

Annual Report 2011



**Kurunegala
Plantations Limited**

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:** 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:** to achieve optimal 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 sale average and lowest possible cost of production for primary produce and for value added products
- Eco-friendly:** 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

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About us

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. 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 as the Golden shareholder.

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

Kurunegala Plantations Limited comprises of 10 Provincial Estates namely, Attanagalla, Dambadeniya, Dhathusenapura, Dodangaslanda, Hiriyala, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola with a land area of 5,326.89 hectares. Out of this, 02 estates are located in Gampaha, 07 in Kurunegala and 01 in Anuradhapura districts.

The Company holds 4,178.42 hectares of Coconut Plantations and 246.55 hectares of Rubber Plantations.

The Progress &
Achievements
of

KURUNEGALA PLANTATIONS LIMITED

have proved in no
uncertain terms that
State sector too can
compete with the private
plantation companies or
even outdo them in
managing the plantation
companies with
outstanding success.



Historical milestones

1992, June

***KURUNEGALA PLANTATIONS LIMITED** was established under the Companies Act No. 17 of 1982 as a fully government owned Company on 18th June 1992 under the State Privatization Policy by allocating some of the estates managed by the Janatha Estates Development Board under Board No. (V) by then. From 18th June 1992 to 31st December 2004, Kurunegala Plantations Limited had been managed by Lake House Plantations (Private) Limited.*

2005, January

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 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.

2006, June

KPL was brought under the purview of the Ministry of Coconut Development in June 2006.

2007, April

Kurunegala Plantations Limited functioned under the Ministry of Public Estate Management & Development since April 2007.

2010, June

The company was under the preview of Ministry of State Resources and Enterprise Development since June 2010.

2010, November

*For development of coconut cultivation & coconut based industries, with new technology, as envisaged in "**Mahinda Chinthana**" of His Excellency Mahinda Rajapaksa, the president in 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**.*

Performance highlights

<p>2005</p>	<p>When the management of Kurunegala Plantations Limited (KPL) was taken over by the Government on 01st January 2005, 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 but was also able to retain a favourable balance of Rs.8.2 million 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.</p> <p>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 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 them to the Government with effect from 01.01.2005.</p> <p>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 on account of the land & buildings of the Company's head office premises at No.80, Dambulla Road, Kurunegala.</p>
<p>PBT 19.75</p>	
<p>2006</p>	<p>The aggregate operational & non-operational turnover of Rs.221 million earned by the Company during the year 2006 has then been recorded as the highest ever achieved in the history of Kurunegala Plantations Limited. This income, when compared with that of the year 2005, was an increase by 28%. 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 Kurunegala Plantations Limited.</p>
<p>PBT 23.29</p>	
<p>2007</p>	<p>As at end of the year 2007, a record-breaking aggregate operational & non operational turnover of Rs.325 million was earned, and it was an increase by 47% corresponding to the year 2006. Similarly, the Company was able to earn a profit before tax of Rs.82.02 million, an increase by 252% corresponding to that of the year 2006, which had been once again an establishment of new record.</p>
<p>PBT 82.02</p>	

2008	<p>Breaking all records hitherto established, the year 2008 recorded aggregate operational & non-operational turnover of Rs.406 million which is an increase of 25% corresponding to that of year 2007. The profit before tax earned as at the end of December 2008 was Rs.100.19 million, once again an establishment of a new record.</p>
PBT 100.19	
2009	<p>Even in the face of the economic recession faced by the entire world, the Company was able to maintain the income levels with proper management strategies and practices. As a result, a record profit was once again established achieving a profit before tax of Rs. 103 million as at the end of the year 2009 surpassing all records up to 2008. The aggregate operational & non-operational turnover of Rs. 405 million and the profit obtained in this year were new records in the Company's history.</p> <p>It is noteworthy to mention that the Company recorded the highest ever Coconut Yield per Acre and Yield per Palm in the year 2009.</p>
PBT 103	
2010	<p>Continuing the trend of annual establishment of new records, Kurunegala Plantations Limited once again recorded a aggregate operational & non-operational turnover of Rs.490 million which had been recorded as a 21% increase against 2009. Rs.155 million profit before tax had been a mammoth leap of 50.4% against 2009 and had been once again a new record.</p>
PBT 155	
2011	<p>The company, establishing new records for the 07th year in succession, had been able to achieve Rs.596 million as aggregate operational & non-operational turnover, which is an increase of 21.6% and Rs.225 million as profit before tax, which is an increase of 45.8% when compared with the year 2010.</p> <p>It is noteworthy to mention that after 07 years of State Management Kurunegala Plantations Limited had been able to increase the Profit before Tax by over 10 times more than the year of takeover, which is a very significant achievement.</p>
PBT 226	

Financial highlights

year ended 31st December		2011	2010	
Earning highlights				
Revenue	Rs.	509,885,889	430,764,870	18%
Other operating income	Rs.	85,947,373	59,216,742	45%
Profit before tax	Rs.	225,163,345	154,529,047	46%
Profit after tax	Rs.	192,036,647	141,470,386	36%
Gross profit margin	%	50	45	11%
Net profit margin	%	38	33	15%
Earning per share	Rs.	9.60	7.07	36%
Balance sheet highlights				
Total assets	Rs.	1,218,268,908	1,042,640,184	17%
Total shareholders' fund	Rs.	840,369,406	718,341,895	17%
Number of shares in issue	No.	20,000,001	20,000,001	0%
Net assets per share	Rs.	42.02	35.92	17%
Cash & cash equivalents	Rs.	321,380,740	274,978,694	17%
Current ratio	No of times	2.68	2.43	10%
Acid ratio	No of times	2.35	2.28	3%
Other information				
No of employees	No.	1,499	1,541	-3%
Salaries & wages including Contributions to provident & trust funds	Rs.	181,738,123	161,964,213	12%
Performance incentives	Rs.	21,155,711	13,294,211	59%
Bonus	Rs.	7,089,625	6,771,428	5%
Total tax paid to government	Rs.	12,421,695	5,290,416	135%

Chairman's message

"On behalf of the Board of Directors, I am pleased to present you the Annual Report for the year ended 31st December 2011."

Business Environment

Coconut

Coconut production in the first quarter of the year 2011 has recorded a marked decrease at national level when compared with last year. Kurunegala Plantations Limited too has faced the same phenomenon. At the end of the year the Company had been able to record a marginal increase in production when compared with last year.

Due to the low production recorded at national level since the latter part of the year 2010, the coconut prices had been increased in an unusual manner. The retail price of a coconut had gone up to Rs.50/-. Ministry of Coconut Development & Janatha Estate Development had taken imperative steps in a view to reduce the retail price of coconut. The Company identifying our responsibility to the nation issued over one million nuts at a concessionary rate under the guidance of Ministry of Coconut Development & Janatha Estate Development.

Rubber

There was an increased demand for Rubber from Overseas Buyers, since the heavy rains and floods affected the production in major rubber producing countries namely, Thailand and Indonesia whilst there had been an increase in the demand from China and India. These factors had a significant impact on Sri Lankan rubber market where prices increased very much then expected.

The national rubber production in Sri Lanka has increased by 3.3% when compared with the last year's production whilst KPL recorded a 14% increase against 2010.

Financial Performance

For the year ended December 31st 2011, the Company achieved revenue of Rs. 509.9 million (Rs.430.8 in 2010). This represents a 18% increase over last year. The coconut turnover of the Company has established a record Rs. 399 million, improving on last year's Rs. 354 million.

The increased production coupled with high prices, the rubber turnover of KPL reached a historical record of Rs.104.3 million, achieving a 49% increase over last year's Rs.69.9 million.

The profit before tax of Rs. 225.2 million (Rs.154.5 million in 2010), recorded an increase of 36%. The profit includes other operating income of Rs. 63.7 million (Rs. 41.1 in 2010) and interest income of Rs. 22.2 million (Rs. 18.1 in year 2010).

The Company has been enjoying the fertilizer subsidy granted by the Government under "**Mahinda Chinthana**". We are grateful to His Excellency the President for extending the fertilizer subsidy granted to Plantation Companies too.

Contributions at National level

To the development of coconut industry

The Company under the guidance of Ministry of Coconut Development & Janatha Estate Development had been contributing to the development of the coconut industry in the country.

The Company has established coconut nurseries focusing on production of high quality seedlings to be distributed for the Ministry's Coconut Development Program. Furthermore, the Company had issued seed nuts to the Coconut Cultivation Board (CCB) for production of high quality seedlings which are to be issued to the farmers.

The Company under the guidance of Ministry of Coconut Development and Janatha Estate Development with the collaboration of Coconut Research Institute (CRI) established a Coconut Predator Mite Breeding Laboratory at Katugampola Area Estates in order to facilitate the Company's plantations and also the coconut growers in biological control of coconut Mite.

"Divineguma" Program

It should be mentioned that Kurunegala Plantations Limited has contributed actively to the "Divineguma" Program under the "Mahinda Chinthana" to enhance the productivity of food crops by establishing home gardens and food crop cultivations in all Area Estates.

Further, the Company has extended the facility to villagers to graze and shelter their cattle in company's land. This is also shouldering the responsibility to the nation towards increasing the national milk production.

The farmers in surrounding villages who do not have adequate lands for their cultivation had been granted the facility of using estate land for planting annual and semi-perennial

crops such as Pineapple, Banana, Betel, Papaya, Ginger, Turmeric etc.

Above activities have contributed to increase the income of the households by which their living standards are uplifted. This has also made a considerable contribution to the Gross Domestic Production of the Country.

"Maganeguma" Program

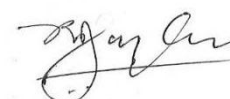
The Company has provided land to establish an Asphalt Plant to the Road Development Authority at Katugampola Area Estates in order to facilitate their production and distribution of products for the development of roads in the Coconut Triangle.

Dividend

I am pleased to announce a first and final dividend of Rs 50 million and this will be paid after approval of the Golden Shareholder at the Annual General Meeting.

Conclusion

I would like to thank all categories of employees for their excellent effort and all other stakeholders for their contribution during the year. I am also grateful to the Hon. Minister of Coconut Development & Janatha Estate Development, Secretary to the Ministry, all other officials and members of the Board for their guidance and support.



Panduka Jayasinghe

07th June 2012.

Board of Directors

Mr. Panduka Jayasinghe

Chairman /Managing Director

Mr. Panduka Jayasinghe who is currently the chairman and managing director of Kurunegala Plantations Limited was appointed as Chairman of Kurunegala Plantations Limited with effect from 17th May 2010. He was re-designated as Chairman/ Managing Director with effect from 24th June 2010.

Mr. M.A.S.N. Kurera

Executive Director

appointed to the Board in 17th May 2010.

Mr. R.W.M.J.R. Perera

Working Director

appointed to the Board in 17th May 2010.

Mrs. W.G. Chandrika

Director (Treasury Representative)

appointed to the Board with effect from 17th June 2010. She also holds the Chairpersonship of the Audit Committee of Kurunegala Plantations Limited.

Mr. K.D. Peiris

Director

appointed to the Board with effect from 17th May 2010.

Mr. B.R. Kularatne

Director

appointed to the Board with effect from 17th May 2010.

Mr. I.A. Marceline Appuhamy

Director

appointed to the Board with effect from 17th May 2010.

Management team

CHIEF EXECUTIVE OFFICER -

Mr. N.M.S.K. Nillegoda

DEPUTY GENERAL MANAGER -

Mr. S.M.M. Samarakoon

MANAGER – FINANCE

Mr. P.M.D.G. Premathilaka

MANAGER – AUDIT

Mr. M.M.J. Cooray

**MANAGER - HUMAN RESOURCE &
ADMINISTRATION**

Mr. I.A. Gunawardana

**MANAGER – ESTATES MONITORING &
CO-ORDINATION**

Mr. S.M.R.P. Sathkumara

AREA SUPERINTENDENTS

Mr. E.W.K.A. Dharmasena

Mr. K.J.S. Perera

Mr. G.K.A. Jayawardhana

Mr. M.L.A.P. Perera

Mr. U.W.B.A. Weragoda

Mr. K.L.H.C. Perera

Mr. A.M.P. Abeykoon

Mr. A.T. Gamage

ASSISTANT SUPERINTENDENTS

Mr. J.A.R. Dunuwila

Mr. M.G.L.U. Mangalagama

Mr. R.K.H.Pushpakumara

Mr. A.R.Udamulla

Mr. H.K.G.A Rupasinghe

Mr. J.H.B. Ranaweera

Mr. K.G.K.D.Sumanadasa

Mr. J.M.N. Subasinghe

Mr. J.M.A.A. Munasinghe

Mr. S.C. Wijethilaka

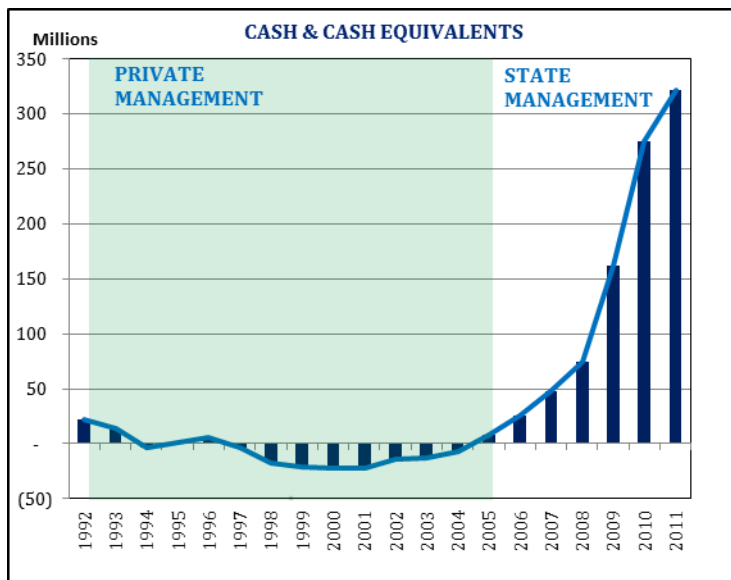
Mr. A.J.M.I. Senevirathne

Chief Executive Officer's report

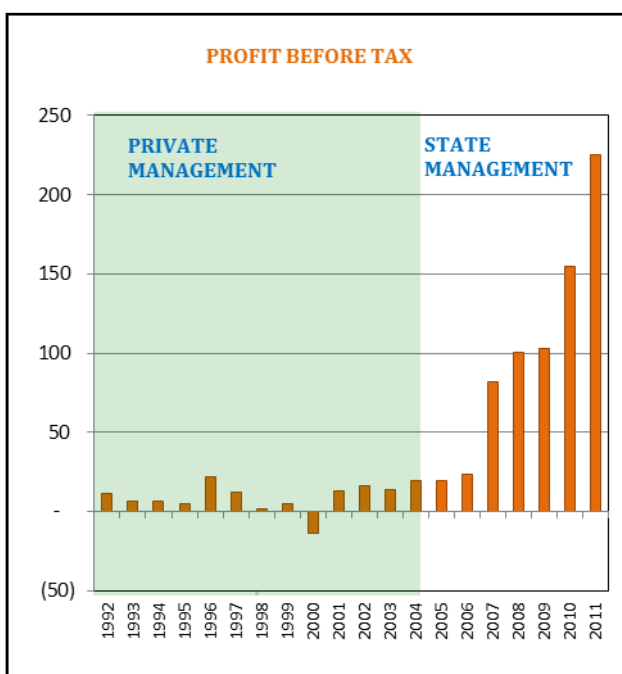
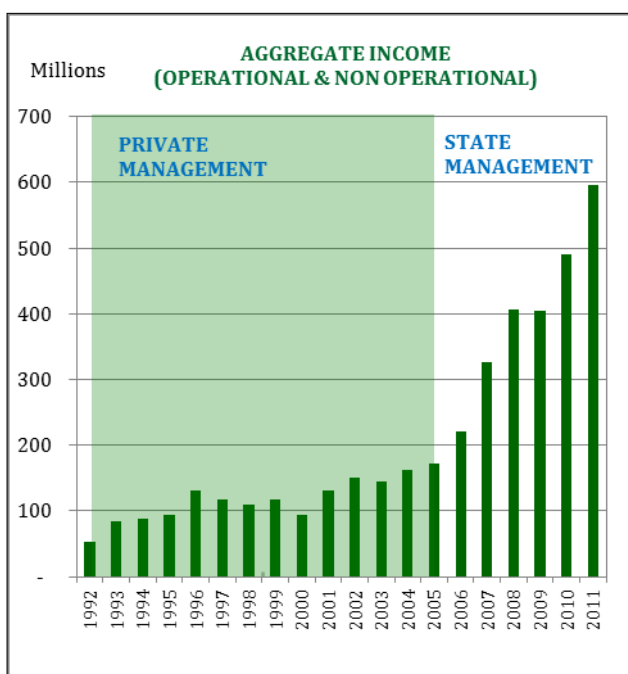
Kurunegala Plantations Limited could be described as a well reputed State Owned Enterprise holding to a very challenging history.

Our Company was established in 1992 as a result of the privatization policy of the then government. The Company under private management for nearly 13 years was unable to deliver the expected results, which led the government to take over the management with effect from 01st January 2005. This had been the turning point of the history of Kurunegala Plantations Limited.

The Company, from 1997 under the private management, had been continuing on Bank Overdraft, and was in an overdraft of Rs. 8 million at the time of takeover the management by the government. We, during the first year of State Management, not only totally settled the overdraft but also were able to hold a favourable bank balance of Rs. 8 million at the end of the year 2005. Thenceforward, we were able to record a continuous growth to-date, which could be described as much outstanding.



Achievement of high turnover and profit annually, especially under challenging environments in the Plantation Sector, is a very rare phenomenon. This is the very reason why Kurunegala Plantations is quite different from other Companies.



Our achievements in the year 2011 had been much outstanding. The year under review was the best year for the Company since it was established in 1992.

Revenue

The Company has achieved revenue of Rs.510 million in the year 2011. This represents an overall revenue growth of 18% over 2010. This achievement is **an all-time record** in the history of Kurunegala Plantations Limited.

Coconut revenue

Coconut production in the first quarter of the year 2011 has recorded a marked decrease at national level when compared with last year. The Company's coconut production in the month of January was 28% below Last Year. The percentage gap of production between the year under review and last year had been gradually minimized as a result of improved crop yields since April 2011. The Company at the end of the year under review, managed to record a marginal increase of Coconut Production. The coconut turnover of the Company had established a **historical record** of Rs. 399 million, which is 13% over 2010.

Rubber revenue

The Company managed to increase the Rubber Production by 14% when compared with 2010. The increased production with high prices, the Rubber turn-over of Kurunegala Plantations Limited established **an all time record** of Rs.104.3 million achieving 49% increase over last year's Rs.69.9 million.

Other operating & interest income

The Company earned Rs. 63.7 million from other operating activities such as sale of unproductive coconut trees, sale of timber trees, coconut husks etc., and Rs. 22.2 million from interest on short term investments. This too should be **recorded as the highest** Other Operating & Interest Income recorded in the history of Kurunegala Plantations Ltd.

Finance expenditure

Rs. 28.4 million had been charged as interest on lease of lands. The Company has taken action to adjust and pay the lease rentals for the value of lands alienated. However, full provision had been made when calculating the profit for the year.

Profit before tax

We were able to record the highest profit before tax of Rs. 225 million, which is an 46% increase over last year's profit of Rs. 155 million. **This too had been recorded as an all-time record for the history of Kurunegala Plantations Limited.** The highest contributor to the Company's profitability in the year 2011 was the coconut. The contributions to Company's profitability by main source of income are given below.

	2011	2010	% increase
Coconut	199,076,145	163,113,890	22%
Rubber	58,669,015	32,838,326	79%
Mature timber trees	21,328,124	11,841,578	80%
Unproductive coconut palms	17,574,057	12,328,790	43%
Coconut Husk	11,509,636	5,497,563	109%
Interest income	22,232,991	18,103,875	23%

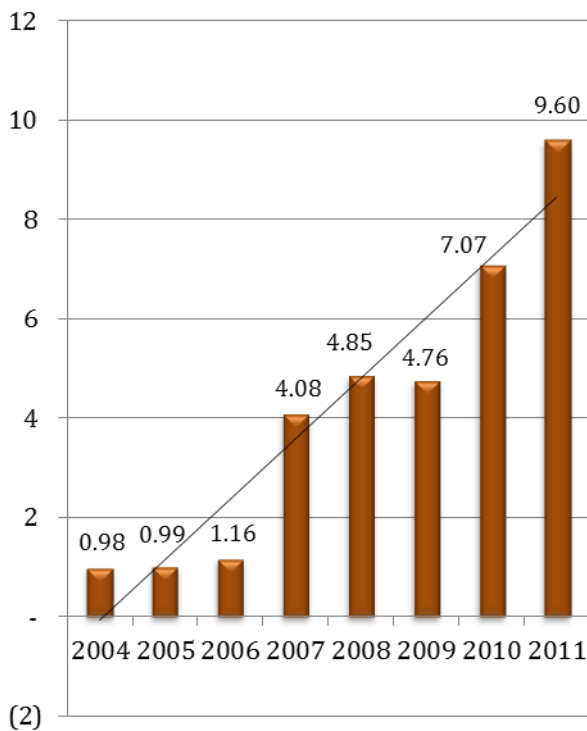
Dividends

Today, most of the Public Enterprises depend on the Treasury for their funds. We are proud to state that Kurunegala Plantations continuous to be a Self-Financing Public Enterprise under State Management.

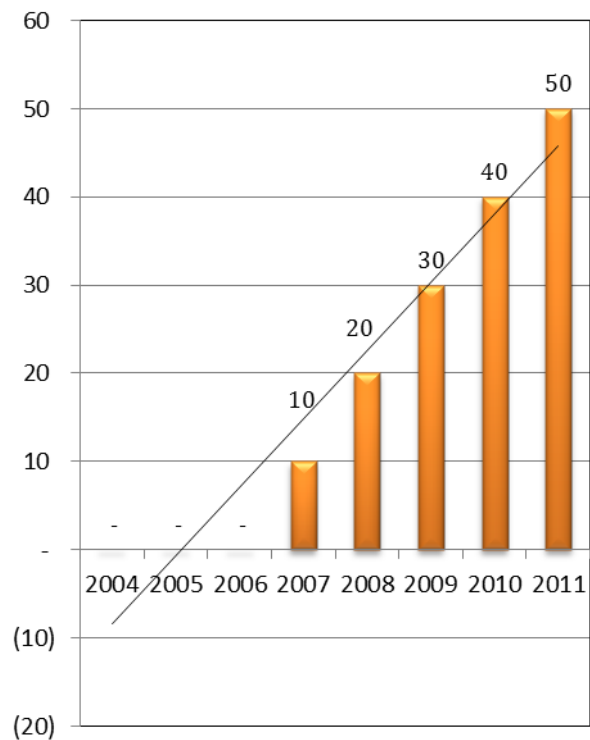


The Company's growth per Share had been continuous and outstanding. We were able to increase the payment of dividends to the Treasury annually. Having paid Rs. 100 million as dividends to our Golden Shareholder continuously since 2007, we look forward to declare Rs. 50 million as dividends for the year 2011. This would also **record as the highest dividends declared** in the history of Kurunegala Plantations Limited.

Earning per Share (Rs.)



Dividends (Rs. Mn)



Assets and capital development

Rs. 82 million has been incurred on the acquisition and development of property, plant and equipment.

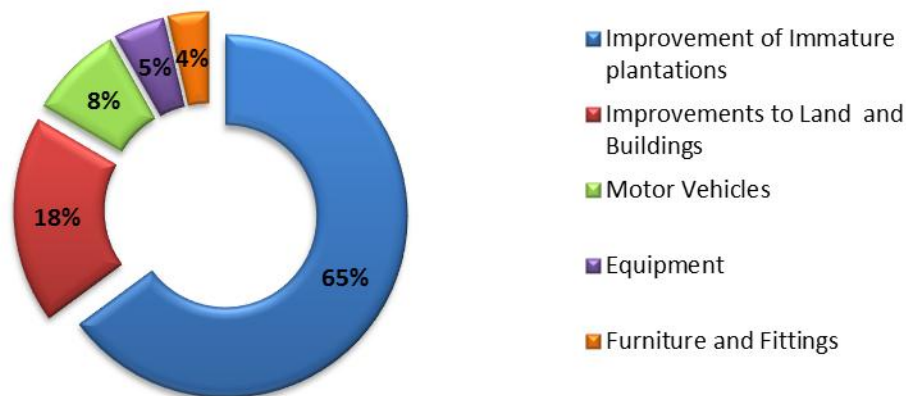
Improvement of cultivations

The Company continued its under/replanting programs in 2011 too. Rs. 53.7 million had been spent on maintenance and establishment of all immature extents during the year 2011, of which Rs. 45.5 million had been spent on coconut under plantations. The Company maintains 1717 Acres of coconut under-plantations, which represents 20% of the revenue acreage, which could also be considered as optimum establishment of Under-plantations.

Capital expenditure for 2011

	Rs. Mn	%
Improvement of Immature plantations		
Coconut	45.542	55%
Rubber	4.046	5%
Other crops	4.092	5%
Sub total	53.680	65%
Improvements to Land and Buildings	15.322	19%
Motor Vehicles	6.945	8%
Furniture and Fittings	3.041	4%
Equipment	3.752	5%
	82.740	100%

Composition of capital expenditure – 2011



Enhancement of the living conditions of employees

The Company, in order to enhance living conditions of the employees, has commenced construction of 15 watch huts and 06 field staff quarters during the year 2011.



Financial position and liquidity

Cash and cash equivalents

Cash and cash equivalents at the end of year 2011 had been Rs.321 million compared with Rs. 275 million in 2010, which records an increase of 17% over 2010. This too is an **all-time record** for Kurunegala Plantations Limited. Cash and cash equivalent comprised of Fixed Deposits at Banks (Rs. 141.5 million), Treasury Bills (Rs.159.1 million), Investment in Repurchase Agreements (REPO) (Rs.7 million) and Cash & Bank Balances (13.7 million).

The Company had been able to commit its obligations without utilizing overdraft facility and had continued to maintain positive bank balances throughout the year.

Field Management

Coconut

The Company has always been mindful of the need for good field management and inputs for optimal yields. Investments have continued in field management activities such as fertilizing, mulching, ploughing, draining, fencing, infilling and under-planting of coconut for the sustainability and to enhance the productivity.

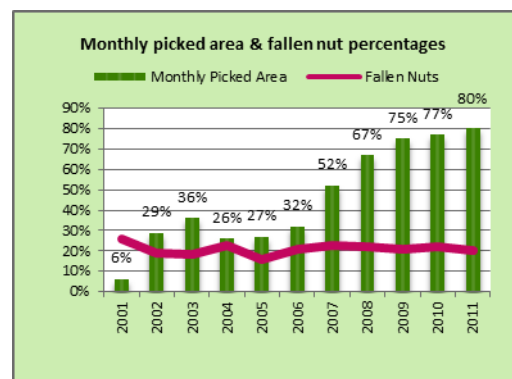
The Company has fertilized the mature coconut plantations at the rate of 4 Kgs. of Coconut Adult Palm Mixture (APM) per palm spending Rs. 28 million in order to increase the productivity. Differentiated fertilizer recommendations (DFR) are practiced for identifying the potential and to effect efficient usage of fertilizer.

The Company focusing on soil improvement has used 60 Metric Tons of organic fertilizer in coconut plantations in addition to using of Glyricidia as green manure. Having identified the importance of using organic fertilizer, the Company expects to apply organic manure to all under plantations from year 2012.



The Company in order to establish adequate data for traceability has completed taking of fresh census in the Coconut Plantation, Rubber Plantation and also of valuable timber trees.

The Company has increased the monthly harvesting extents of coconut for securing of the crop and for increase of production. The Monthly harvesting extent of coconut has been increased to 80% of the bearing extent.



Rubber

Focusing on increasing of number of tapping days even during adverse weather conditions, the Company has introduced Rain Guards to the Rubber Plantations as follows.

Dodangaslanda		10,000 trees
Attanagalla	-	24,516 trees
Mahayaya	-	6,000 trees



A new planting of 21 acres of Rubber had been completed in Kurunegala Area Estate in 2011.

Further, the Company, considering the value addition for Latex, under the technical assistance of Rubber Research Institute of Sri Lanka has commenced construction of a RSS Factory at Attanagalla Estate to produce RSS on total Latex Production of Attanagalla and Mahayaya rubber plantations.

Crop diversification

The company's focus on sustainable land productivity and profitability has further increased the diversification of crops during the year 2011 too. In addition to the under planting of coconut and re-planting of rubber, the following varieties had been established. The intercropped acreage stands at 933.07 acres as end of 2011 covering up 11% of the mature coconut acreage.

Pepper	Cinnamon	Durian
Rambutan	Dragon Fruit	Cashew
Cocoa	Mango	Guava
Coffee	Pineapple	Manioc
Avocado	Banana	



Development of livestock

The Company broadening its contribution to the Nation by way of Milk Production has now established a 15 Milking Cow Dairy Unit at Katugampola Area Estates which would be managed as a Pilot Project. A model dairy building has been constructed, and over 50 Acres of improved Pasture/Fodder varieties have already been established for this purpose.



This project is planned to be extended with 100 heads of imported dairy cows during the year 2012.

Human Recourse

The success of our Company depends on the commitment, motivation and skills of our employees.

Training & development of employees

“Training is the best way for employee development”

The Company has been investing a considerable sum and devoting a lot of time on training programs which had been focused on improving our skills, attitudes, knowledge, teamwork and quality of service. These programs were focused at all levels of employees in line with the requirement of the Company and the employee.

The Company has a well scripted training plan which identifies major areas which needs improvement. It covers various fields and employee categories where training is required. Our main focus is to develop employees through proper training.



Events & Team work

The Company has organized various activities for strengthening the team work.

- ∨ Inter Estates Cricket Tournament was organized for the third successive year.



- ∨ All night Pirith Chanting was organized for the 4th successive year.



- ∨ Organizing the “Dansala” on account of Annual Poson Festival for the 4th successive year with the participation of the employees had become very successful and a very popular, looked forward event amongst public.



Employee welfare

- The Company has extended the loan facility from a maximum of Rs. 100,000 to Rs. 200,000 to redress distress of staff. Rs. 3.6 million has been granted to 68 employees as at the end of year 2011.
- The Company has formulated a scholarship scheme to assist the higher education of children of all categories of employees.
- The Company has been providing coconut at a nominal value monthly for all categories of employees for their consumption.

Employee Motivation

Performance based incentives to the employees was paid in year 2005 **for the first time in the history of the Company**. One month's salary was paid to every monthly paid employee whilst a sum at the rate of Rs.2000/= was paid to other employees in 2005. The total commitment of the

Company was Rs. 4.1 million. The payment of incentives has been improved annually with the progress of the Company as a motivation and also to recognize and appreciate the value of highly dedicated employees. Considering the commendable performance, 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 daily-paid-employees in 2011. Daily- paid-employees, who are on lower levels of income of the Company has in 2011 enjoyed **5 times more incentive payments** when compared with 2005, the first year of payment of incentives. The total amount paid had been Rs.21.2 million, which is the **highest disbursement** in the history of Kurunegala Plantations Limited.

Winning of Gold Award

The Company won of Gold Award for the Large Category Producer (Plantations) and winning of the Award for 2nd Runner up at the National Level at the National Agri Business Awards 2011 conducted by the National Agri Business Council. This achievement created a jubilant atmosphere amongst employees whilst it added very much colour to our achievements of record breaking.

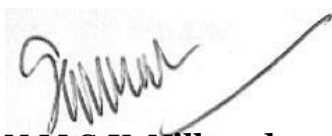


Conclusion

Recent government decision of taking over Privatized Enterprises due to inefficient management and for not achieving expected goals had been debated in the Parliament. In these debates Kurunegala Plantations had been cited as an exemplary successful State Managed Enterprise for efficient management. This had been recorded in the Hansard too.

We wish to state that the high morale, dedication and the best contribution of all employees of the organization, directions and advice of the Chairman and the Board of Directors, and the continuous guidance by the Minister of Coconut Development & Janatha Estate Development – Hon. Jagath Pushpakumara and the Secretary to the Ministry – Mr. Anura Siriwardene have been behind the success of Kurunegala Plantations Limited.

We, Kurunegala Plantations Limited, have proved in no uncertain terms that State sector too can compete with the Private Plantation Companies or even outdo them in managing the Plantation Companies with outstanding success.



N.M.S.K. Nillegoda

Annual report of the Board of Directors

The Directors have the pleasure in presenting the Annual Report of the Company together with the audited financial statements of Kurunegala Plantations Limited for the year ended 31 December 2011.

GENERAL

The Company was incorporated on 18th June 1992 as a Fully Government Owned Company with Limited Liability. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company obtained the new Company No. PB 1319 on 17th March 2010.

PRINCIPAL ACTIVITIES

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

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.

DIRECTORS

The following directors had served to the Board of Kurunegala Plantations Limited during the year 2011.

Mr. Panduka Jayasinghe
Chairman/ Managing Director

Mr. M.A.S. Nimal Kurera
Executive Director

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

Mrs.W.G.Chandrika
Treasury Representative

Mr. K.D. Peiris

Mr. B.R. Kularatne

Mr. I.A. Marceline Appuhamy

AUDIT COMMITTEES

The following Board members had served on the Audit Committee during the year 2011.

Mrs.W.G.Chandrika – Chairperson
Treasury Representative

Mr. B.R. Kularatne

Mr. I.A. Marceline Appuhamy

FINANCIAL STATEMENTS & AUDITOR'S REPORT

The complete Financial Statements duly signed by the Directors and the Auditor's report thereon for the year ended 31 December 2011 are attached hereto.

ACCOUNTING POLICIES

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

REVENUE

The revenue generated by the Company amounted to Rs. 510 mn (2010 - Rs. 431 mn), whilst the total of other operating income and interest income amounted to Rs. 85.9 mn (2010 - Rs. 59.2 mn). The contribution to the Company revenue & other income from different sources is provided in note 01 & 03 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit-after tax of the Company was Rs. 192 mn whilst in year 2010 was Rs. 141.5 mn. Financial Results of the Company are given in the income statements.

Detailed description of the results and appropriations are as follows.

	2011	2010
Profit from Coconut	199,076,145	163,113,899
Profit from Rubber	58,669,015	32,838,326
Profit/ Loss from Other Crops	(312,144)	(462,320)
Other operating income excluding interest income	63,714,382	41,112,867
Interest income	22,232,991	18,103,875
Administrative expenses	(89,787,664)	(73,440,475)
Finance expenses		
Interest on lease of lands	(28,429,380)	(26,470,404)
Interest on bank loan		(266,721)
Profit before income tax expenses	225,163,345	154,529,047
Current year income tax expense	(16,137,149)	(4,690,116)
Deferred income tax	(16,989,549)	(8,368,545)
Profit after income tax expenses	192,036,647	141,470,386
Balance brought forward from the previous year	522,631,767	381,161,381
Amount available for appropriation	714,668,414	522,631,767
Appropriations		
Dividend paid (for 2009 & 2010)	(70,000,000)	-
Balance carried forward for the next year	644,668,414	522,631,767

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 745 mn whereas in 2010 was Rs. 691 mn. The Company has spent Rs. 82 mn. for improvements and purchases of property, plant and equipment during the year 2011. Details of property, plant and equipment and their movements are given in Notes to the Financial Statements.

SHORT TERM INVESTMENTS

The Company has increased its short term investments to Rs. 301 mn from Rs. 250 mn in 2010. This investment comprises Rs 113.5 mn fixed deposits at Bank of Ceylon, Rs. 28 mn fixed deposit at People's Bank and 159 mn in treasury bills.

STATED CAPITAL

The Authorized Capital and Par Value concept in relation to share capital were abolished by the Companies Act No 07 of 2007. The total amounts received by the Company in respect of the issue of shares are now referred to as stated capital.

The total stated capital of the Company as at 31 December 2011 was Rs. 200,000,010. This comprises 20,000,000 ordinary shares and 01 Golden share. No allotments of shares were made during the year.

RESERVES

The Company reserves are totally represented by retained profit, which as at 31 December 2011 was Rs. 645 mn whilst in 2010 was Rs. 523 mn. The movement and composition of the reserves are disclosed in the statement of changes in equity.

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.

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

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date, which would have any material effect on the Company or on the group other than those disclosed in this report.

AUDITORS

The Accounts for the year 2011 have been audited by the Messrs. Dayananda Samarawickrema & Company (Chartered Accountants).

ANNUAL REPORT

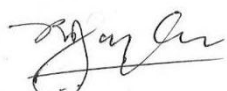
The Board of Directors have approved the financial statements on 25th May 2012.

ANNUAL GENERAL MEETING

The annual general meeting will be held at No.11, 3rd Floor, Duke Street, Colombo 01 on Thursday, 28 June 2012 at 1.30 p.m.

The notice of the annual general meeting is attached hereto.

For and on behalf of the Board of directors



Panduka Jayasinghe
Chairman/MD



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



Corporate advisory services (Pvt) Ltd.
Secretaries – Kurunegala Plantations Limited

06th June 2012
Colombo

Statement of 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 endeavor 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 process 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/ Managing Director.

BOARD MEETINGS

The Board Meetings are scheduled on a monthly basis. At these Meetings the Board sets 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 Board met 12 times during the year. The attendance at these meetings is as follows.

Name of Director	No. of meetings attended
Mr. Panduka Jayasinghe Chairman/ Managing Director	12/ 12
Mr. M.A.S. Nimal Kurera Executive Director	12/ 12
Mr. R.W.M. J. Rukantha Perera Working Director	11/ 12
Mrs.W.G.Chandrika Treasury Representative	12/ 12
Mr. K.D. Peiris	12/ 12
Mr. B.R. Kularatne	12/ 12
Mr. I.A. Marceline Appuhamy	12/ 12

AUDIT COMMITTEE

The Audit Committee is comprised of three Non-Executive Directors. The Chairman of the Audit Committee is the Board representative of The Treasury. The Audit Committee Meetings are scheduled on a monthly basis. The Chief Executive Officer, Manager Audit and the Manager Finance attend Audit Committee Meetings on invitation. The Committee met 12 times during the year. The attendance at these meetings is as follows.

Name of Director	No. of meetings attended
Mrs. W.G. Chandrika – Chairperson	12/ 12
Mr. B.R. Kularatne	12/ 12
Mr. I.A. Marceline Appuhamy	12/ 12

COMPLIANCE WITH LEGAL REQUIREMENT

The Board of Directors makes every endeavor to ensure that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulations as applicable to State-owned business undertakings of the Country. The Board ensures that the financial statements of the Company are prepared in accordance with the Sri Lanka Accountings Standards.

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 Act 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

Dayananda Samarawickrema & Co.,

CHARTERED ACCOUNTANTS

Partners

H.G. Dayananda F.C.A.
J. Rajasuriya F.C.A., B.A.
P.D.G. Ravinatha A.C.A.
K.G. Chandana Kumara A.C.A.

No. 20/26, Station Lane,
Nugegoda, Sri Lanka.
Tele : 2854614, 2809650, 2822940
Fax : 2820112
E mail : dsandco@sltnet.lk

INDEPENDENT AUDITOR'S REPORT

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 Balance Sheet as at 31st December 2011 and the Income Statement, Statement of Changes in Equity and 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 misstatement.

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 principles 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 December 31, 2011 and the Financial Statements give a true and fair view of the Company's state of affairs as at December 31, 2011 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

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.
08, May 2012

Income Statement

<i>For the year ended December 31,</i>		2011	2010
	Note	Rs.	Rs.
Revenue	01	509,885,889	430,764,870
Cost of sales	02	(252,452,873)	(235,274,965)
Gross profit		257,433,016	195,489,905
Other operating income	03	63,714,382	41,112,867
Administration and general expenses		(89,787,665)	(73,440,475)
Profit from operating activities	04	231,359,734	163,162,297
Finance expenses	05	(28,429,380)	(26,737,125)
Profit before other income		202,930,354	136,425,172
Other income - Interest		22,232,992	18,103,875
Profit before tax		225,163,345	154,529,046
Income tax expense	06	(33,126,698)	(13,058,661)
Profit for the year		192,036,647	141,470,386
Earnings per share	07	9.60	7.07

Figures in brackets indicate deductions.

The accounting policies and notes are an integral part of the financial statements.

Balance Sheet

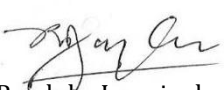
As at December 31,	Note	2011 Rs.	2010 Rs.
ASSETS			
Non Current Assets			
Leasehold right to bare lands	08	105,886,102	109,056,062
Leasehold Immovable assets (excluding bare lands)	09	60,310,298	65,152,285
Mature and immature plantations	10	482,401,689	435,682,802
Property, plant and equipment	11	96,369,292	81,537,171
		744,967,381	691,428,320
Current Assets			
Inventories	12	58,592,976	22,790,543
Deposits and prepayments		3,938,157	2,193,309
Trade and other receivables	13	89,389,654	51,249,318
Short term investments	14	300,637,576	249,999,991
Cash and bank balances	15	20,743,164	24,978,703
		473,301,527	351,211,864
TOTAL ASSETS		1,218,268,908	1,042,640,184
EQUITY AND LIABILITIES			
Capital and Reserves:			
Stated capital	16	200,000,010	200,000,010
Retained profit		644,668,414	522,631,767
		844,668,424	722,631,777
Deferred expenditure		(4,299,018)	(4,289,882)
Total equity		840,369,406	718,341,895
Non Current Liabilities			
Retirement benefit obligations - Gratuity	17	71,117,801	62,791,390
Obligations under lease agreement net of current maturity	18	78,474,633	82,039,837
Deferred income - Grants and subsidies	19	8,677,207	8,937,792
Deferred tax liabilities	20	43,171,577	26,182,028
		201,441,218	179,951,047
Current Liabilities			
Obligations under lease agreement - current maturity	18	3,565,204	3,565,204
Welfare fund		-	371,342
Income tax payable		9,904,496	1,081,006
Advance received	21	20,585,889	16,514,962
Trade, expense and other payables	22	142,402,695	122,814,728
		176,458,284	144,347,242
TOTAL EQUITY AND LIABILITIES		1,218,268,908	1,042,640,184


The accounting policies and notes are an integral part of the financial statements.

These financial statements are in compliance with the requirements of the Companies Act No: 07 of 2007.


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

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board of Directors.


Panduka Jayasinghe
Chairman/ Managing Director
Colombo, May 08, 2012


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

Statement of Changes in Equity

For the year ended December 31, 2011

	Stated Capital Rs.	Retained Profit Rs.	Total Rs.
Balance as at January 01, 2009	200,000,010	306,058,977	506,058,987
Net profit for the year 2009		95,102,405	95,102,405
Dividend - 2008		(20,000,001)	(20,000,001)
Balance as at December 31, 2009	200,000,010	381,161,381	581,161,391
Net profit for the year 2010		141,470,386	141,470,386
Balance as at December 31, 2010	200,000,010	522,631,767	722,631,777
Net profit for the year 2011		192,036,647	192,036,647
Dividend - 2009		(30,000,000)	(30,000,000)
Dividend - 2010		(40,000,000)	(40,000,000)
Balance as at December 31, 2011	200,000,010	644,668,414	844,668,424

The accounting policies and notes are an integral part of the financial statements.

Statement of Cash Flow

For the year ended December 31, 2011

	2011 Rs.	2010 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of produce	500,236,569	485,917,941
Cash paid to suppliers & employees	(295,865,840)	(276,434,183)
Income tax paid	(7,625,970)	(2,588,202)
Net cash from operating activities (note A)	196,744,759	206,895,556
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(81,628,173)	(92,326,212)
Proceeds from disposal of property, plant & equipment	4,172,812	-
Interest received	21,489,814	14,467,425
Net cash flows from/(used in) investing activities	(55,965,547)	(77,858,787)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Lease rental paid	(24,377,166)	(17,509,838)
Interest on temporary bank loans - BOC	-	(266,721)
Grant received	-	1,569,447
Dividend paid	(70,000,000)	-
Net cash flows from/(used in) financing activities	(94,377,166)	(16,207,112)
Net increase/(decrease) in cash and cash equivalents	46,402,046	112,829,657
Cash and cash equivalents at the beginning of the year	274,978,694	162,149,036
Cash and cash equivalents at the end of the period (note B)	321,380,740	274,978,694

The accounting policies and notes are an integral part of the financial statements.

Note A

Reconciliation of Profit with Cash Flows from operating activities

	2011	2010
	Rs.	Rs.
Profit before Income Tax Expenses	225,163,345	154,529,047
Adjustments for		
Depreciation/amortization	26,136,769	24,918,180
Interest on lease agreement	28,429,380	26,470,404
Interest on temporary bank loan	-	266,721
Provision for retirement benefit obligations	15,270,441	13,807,984
Amortization of grants	(260,585)	(221,349)
Interest income	(22,232,992)	(18,103,875)
Loss from disposal of property plant & equipment	(2,220,470)	-
Income tax paid	(7,625,970)	(2,588,202)
Provision for performance incentive	21,155,711	13,294,211
Provision for bonus	7,089,625	6,771,428
Operating profit/(loss) before working capital changes	290,905,254	219,144,549
Changes in working capital		
(Increase)/decrease in inventories	(35,802,432)	3,430,457
(Increase)/decrease in deposits & pre-payments	(1,744,848)	204,168
(Increase)/decrease in trade and other receivables	(37,397,159)	(4,067,963)
(Increase)/decrease in deferred expenditure	(9,137)	905,337
Increase/(decrease) in rent received in advance	4,070,928	14,899,059
Increase/(decrease) in welfare fund	(371,342)	26,858
Increase/(decrease) in trade and other payables	4,373,651	11,670,321
Payment of retirement benefit costs	(6,944,030)	(8,717,812)
Payment of performance incentive	(13,383,339)	(13,183,939)
Payment of bonus	(6,952,787)	(17,415,479)
Net cash from/(used in) operating activities	196,744,759	206,895,556
(Note b)		
Cash and cash equivalents as at	31.12.2011	31.12.2010
	Rs.	Rs.
Fixed deposit-BOC	113,500,000	96,500,000
Fixed deposit- People's Bank	28,000,000	-
Treasury bills	159,137,576	153,499,991
Repo	7,000,000	15,000,000
Postage /stamps	4,252	4,886
Cash in transits	1,729,081	-
Cash at bank	7,281,098	9,585,198
Cash in hand	4,728,733	388,619
	321,380,740	274,978,694

Accounting policies

A summary of the significant accounting policies followed by the Company is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

1) GENERAL

1.1. Legal status

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. 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. Statement of compliance

The financial statements have been prepared in accordance with the generally accepted accounting principles and the applicable Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

1.3. Nature of business

The company is engaged in agricultural activity and manages plantations basically with coconut and rubber. Its plantations are situated in different parts of the island which are organized under 10 planting Area Estates as described below.

Attanagalla	Katugampola
Dambadeniya	Kurunegala
Dhathusenapura	Mahayaya
Dodangaslanda	Narammala
Hiriyala	Wariyapola

1.4. Accounting convention

The financial statements of the company have been prepared in conformity with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and have been applied consistently on a historical cost basis, with no adjustments being made for inflationary factors affecting the financial statements. The said financial statements have been prepared in Sri Lankan Rupees (Rs.). All values are stated round up to last rupee.

Prior year figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

1.5. Taxation

1.5.1. Income Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the Inland Revenue Act No: 10 of 2006 and the subsequent amendments thereto

1.5.2. Deferred tax

Deferred taxation is provided on all taxable and tax deductible temporary differences, to the extent that they are expected to reverse in the future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer

probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

1.6. Events occurring after Balance Sheet date

All material post balance sheet events have been considered and where appropriate adjustments to or disclosures have been made in the financial statements.

1.7. Deferred Expenditure – Project Development Cost

The expenditure on projects, the economic benefits of which accrue over a period of time are capitalized and carried forward up to the time of income generation from such projects.

1.8. Borrowing Cost

Borrowing costs are recognized as an expense during the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use is capitalized as part of the specific asset.

2) ASSETS AND BASES OF THEIR VALUATION

2.1 Inventories

Agricultural produce harvested are valued at the quoted prices net of point of sale costs in the sales contracts when sold after the balance sheet 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.

Inventories other than agricultural produce are valued at the lower of cost and net realizable value, after making due allowance for obsolete and slow moving items.

Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Growing Crop Nurseries are valued at the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads less provision for overgrown plants.

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

2.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize inclusive of provisions for bad and doubtful debts.

2.3 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are included as a component of cash and cash equivalents.

2.4 Property, plant and equipment

2.4.1 Cost/ Valuation

Property, plant and equipment are reported at cost/valuation less accumulated depreciation, which is provided for on the bases specified below:

The cost of an asset is the cost of purchase after deducting discounts and rebates or cost of construction together with any directly attributable costs of bringing the asset to working condition for its intended use.

2.4.2 Restoration Cost

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits, which was originally assessed as the standard or performance, is recognized as an expense when incurred.

2.4.3 Depreciation/ Amortization

The provision for depreciation is calculated on the cost or valuation of all property, plant and equipment in order to write off such amounts over the estimated useful lives by equal installments as follows:

Freehold Assets -

Improvements to Land and Buildings	over 40	years
Fencing	over 03	years
Machinery	over 13 1/3	years
Motor Vehicles	over 05	years
Equipment	over 08	years
Furniture and Fittings	over 10	years
Mature Plantations - Coconut	over 50	years
Rubber	over 20	years
Others	over 20	years

Leasehold Assets -

The leasehold rights over assets taken over from JEDB are being amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

Bare Land	over 53	years
Buildings	over 25	years
Plant and Machinery	over 15	years
Mature Plantations	over 30	years
Land Development Cost	over 30	years

Full provision is made in the year of disposal and no provision is made in the year of purchase/transfer.

2.5 Permanent Land Development Cost

Permanent land development costs are those costs incurred to make major changes to land contours to build new access roads and other major infrastructure development. Such expenditure on leasehold land has been capitalized and depreciated over the remaining lease period.

Permanent impairments to land development costs are charged to the income statement in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

2.6 Limited Life Land Development Cost (Immature and Mature Plantations)

The cost of new planting, replanting, inter planting and crop diversification incurred between the time of field development and being ready for commercial harvesting are classified as immature plantations. No depreciation is provided for immature plantations. The expenditure incurred on perennial crops, which come into bearing during the year, have been transferred to mature

plantations and depreciated over its useful life. No depreciation has been charged in the year of transfer.

Permanent impairments to land development costs are charged to the income statement in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

2.7 Infilling Cost

Infilling costs are those costs incurred in replacing plant vacancies in mature plantations. Where infilling results in an increase in the economic life or increase in yield/productivity; or improvement in quality of output of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life at rates applicable to mature plantations or the unexpired lease period whichever is less.

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

2.8 Leased Assets

Property, plant and equipment on finance leases (which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items) are capitalized at their cash price and depreciated/amortized over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to the leased property is capitalized and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements whichever is shorter.

3) LIABILITIES AND OTHER PROVISIONS

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date.

Noncurrent liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Terminal Benefits to employees

3.1.1 Defined Benefit Plan – Retirement Benefit

Retirement benefit of gratuity is measured based on the Projected Unit Credit method in accordance with the Sri Lanka Accounting Standards 16 (revised 2006) on Retirement Benefit Costs. This item is grouped under Retirement Benefit Obligations in the Balance Sheet.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years of continued services.

The liability is neither externally funded nor actuarially valued.

3.1.2 Defined Contribution Plans – EPF and ETF

Employees are eligible for employees' provident fund contributions and employees' trust fund contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments to employees' provident fund and employees' trust fund respectively.

3.2 Capital Commitments and Contingencies

All material capital commitments and contingent liabilities of the Company are disclosed in the notes to the accounts.

4) DEFERRED INCOME

Grants and Subsidies

Grants and subsidies are credited to the Income Statement over the periods necessary to match them with the related costs, which they are intended to be compensated on a systematic basis.

Grants related to assets, including non-monetary grants at fair value is deferred in the Balance Sheet and credited to the Income Statement over the useful life of the related asset.

Grants related to revenue nature are recognized in the Income Statement in the period in which it is received.

5) INCOME STATEMENT

5.1 Revenue Recognition

In keeping with the practices in the Plantation Industry, revenue and profit or loss on sale of Perennial crops are recognized in the financial period of harvesting. Revenue is recorded at invoice value net of point of sale expenses such as brokerage, sale expenses and other levies.

Gains or losses of a revenue nature on the disposal of property, plant and equipment have been accounted for in the Income Statement.

Interest and other income are recognized on accrual basis.

5.2 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit/ (loss) for the year.

For the purpose of presentation of Income Statement, the directors are of the opinion that functional classification of expenses presents fairly the enterprises' performance and hence such presentation method is adopted.

Notes to the statement of accounts

For the year ended December 31, 2010

	2011 Rs.	2010 Rs.
NOTE - 01 - REVENUE		
Coconut	399,151,639	354,436,203
Rubber	104,284,153	69,911,163
Banana	1,386,086	2,596,089
Cinnamon	894,135	631,728
Rambuttan	2,620,453	1,314,775
Pepper	185,134	107,048
Others	1,364,290	1,767,864
	509,885,889	430,764,870
NOTE - 02 - COST OF SALES		
Coconut	200,075,494	191,322,313
Rubber	45,615,137	37,072,837
Banana	1,985,012	3,056,217
Cinnamon	890,839	793,240
Rambuttan	434,199	395,031
Pepper	201,189	200,675
Others	3,251,002	2,434,652
	252,452,873	235,274,965
NOTE - 03 - OTHER OPERATING INCOME		
Sales of coconut trees	17,574,057	12,328,790
Sales of valuable trees	21,328,124	11,841,578
Sales of husk	11,509,636	5,497,563
Penalty income - coconut	4,571,121	3,436,634
Lease/ facility fee income	3,412,892	3,653,979
Amortization of grants	260,585	221,349
Profit on sale of PPE	2,220,470	-
Write back/ (write off)	1,722,892	397,926
Others	1,114,605	3,735,049
	63,714,382	41,112,867
NOTE - 04 - PROFIT FROM OPERATING ACTIVITIES STATED AFTER CHARGING THE FOLLOWINGS		
Directors emoluments	4,942,335	3,748,526
Audit fees and expenses	490,000	695,784
Performance incentive	21,155,711	13,294,211
Bonus	7,089,625	6,771,428
Depreciation/amortization-		
Leasehold rights to bare lands of JEDB	3,169,960	3,169,954
Immovable leased assets (excluding bare lands)	4,841,987	4,841,978
Mature plantations	6,960,890	6,960,817
Property, plant and equipment	11,163,932	9,945,433
Personnel Cost-		
Defined benefit plan cost-retiring gratuity	15,270,441	13,807,984
Salaries, wages, PAYE, employees provident and trust fund	181,738,123	161,964,213

	<u>2011</u> Rs.	<u>2010</u> Rs.
NOTE - 05 - FINANCE COST		
Interest on lease – Janatha Estate Development Board (JEDB)	28,429,380	26,470,404
Interest on temporary bank loan	-	266,721
	<u>28,429,380</u>	<u>26,737,125</u>
NOTE - 06 - INCOME TAX EXPENSE		
Current income tax expense	16,137,149	4,690,116
Deferred taxation	16,989,549	8,368,545
	<u>33,126,698</u>	<u>13,058,661</u>
Reconciliation of the Accounting Profit and Taxable Profit		
Accounting profit before tax	225,163,345	154,529,046
Aggregate disallowed expenses	44,063,761	89,087,809
Aggregate allowed expenses	(92,265,299)	(127,285,242)
Exempted income & other income	(54,026,184)	(21,979,203)
Agricultural income exempt from income tax	-	(94,352,410)
Taxable agricultural income	<u>122,935,623</u>	-
Taxable other income	30,217,004	21,757,854
Total statutory income	<u>153,152,627</u>	<u>21,757,854</u>
Taxable profit before utilization of brought forward tax losses	153,152,627	21,757,854
Tax losses brought forward & utilized	(16,489,910)	(7,615,249)
Assessable income	<u>136,662,717</u>	<u>14,142,605</u>
Less: qualifying payments	-	(742,275)
Taxable income	<u>136,662,717</u>	<u>13,400,330</u>
Taxation at effective tax rates	16,137,149	4,690,116
Deferred tax charge	16,989,549	8,368,545
Income tax expense	<u>33,126,698</u>	<u>13,058,661</u>
NOTE - 07 - 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.		
Profit attributable to ordinary shareholders (Rs.)	192,036,647	141,470,396
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings per share (Rs.)	<u>9.60</u>	<u>7.07</u>

NOTE - 08 - LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD

- 8.1. 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 Balance Sheet as of June 18, 1992 was Rs. 168,007,551.93. The carrying values are given in Note 8:3 below.

8.2. 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.

8.3 Leasehold Right to Bare Land (53 years)

Balance as at 01.01.2011 Rs.	Accumulated amortization as at 01.01.2011 Rs.	Amortization for the year Rs.	Accumulated amortization as at 31.12.2011 Rs.	Net Book Balance as at 31.12.2011 Rs.	Net Book Balance as at 31.12.2010 Rs.
168,007,552	58,951,490	3,169,960	62,121,450	105,886,102	109,056,062

NOTE - 09 - IMMOVABLE LEASED ASSETS (EXCLUDING BARE LANDS)

As explained in Note 8, although all JEDB estate leases have not been executed to date in terms of the ruling of the UITF, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to June 18, 1992. For this purpose, the Board has decided at its meeting on March 08, 1995 that these assets be taken into the books at their book values as they appeared in the books of the JEDB on the day immediately preceding the date of formation of the Company.

The Asset values taken to the June 18, 1992 Balance Sheet are given below:

Revaluation		Rs.
Land development cost	30 years	1,123,305
Buildings	25 years	22,130,873
Machinery	15 years	34,842
Mature plantations	30 years	43,001,122
Immature plantations		90,647,222
		<u>156,937,363</u>

The carrying values for the year are as follows.

		As at 01.01.2011 Rs.	Adjustments Rs.	As at 31.12.2011 Rs.
Revaluation				
Land development cost		1,123,305	-	1,123,305
Buildings		17,693,752	-	17,693,752
Machinery		34,842	-	34,842
Mature plantations		122,903,503	-	122,903,503
		<u>141,755,402</u>	-	<u>141,755,402</u>
Amortization				
Land development cost	30 years	693,603	37,446	731,049
Buildings	25 years	12,914,302	707,751	13,622,053
Machinery	15 years	34,842	-	34,842
Mature plantations	30 years	62,960,369	4,096,790	67,057,159
		<u>76,603,116</u>	<u>4,841,987</u>	<u>81,445,103</u>
Carrying value		<u>65,152,285</u>		<u>60,310,298</u>

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). Investments in such immature plantations to bring them to bearing are shown under Note -10. 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 -10 and a corresponding transfer from immature plantations to mature plantations was made in the above Note.

NOTE - 10 - MATURE AND IMMATURE PLANTATIONS

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 08 and 09. Continuing investments in immature plantations, taken over under these leases are shown in the above Note. When such plantations come into bearing, the additional investments incurred since taking over to bring them to bearing had been transferred from immature to mature plantations in this Note. A corresponding transfer had been made from immature to mature plantations being the investment undertaken by JEDB on the particular plantation prior to the formation of the company as described in Note - 09.

Cost

	Life of the Asset	As at 01.01.2011 Rs.	Additions/ Transfers in Rs.	Disposals/ Transfers out Rs.	As at 31.12.2011 Rs.
Mature plantations					
Coconut	50 years	224,722,753	4,027,538	-	228,750,291
Rubber	20 years	42,395,557	-	-	42,395,557
Others	20 years	6,931,681	2,409,947	-	9,341,628
		<u>274,049,991</u>	<u>6,437,485</u>	<u>-</u>	<u>280,487,476</u>
Immature Plantations					
Coconut		171,647,036	45,542,317	(4,027,538)	213,161,815
Rubber		11,664,250	4,045,862	-	15,710,112
Others		27,537,345	4,091,598	(2,409,947)	29,218,996
		<u>210,848,631</u>	<u>53,679,777</u>	<u>(6,437,485)</u>	<u>258,090,923</u>
<u>Depreciation</u>					
Mature plantations					
Coconut		31,459,067	4,494,453		35,953,520
Rubber		15,707,469	2,119,778		17,827,247
Others		2,049,284	346,659		2,395,943
		<u>49,215,820</u>	<u>6,960,890</u>		<u>56,176,710</u>
Carrying amount		<u>435,682,802</u>			<u>482,401,689</u>

NOTE - 11 - PROPERTY, PLANT AND EQUIPMENT

Following are the assets vested in the company vis a vis the Gazette notification on the date of formation of the Company on June 18, 1992 and all additions, removals and value additions thereafter. The assets taken over by way of estate leases are set out in Note - 08 and 09 to the accounts.

	Life time of the Asset years	As at 01.01.2011 Rs.	Additions/ Transfer in Rs.	Disposals/ Transfer out Rs.	As at 31.12.2011 Rs.
Cost					
Improvements to land and buildings	40	47,690,551	15,322,012	(1,132,636)	61,879,927
Work-in-progress		534,581	-	(534,581)	-
Irrigation systems	5	1,909,203	-	(822,288)	1,086,915
Motor vehicles	5	62,707,630	6,945,491	(5,745,429)	63,907,692
Machinery	13 1/3	661,000	-	-	661,000
Furniture and fittings	10	4,656,861	3,040,947	-	7,697,808
Equipment	8	11,264,567	3,421,695	-	14,686,262
Computer equipment	5	1,604,270	330,175	(24,250)	1,910,195
		131,028,663	29,060,320	(8,259,184)	151,829,799
Depreciation					
Improvements to land and buildings		9,810,302	2,928,684	(80,294)	12,658,692
Irrigation systems		878,979	13,585	(244,944)	647,620
Motor vehicles		36,340,007	7,110,326	(4,845,429)	38,604,904
Machinery		-	-	-	-
Furniture and fittings		2,275,723	237,466	-	2,513,189
Equipment		7,635,597	682,537	-	8,318,134
Computer equipment		674,448	191,334	(24,250)	841,532
		57,615,056	11,163,932	(5,194,917)	63,584,071
Acquisition of land - Head office premises		8,123,564			8,123,564
Carrying value		81,537,171			96,369,292

The land called Polaththanapitiya, 1.416 hectare in extent where the Head office of the company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on July 15, 1987. Since the legal title of the land was not transferred to JEDB the land is now owned by the government. Compensation upon acquisition had not been paid to the original owners of the land, H.L. De Mel and Company. Based on a court of appeal order the company was requested by the Ministry of Plantation Industries to pay the legal compensation of Rs. 3.5 Mn. to H.L. De Mel and Company which it has paid through the Divisional Secretary, Kurunegala on condition suggested by the Ministry that the land will be transferred to the company by the government. The legal interest payable on Rs. 3.5 Mn. for delaying the payment for 18 years was calculated to be Rs. 4,623,563.92 and the company has agreed to pay this amount at the request of the Ministry of Plantation Industries. The total of the amount paid and payable relating to the acquisition of the land is, therefore, Rs. 8,123,563.92. The full amount paid is disclosed in these accounts as acquisition cost of the land. The transfer of the land to the company has not yet been effected. The company is seeking a reduction of the lease rental payable to the Treasury on account of this payment.

	<u>2011</u> Rs.	<u>2010</u> Rs.
NOTE - 12 - INVENTORIES		
Input materials	6,270,568	5,469,365
Spares & consumables	4,920,827	2,659,721
Growing nurseries	18,617,472	1,640,012
Produce stocks	27,816,232	11,917,721
Sales center stocks	-	29,287
Live stocks	738,876	597,078
Other stocks	229,001	477,359
	<u>58,592,976</u>	<u>22,790,543</u>
NOTE - 13 - TRADE AND OTHER RECEIVABLES		
Produce debtors	77,025,771	36,279,367
Other receivables		
Staff debtors	3,473,639	3,390,055
Interest receivable	7,957,734	7,214,556
Survey of lands	-	1,661,180
Sundry debtors	2,874,614	1,971,522
Value added tax	-	305,297
Nation building tax	21,395	74,267
Income tax	-	643,125
	<u>91,353,153</u>	<u>51,539,369</u>
Provision for bad & doubtful debts	(1,963,499)	290,051)
	<u>89,389,654</u>	<u>51,249,318</u>
NOTE - 14 - SHORT TERM INVESTMENTS		
Fixed deposits - BOC	113,500,000	96,500,000
Fixed deposits - People's Bank	28,000,000	-
Treasury bills	159,137,576	153,499,991
	<u>300,637,576</u>	<u>249,999,991</u>
NOTE - 15 - CASH AND BANK BALANCES		
Cash in hand	4,728,733	388,619
Cash at banks	7,281,098	9,585,198
REPO	7,000,000	15,000,000
Postage/stamps	4,252	4,886
Cash in transits	1,729,081	-
	<u>20,743,164</u>	<u>24,978,703</u>
NOTE - 16 - STATED CAPITAL		
Number of ordinary shares issued and fully paid	20,000,000	20,000,000
Golden share	1	1
	<u>20,000,001</u>	<u>20,000,001</u>
Issued and fully paid ordinary shares	200,000,000	200,000,000
Golden share	10	10
	<u>200,000,010</u>	<u>200,000,010</u>
A golden share of Rs. 10/- which has special Rights, held by the secretary to the treasury		

	<u>2011</u> <u>Rs.</u>	<u>2010</u> <u>Rs.</u>
NOTE - 17 - RETIREMENT BENEFIT OBLIGATIONS - GRATUITY		
Balance as at the beginning of the year	62,791,390	57,701,218
Charged during the year	15,270,441	13,807,984
Payments made/transferred to payable during the year	(6,944,030)	(8,717,812)
Balance as at the end of the year	<u>71,117,801</u>	<u>62,791,390</u>

The company has adopted the Projected Unit Credit Method for the valuation of retirement benefit obligations (gratuity) during the year in accordance with Sri Lanka Accounting Standards 16, Retirement Benefit Costs. The gratuity liability is neither externally funded nor actuarially valued.

NOTE - 18 - NET LIABILITY TO LESSOR

Gross lease liability	273,963,031	282,149,031
Finance charges applicable to future periods	(154,625,806)	(159,246,602)
Net Lease Liability	119,337,225	122,902,429
Value of lands alienation	(37,297,388)	(37,297,388)
	<u>82,039,837</u>	<u>85,605,041</u>

Payable after 5 years ;

Gross Liability	233,033,031	241,219,031
Finance charges	(131,521,826)	(136,142,622)
Net Liability	101,511,205	105,076,409
Value of lands alienation	(37,297,388)	(37,297,388)
	<u>64,213,817</u>	<u>67,779,021</u>

Payable within 2 to 5 years ;

Gross Liability	32,744,000	32,744,000
Finance charges	(18,483,184)	(18,483,184)
Net Liability	14,260,816	14,260,816

Payable within 1 year;

Gross Liability	8,186,000	8,186,000
Finance charges	(4,620,796)	(4,620,796)
Net Liability	3,565,204	3,565,204
	<u>82,039,837</u>	<u>85,605,041</u>

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 Income Statement.

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

The payment due in each subsequent 12 month period till the end of lease on June 18, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Income Statement during the current period is Rs. 28,429,380 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. 37,297,387.96. 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.

	<u>2011</u> <u>Rs.</u>	<u>2010</u> <u>Rs.</u>
NOTE - 19 - DEFERRED INCOME - GRANTS AND SUBSIDIES		
Capital -		
Balance - beginning of the year	10,423,410	8,853,963
Grant received during the year	-	1,569,447
Balance - end of the year	10,423,410	10,423,410
Amortization -		
Balance - beginning of the year	1,485,618	1,264,269
Amortization for the year	260,585	221,349
Balance - end of the year	1,746,203	1,485,618
	8,677,207	8,937,792
The above represents the funds received from the Plantation Human Development Trust (PHDT) are for the development of workers' welfare facilities.		
NOTE - 20 - DEFERRED TAX LIABILITIES		
Balance as at the beginning of the year	26,182,028	17,813,483
Charged during the year	16,989,549	8,368,545
Balance as at the end of the year	43,171,577	26,182,028

The company recognized deferred tax assets of Rs. 7,111,780 as at the balance sheet 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 have been reassessed based on the future tax rates enacted. Accordingly, deferred tax liabilities of Rs. 50,283,358 have been reassessed by restating the balance reported as at December 31, 2010. Net deferred tax liability as at December 31, 2011 is Rs. 43,171,577.

NOTE - 21 - ADVANCE RECEIVED

	<u>2011</u> <u>Rs.</u>	<u>2010</u> <u>Rs.</u>
For rent	704,139	1,159,727
For supply of coconut seedlings - Coconut Cultivation Board	19,881,750	14,130,235
Mahaweli Authority of Sri Lanka	-	1,225,000
	<u>20,585,889</u>	<u>16,514,962</u>

NOTE - 22 - TRADE, EXPENSE AND OTHER PAYABLES

Trade payables	17,589,345	18,941,591
Accrued expenses	24,249,179	23,588,259
Bonus payable	7,135,938	6,999,100
Performance incentives payable	21,155,711	13,383,339
Lease rental payable	61,703,700	54,086,282
Economic service charges	-	312,311
Refundable tender, security deposits & retentions	10,568,822	5,503,846
	<u>142,402,695</u>	<u>122,814,728</u>

Financial Summary

Since the takeover of management by the State

		2005	2006	2007	2008	2009	2010	2011
Results of operation								
Coconut Production	Nuts (Mn)	11.369	15.915	15.405	15.010	17.309	15.475	15.544
Rubber Production	Kg (Mn)	0.135	0.180	0.203	0.208	0.203	0.201	0.228
Net Sale Average - Coconut	Rs. (per nut)	11.868	10.150	16.099	20.387	16.896	22.904	25.680
Net Sale Average - Rubber	Rs. (per Kg)	129.854	185.004	214.238	222.172	182.552	348.201	457.433
Revenue - Coconut	Rs. (Mn)	134.923	161.540	247.991	306.021	292.448	354.436	399.152
Revenue - Rubber	Rs. (Mn)	17.588	33.327	43.498	46.103	37.000	69.911	104.284
Revenue - Other	Rs. (Mn)	1.309	1.752	2.055	8.172	8.023	6.418	6.450
Total Revenue	Rs. (Mn)	153.819	196.619	293.544	360.296	337.471	430.765	509.886
	Rs. (Mn)							
Cost of Sales - Coconut	Rs. (Mn)	90.214	123.815	138.724	175.493	166.631	191.322	200.075
Cost of Sales - Rubber	Rs. (Mn)	15.599	20.386	26.818	32.342	30.296	37.073	45.615
Cost of Sales - Other	Rs. (Mn)	1.179	1.858	3.824	8.071	8.377	6.880	6.762
Total Cost of Sales	Rs. (Mn)	106.991	146.058	169.366	215.905	205.305	235.275	252.453
	Rs. (Mn)							
Gross Profit	Rs. (Mn)	46.828	50.561	124.178	144.391	132.166	195.490	257.433
Other Income	Rs. (Mn)	17.764	24.354	31.830	45.766	67.195	59.217	85.947
Administration Expenses	Rs. (Mn)	30.620	35.595	55.658	69.507	72.963	73.440	89.788
Finance Expenses	Rs. (Mn)	14.216	16.027	18.326	20.464	23.603	26.737	28.429
Profit before Income Tax	Rs. (Mn)	19.756	23.293	82.024	100.187	102.796	154.529	225.163
Income Tax	Rs. (Mn)	-	-	0.372	3.270	7.693	13.059	33.127
Net Profit for the Year	Rs. (Mn)	19.756	23.293	81.652	96.917	95.102	141.470	192.037

Financial Summary...

Since the takeover of management by the State

		2005	2006	2007	2008	2009	2010	2011
Asset Employed								
Noncurrent Assets	Rs. (Mn)	496.515	524.409	563.811	596.585	624.315	691.428	744.967
Current Assets	Rs. (Mn)	45.633	71.012	102.881	172.666	235.379	351.212	473.302
Total Assets	Rs. (Mn)	542.148	595.421	666.692	769.251	859.694	1,042.640	1,218.269
Funds Employed								
Noncurrent Liabilities	Rs. (Mn)	149.221	152.858	161.197	165.570	165.849	179.951	201.441
Current Liabilities	Rs. (Mn)	79.558	106.927	92.136	103.325	115.018	144.347	176.458
Equity	Rs. (Mn)	313.369	335.636	413.360	500.356	578.827	718.342	840.369
Total Equity & Liabilities		542.148	595.421	666.692	769.251	859.694	1,042.640	1,218.269
Share Capital	Rs. (Mn)	200.000	200.000	200.000	200.000	200.000	200.000	200.000
Cash Flows								
Net Cash Flows from Operating Activities	Rs. (Mn)	62.412	70.174	106.020	82.237	170.229	206.896	196.745
Net Cash Flows from/Used in Investing Activities	Rs. (Mn)	31.731	36.580	53.156	50.828	38.881	77.859	55.966
Net Cash Flows from/Used in Financing Activities	Rs. (Mn)	15.793	15.673	30.829	4.926	43.795	16.207	94.377
Increase/ Decrease in Cash & Cash Equivalents	Rs. (Mn)	14.888	17.921	22.035	26.483	87.553	112.830	46.402
Cash & Cash Equivalents at the End of the year	Rs. (Mn)	8.157	26.078	48.113	74.596	162.149	274.979	321.381

Financial Summary...

Since the takeover of management by the State

		2005	2006	2007	2008	2009	2010	2011
Key Indicators								
Profitability ratios								
Gross profit margin	%	30.4	25.7	42.3	40.1	39.2	45.4	50.5
Net profit margin	%	12.8	11.8	27.8	26.9	28.2	32.8	37.7
ROCE	%	6.5	7.2	21.8	21.2	17.6	21.8	24.6
Return on total assets	%	3.6	3.9	12.2	12.6	11.1	13.6	15.8
Liquidity Ratio								
Current assets ratio	No of times	0.57	0.66	1.12	1.67	2.05	2.43	2.68
Acid Test	No of times	0.43	0.50	0.89	1.24	1.82	2.28	2.35
Efficiency ratio								
Total assets Turnover	%	31.65	37.11	48.80	52.79	47.07	46.99	48.91
EPS	Rs.	0.99	1.16	4.08	4.85	4.76	7.07	9.60

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, 28 June 2012 at 1.30 p.m for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2011 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, 2012.
3. To declare a Final Dividend of Rs. 50,000,000 payable from the profits for the year ending 31st December 2011.
4. Any other business.

BY ORDER OF THE BOARD OF
KURUNEGALA PLANTATIONS LTD



CORPORATE ADVISORY SERVICES (PVT) LTD
SECRETARIES

Date: 7th June, 2012

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.

Corporate information

Name of the Company	Kurunegala Plantations Limited
Legal Form	Fully Government Owned Public Company with Limited Liability
Registered Office	No.80, Dambulla Road, Kurunegala
Date of Incorporation	18 th June 1992
Company Registration No.	PB 1319
Board of Directors	Mr. Panduka Jayasinghe Chairman/ Managing Director Mr. M.A.S. Nimal Kurera Executive Director Mr. R.W.M.J. Rukantha Perera Working Director Mrs. W.G.Chandrika Treasury Representative Mr. K.D. Peiris Mr. B.R. Kularatne Mr. I.A. Marceline Appuhamy
Auditors	M/s. Dayananda Samarawickrema & Co., Chartered Accountants, No. 20/26, Station Lane, Nugegoda. Tel: 2854614, 2809650 & 2822940 E-mail: dsandco@sltnet.lk
Bankers	Bank of Ceylon
Secretaries	Corporate Advisory Services (Pvt) Ltd 47, Alexandra Place, Colombo - 7 Tel: 0112-695410 E-mail: deseram@deseram.com
Contact Details	Tel No. 037 - 2223133 Fax No.037 – 2223191 Email: kurunegalaplt@sltnet.lk