,872	13,531	**16,386**
Profit per 1000 nuts	4,123	3,933	2,370	7,093	8,696	7,269	10,541	12,808	8,797	**14,565**
Yield per Hectare	3,348	2,880	4,287	4,118	3,996	4,595	4,144	4,499	5,338	**3,983**
Profit per Hectare	13,803	11,325	10,161	29,206	34,751	33,404	43,680	57,615	46,954	**58,011**
RUBBER										
Baring Extent (Hectares)	169.72	183.30	191.35	191.35	191.35	191.35	191.35	191.35	188.28	**192.62**
Production (Kg)	98,613	135,441	180,142	203,034	207,512	202,680	200,778	227,977	209,898	**188,934**
NSA (per 1Kg)	115	130	185	214	222	183	348	457	371	**330**
COP (per 1Kg)	105	115	113	132	156	149	185	200	213	**256**
Profit (per 1Kg)	10	15	72	82	66	33	164	257	159	**74**
Yield per Hectare	581	739	941	1,061	1,084	1,059	1,049	1,191	1,115	**981**
Profit per Hectare	5,617	10,851	67,631	87,170	71,920	35,031	171,614	306,609	176,960	**72,621**
EARNING HIGHLIGHTS										
Revenue										
Coconut	135,341,537	134,922,847	161,539,826	247,991,075	306,021,001	292,448,058	354,436,203	399,151,639	404,191,573	**402,365,395**
Rubber	11,323,420	17,587,575	33,326,923	43,497,656	46,103,417	36,999,577	69,911,163	104,284,153	77,964,363	**62,405,810**
Other	988,155	1,308,866	1,752,429	2,055,309	8,171,751	8,023,084	6,417,504	6,450,097	9,663,550	**11,118,970**
Total Revenue	147,653,112	153,819,288	196,619,178	293,544,040	360,296,169	337,470,719	430,764,870	509,885,889	491,819,486	**475,890,175**
Cost of Sales										
Coconut	(79,538,431)	(90,213,955)	(123,814,515)	(138,723,789)	(175,492,646)	(166,631,038)	(191,322,313)	(200,075,494)	(244,948,017)	**(213,015,395)**
Rubber	(10,370,064)	(15,598,550)	(20,385,806)	(26,817,758)	(32,341,535)	(30,296,350)	(37,072,837)	(45,615,137)	(44,646,298)	**(48,417,543)**
Other	(676,887)	(1,178,728)	(1,857,713)	(3,824,407)	(8,070,797)	(8,377,449)	(6,879,815)	(6,762,242)	(7,688,806)	**(7,363,880)**
	(90,585,382)	(106,991,233)	(146,058,034)	(169,365,954)	(215,904,978)	(205,304,837)	(235,274,965)	(252,452,873)	(297,283,121)	**(268,796,818)**
Gross Profit	57,067,730	46,828,055	50,561,144	124,178,086	144,391,191	132,165,882	195,489,905	257,433,016	194,536,365	**207,093,357**
Other Operating Income	14,060,611	17,763,828	23,977,560	28,456,198	36,529,836	55,808,066	41,112,867	63,714,382	89,353,353	**95,827,085**
Admin. and General Expenses	(36,951,773)	(30,619,580)	(35,595,006)	(55,657,826)	(69,506,682)	(72,962,545)	(73,440,475)	(89,787,664)	(107,147,020)	**(109,250,679)**
Profit from Operating Activities	34,176,568	33,972,303	38,943,698	96,976,458	111,414,346	115,011,403	163,162,297	231,359,734	176,742,698	**193,669,763**
Interest Income	-	-	376,774	3,373,863	9,236,529	11,386,989	18,103,874	22,232,991	38,200,820	44,336,994
Interest Expense	(14,601,873)	(14,215,915)	(16,027,368)	(18,326,367)	(20,464,060)	(23,602,575)	(26,737,125)	(28,429,380)	(21,892,306)	**(24,377,772)**
Net Financial Income/ (Expenses)	(14,601,873)	(14,215,915)	(15,650,594)	(14,952,504)	(11,227,531)	(12,215,586)	(8,633,251)	(6,196,389)	16,308,514	**19,959,222**
Profit before taxation	19,574,695	19,756,388	23,293,104	82,023,954	100,186,815	102,795,817	154,529,046	225,163,345	193,051,212	**213,628,985**
Income Tax Expense	-	-	-	(371,632)	(3,269,984)	(7,693,412)	(13,058,661)	(33,126,698)	(15,784,867)	**(5,483,047)**
Profit for the Year	19,574,695	19,756,388	23,293,104	81,652,322	96,916,831	95,102,405	141,470,386	192,036,647	177,266,345	**208,145,938**
Other Comprehensive Income	-	-	-	-	-	-	-	-	6,839,858	**783,904**
Total Comprehensive Income for the Year	19,574,695	19,756,388	23,293,104	81,652,322	96,916,831	95,102,405	141,470,386	192,036,647	184,106,203	**208,929,842**
Earning per share (EPS)	0.98	0.99	1.16	4.08	4.85	4.76	7.07	9.60	8.86	**10.41**

OPERATING RESULTS	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
BALANCE SHEET DETAILS										
Assets										
Non Current Assets	474,287,400	496,514,530	524,408,813	563,810,934	596,585,296	624,315,272	692,832,173	857,362,895	991,947,684	**1,143,266,952**
Current Assets	68,154,550	46,018,142	72,423,762	108,220,975	177,926,604	240,573,754	354,097,893	476,633,700	459,074,756	**473,180,784**
Total Assets	542,441,950	542,532,672	596,832,575	672,031,909	774,511,900	864,889,026	1,046,930,066	1,333,996,595	1,451,022,440	**1,616,447,736**
Equity & Liabilities										
Capital & Reserves										
Stated Capital	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	200,000,010	**200,000,010**
Retained Earnings	93,997,718	113,754,106	137,047,210	218,699,532	305,616,363	381,161,381	522,631,767	644,668,414	755,412,408	**889,230,196**
Timber Reserves	-	-	-	-	-	-	-	111,428,668	148,832,548	183,160,698
Other Reserves	-	-	-	-	-	-	-	-	6,839,858	7,623,762
Total Equity	293,997,728	313,754,116	337,047,220	418,699,542	505,616,373	581,161,391	722,631,777	956,097,092	1,111,084,824	**1,280,014,666**
Liability										
Non Current Liabilities	180,731,904	149,220,602	152,857,977	161,196,724	165,570,260	168,709,437	179,951,047	201,441,218	248,699,905	**252,071,460**
Current Liabilities	67,712,318	79,557,954	106,927,378	92,135,643	103,325,267	115,018,198	144,347,242	176,458,285	91,237,711	**84,361,610**
Total Liabilities	248,444,222	228,778,556	259,785,355	253,332,367	268,895,527	283,727,635	324,298,289	377,899,503	339,937,616	**336,433,070**
Total Equity & Liabilities	542,441,950	542,532,672	596,832,575	672,031,909	774,511,900	864,889,026	1,046,930,066	1,333,996,595	1,451,022,440	**1,616,447,736**
CASH FLOW DETAILS										
Cash and Cash Equivalents at the beginning of the year	(13,013,272)	(6,730,864)	8,157,250	26,078,378	48,112,932	74,595,894	162,149,036	274,978,693	321,380,740	**325,659,031**
Cash Flows From Operating Activities	55,081,678	62,412,220	70,174,487	106,019,826	82,236,880	170,228,691	206,895,556	196,643,897	203,658,090	**228,933,956**
Cash Flows From Investing Activities										
Cash From Investing Activities	780,100	49,888	433,737	2,549,106	2,184,984	13,580,463	14,467,425	25,662,626	35,036,688	**42,100,470**
Capital investments on PPE	(35,688,487)	(31,780,800)	(37,014,222)	(55,705,246)	(53,012,978)	(52,461,092)	(92,326,212)	(81,628,173)	(164,809,564)	**(186,700,542)**
	(34,908,387)	(31,730,912)	(36,580,485)	(53,156,140)	(50,827,994)	(38,880,629)	(77,858,787)	(55,965,547)	(129,772,876)	**(144,600,072)**
Cash Flows From Financing Activities										
Cash From Financing Activities	2,456,991	1,782,355	257,088	264,960	316,700	1,371,410	1,569,447	1,099,614	4,290,173	**6,422,291**
Cash Used in Financing Activities	(16,347,874)	(17,575,549)	(15,929,962)	(31,094,092)	(5,242,624)	(45,166,329)	(17,776,559)	(95,375,917)	(73,897,096)	**(80,673,545)**
	(13,890,883)	(15,793,194)	(15,672,874)	(30,829,132)	(4,925,924)	(43,794,919)	(16,207,112)	(94,276,303)	(69,606,923)	**(74,251,254)**
Cash and Cash Equivalents at the end of the period	(6,730,864)	8,157,250	26,078,378	48,112,932	74,595,894	162,149,036	274,978,693	321,380,740	325,659,031	**335,741,661**
Dividends	-	-	-	10,000,000	20,000,000	30,000,000	40,000,000	50,000,000	40,000,000	**40,000,000**
Profitability ratios										
Gross profit margin	39%	30%	26%	42%	40%	39%	45%	50%	40%	**44%**
Net profit margin	13%	13%	12%	28%	27%	28%	33%	38%	36%	**44%**
ROCE	7%	7%	7%	22%	21%	18%	22%	25%	20%	**20%**
Liquidity Ratio										
Current Asset Ratio	1.01	0.58	0.68	1.17	1.72	2.09	2.45	2.70	5.03	**5.61**
Efficiency ratio										
Earnings per Share	0.98	0.99	1.16	4.08	4.85	4.76	7.07	9.60	9.21	**10.45**
Net Asset per Share	14.70	15.69	16.85	20.93	25.28	29.06	36.13	47.80	55.55	**64.00**

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited will be held at No.11, 3rd Floor, Duke Street, Colombo 01 on Thursday, 26th June 2014 at 1.30 p.m. for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2013 with the Report of the Directors and Auditors thereon.

2. To re-appoint M/s. Dayananda Samarawickrema & Co., (Chartered Accountants) as auditors of the Company for the year ended 31st December, 2014.

3. To declare a Final Dividend of Rs. 40,000,000 payable from the profits for the year ending 31st December 2013.

4. Any other business.

BY ORDER OF THE BOARD OF

KURUNEGALA PLANTATIONS LTD
CORPORATE ADVISORY SERVICES (PVT) LTD
SECRETARIES

22 April 2014

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

Dr. Sunil Jayasekara	or failing him
Mr. P.G. Amarakoon	or failing him
Mr. R.W.M.J.R. Perera	or failing him
Prof. W.P. Gamini de Alwis	or failing him
Mr. G.V.A.W.D. Gamaarachchi	or failing him
Mr. J. Dewapiran	or failing him

………

as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Annual General Meeting of the Company to be held on Thursday, 26th June 2014 at 1.30 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' against the Resolution No.

		For	Against
1	To receive and consider the Statement of Accounts for the year ended 31st December 2013 with the Report of the Directors and Auditors thereon.	☐	☐
2	To re-appoint M/s. Dayananda Samarawickrema & Co., (Chartered Accountants) as auditors of the Company for the year ended 31st December, 2014.	☐	☐
3	To declare a Final Dividend of Rs. 40,000,000 payable from the profits for the year ending 31st December 2013	☐	☐
4	Any other business.		

Signed this ………………… day of …………2014

………………………………………

Signature

Shareholders NIC/ PP/ Co. Reg. No.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by signing in the space provided and please fills in the date of signature.

2. If the proxy is signed by an attorney the relative power of attorney should also accompany the completed form of proxy if it has not already been registered with the Company.

3. The completed form of proxy should be deposited at the No. 47, Alexandra Place, Colombo 7 not less than 48 hours before the time appointed for the holding of the meeting.

Notes

Corporate Information

NAME OF THE COMPANY:

Kurunegala Plantations Limited (KPL)

REGISTERED OFFICE:

No. 80, Dambulla Road, Kurunegala.
Tel: 037 2223133
Fax: 037 2223191
Email: kurunegalaplt@sltnet.lk

DATE OF INCORPORATION:

18th June 1992

COMPANY REGISTRATION NO.:

PB 1319

LEGAL STATUS:

Fully Government Owned Public Company with Limited Liability.

Kurunegala Plantations Limited (KPL) is a limited liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007.

BOARD OF DIRECTORS:

Dr. K. Sunil Jayasekara - Chairman
Mr. P. G. Amarakoon - Executive Director
Mr. R. W. M. J. R. Perera - Working Director
Mr. A. P. Kurumbalapitiya - Treasury Representative
Prof. W. P. Gamini de Alwis
Mr. J. Dewapiran
Mr. G. V. A. W. D. Gamaarachchi

EXTERNAL AUDITORS:

Dayananda Samarawickrema & Co
Chartered Accountants
No 20/26, Station Lane, Nugegoda.
Tel: 0112 854614, 0112 809650
Fax: 0112 820112
E-mail: dsandco@sltnet.lk

BANKERS:

Bank of Ceylon
Peoples' Bank
National Savings Bank

SECRETARIES:

Corporate Advisory Services (Pvt) Ltd
No. 47, Alexandra Place, Colombo 07.
Tel: 0112 695410

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