



ANNUAL REPORT 2020

VERTICAL INTEGRATION

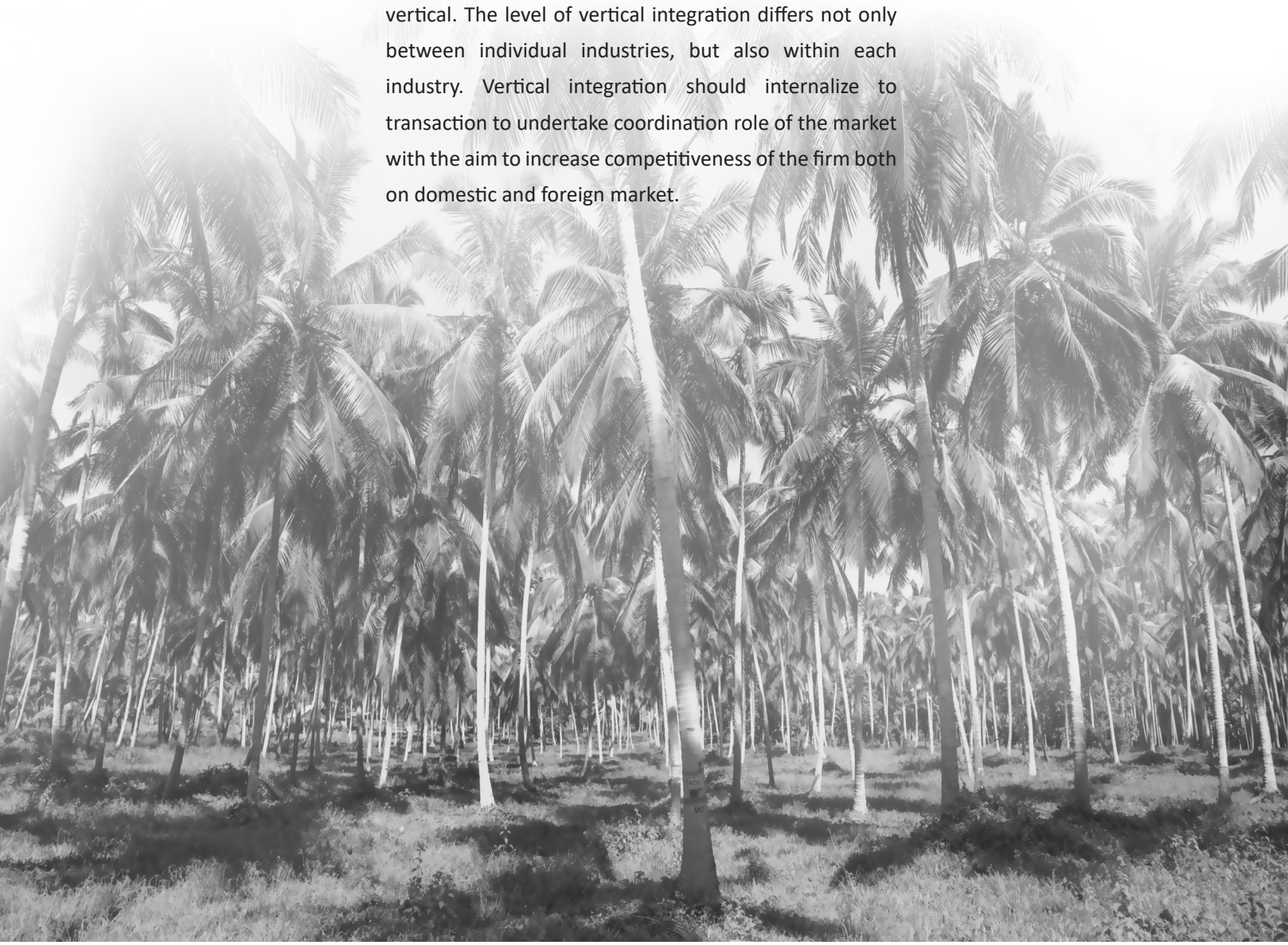


Kurunegala Plantations Limited
Ministry of Plantation

Vertical Integration

Vertical integration is a strategy that allows a company to streamline its operations by taking direct ownership of various stages of its production process rather than relying on external contractors or suppliers.

Vertical integration is one of the decisive factors influencing market structure and competitiveness of agriculture. Forward and backward integration are major streams under the vertical integration. Forward integration means expansion of agriculture production towards product finalization and distribution. Backward integration is directed to the preceding phases to engage inputs from the preceding subjects within the product vertical. The level of vertical integration differs not only between individual industries, but also within each industry. Vertical integration should internalize to transaction to undertake coordination role of the market with the aim to increase competitiveness of the firm both on domestic and foreign market.



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ABOUT US

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

Kurunegala Plantations Limited, from its inception had its managerial roots embedded in the Private Sector; however, due to being economically non-viable and in a state of downfall owing to the lack of proper management over a period of nearly 13 years, the Government decided to reclaim the management of the Company with effect from 01st January 2005. This move brought the plantation directly under the purview of the Ministry of Plantation Industries. Over the years its control changed hands several times from ministry to ministry. Since 01st September 2015, Kurunegala Plantations Limited has been operating under the purview of the Ministry of Public Enterprises Development, which later became the Ministry of Public Enterprises and Kandy City Development. From 09th November 2018, KPL came under the purview of the Ministry of Plantation Industries.

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

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

The company provides direct employment to over 1,100 people and indirectly supports the livelihood of many others.

OUR VISION, MISSION & CORE VALUES

OUR VISION

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

OUR MISSION

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

CORE VALUES

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

ACHIEVEMENTS

2011

- 2nd Runner-up at National level for Agribusiness
- Gold award for Large Category Producer (Plantations)

2012

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

2013

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

2014

- National Gold Award for Agribusiness
- Gold award for Large Category Producer (Plantations)-2014

2015

- Runner up in the Agriculture & Plantations sector in 2015 at the National Business Excellence Awards organized by The National Chamber of Commerce of Sri Lanka

2016

- Best Pepper Farmer Award organized by International Pepper Community

2017

- Best Pepper Farmer Award organized by International Pepper Community

2018

- Best Pepper Farmer Award organized by International Pepper Community

2019

- Best Pepper Farmer Award organized by International Pepper Community



MILESTONES

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

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

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

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

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

KPL changed hands under the Ministry of Coconut Development

16th November 2010

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



21st September 2015

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



09th November 2018

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



01st May 2018

KPL changed hands to the Ministry of Public Enterprise & Kandy City Development.



18th February 2015

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



09th August 2020

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



CHAIRMAN'S MESSAGE



Dear Stakeholder,

I am pleased to present the Annual Report and Financial Statement for the financial year ended 31 December 2020. It is being assumed that the report will be provided with an in-depth understanding of the Company performance and its attempt at driving sustainable growth.

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

COVID-19 Impact and Response

Despite the far-reaching impacts of the COVID-19 pandemic on the global and local economy the negative impact on Sri Lanka's plantation sector was largely mitigated due to proactive action taken by industry stakeholders to minimize operational disruptions whilst ensuring the health and safety of estate employees and communities.

The year in review

Kurunegala Plantations recorded a strong performance, delivering a Company profit before taxation of Rs. 214.9 Million for the financial year ending 31st December 2020. As advocates of good agricultural practices, we have begun leveraging technology and precision agriculture solutions to further improve input quality and consistency, while investing to upgrade infrastructure and introduce automation. These efforts are all aimed at enhancing efficiency and productivity that will ultimately lead to operational excellence.

The overall supply of coconut and coconut products of the country experienced a contraction in 2020. Coconut production showed a notable decline of 9.5 per cent in 2020, as a result of the lag effect of insufficient rainfall received by major coconut growing areas in 2019. The contraction in nut production and supply side disturbances that emerged amidst the COVID-19 pandemic adversely impacted coconut related industries.

Company coconut production showed a downward trend in 2020, due to the lagged effect of unfavorable rainfall experienced in major coconut growing areas in 2019. This resulted in an overall reduction of 30 percent, showing that KPL's performance in coconut production, however due to increase of NAS 99 percent KPL make Rs. 168 million sales increase compared to the previous year.

National Rubber production recorded an increase of 4.6 per cent in 2020 largely due to attractive market prices and favourable weather conditions that prevailed in the second half of the year. Although rubber production declined by 10.1 per cent in the first half of 2020 due to less tapping days amidst mobility restrictions during the first wave of the COVID-19 pandemic and dry weather conditions in rubber growing areas, rubber production improved considerably by 23.2 per cent during the second half of the year, supported by relatively favourable weather conditions.

KPL rubber production showed a remain unchanged. The Company's rubber output declined by 192 kilograms from the previous year, representing a 0.18 percent decrease.

According to the provisional estimates of the Department of Export Agriculture (DEA), the performance of minor export crops rebounded in 2020, registering a 23.6 percent growth. The production of ginger, turmeric, cinnamon, pepper, cocoa, cardamom, and arecanut increased during the year, while the production of clove and nutmeg declined. Due to the import restrictions imposed by the Government on export agriculture crop products such as ginger, pepper and turmeric, farmers showed a significant interest in cultivating such crops.

Company Intercrop sector also recorded highest in the history and it contribute Rs.41.99 million in the year under review.

Other income sources were also strong during the year 2020. Sale of coconut trees brought 15.9 Million in revenue and this was decline by 6.6 Million over the previous year. Sale of rubber trees contributed 3.3 Million and a total of 19.3 Million in revenue came from the sale of bearer's biological assets. Over Rs. 7.8 Million valuation gain was made on consumable biological assets in 2020 due to the upsurge in timber prices, which prompted the Sri Lanka Timber Corporation to revise timber prices. It is important to mention that the Company was able to make the sub-lease/ facility fee income by Rs.15.5 Million in the year 2020. As a result of the additional extent of land given on facility basis to out-growers to cultivate short-term crops like pineapple, ginger, aloe vera, and betel. This could be regarded as a win-win situation as it provides benefits for both parties. From the Company's viewpoint this could be seen as another source of income as it is a cost saving strategy with the cultivator taking responsibility for the weed control measures. Further, it creates a micro-biological environment in our plantations, which is an inherent advantage for us. It allows us to introduce coconut new/ under-plantations in such lands where possible and the growth of coconut seedlings shows a visible difference. This program also benefits the villagers by assisting them to make a considerable additional income while contributing to the national production.

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

Our People

We believe in building an honest, qualified and committed workforce that is focused on quality, productivity, entrepreneurship, value creation, profitability, eco-friendliness and corporate social responsibility. In empowering our staff, we have followed a two-fold approach: first of all, we have provided financial benefits to our employees that include performance-based incentives and non-financial benefits such as better living quarters. Over the course of the year, 10 Staff quarters including 01 Managers bungalow Total amounting Rs. 20.4 Million was completed. Employees posted to remote areas were provided with electricity, water supply and sanitary facilities while some were also equipped with solar power systems and given free kerosene and coconuts. Secondly, we have nurtured their existing knowledge and skills through continuous training and development activities. During the last fiscal year, we conducted a number of training programs covering employees at all levels.

Committed to zero deforestation and responsible planting

We remain committed to responsible planting through full utilization of all land extent under our purview for plantation purposes. In addition, we have constantly made every effort to protect government lands from deforestation or any misuse. Our effort towards responsible planting is further proven by the introduction of intercrop cultivation of major crops to obtain the maximum output from a given land area while preserving its soil quality. Further, during the year, we commenced surveying the land extents of all estates under KPL to clearly demarcate their legal boundaries, thereby laying the groundwork for defining realistic goals for progress measurements.

Corporate Governance

We are committed to upholding high standards of corporate governance and business conduct through adherence to the best industry practices, government policies, and rules and regulations that apply to the plantation sector and to State Owned Enterprises. However, the regulatory restrictions have created practical difficulties in carrying out our tasks despite the full potential of the financial strength and capacity we possess. Although we have brought this to the attention of the relevant authorities including the CORP Committee and Ministerial meetings at the

Ministry of Public Enterprises on several occasions, no solution has been offered in this matter thus far.

Progress delayed due to regulatory barriers

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

Social and national contribution

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

Future looks optimistic

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

possibility of public-private partnership initiatives as a way to surmount the bottlenecks discussed above.

Appreciation

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

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

I sincerely thank former chairman Mrs. A.V.K.Madhavi Hearath and my fellow Board of Directors for their enthusiastic participation in all board related matters and the abundant support they extended to me at all times.

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

Signed

Mr. R.P.G.Rajapaksha
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW



As the Chief Executive Officer of the Kurunegala Plantations Limited (KPL), I am pleased to present the Company's Annual Report and Financial Statement for the financial year ended 31st December 2020.

I am glad to report that we have finished another productive year. The Company led to fantastic success through our precision agricultural strategy and proper management of our plantations. But, unfortunately, the Covid-19 pandemic, natural disasters, geopolitical tensions, and profound political divisions in many nations made the year under review difficult.

Despite the hurdles mentioned above, 2020 has been an exciting one for KPL, with numerous milestones. This has increased our desire to continue towards our objective of becoming Sri Lanka's premier diversified coconut-producing plantation. Despite the difficulties, a significant milestone was reached at this time. In line with our vision of being a model plantation and agribusiness management company in the South East Asian region, we endorsed this goal by winning international awards for the best pepper grower for 2016, 2017, 2018 and 2019 at the International Pepper Community annual events.

Coconut Sector

During the fiscal year under review, our Company harvested 11.4 million coconuts, compared to 16.3 million nuts the previous year. This corresponds to a 30 percent decline. Climate change had a more significant impact on KPL estates located in the arid agro-climatic zone which is the major reason for drop of coconut harvest. However, the adverse effects of drought were mitigated by appropriate agronomic practices such as drip irrigation, husk burying, creation of ponds, cultivation of intercrops, and cover crops. In addition, KPL maintained its good agricultural and field management practices, which have delivered rich benefits during the past few years. Under-planting and infilling have yielded outstanding results, with the number of trees per acre remaining at 57 by the conclusion of the fiscal year in question; this balanced approach is likely to ensure healthy returns in the years ahead.

Rubber Sector

Rubber output in Sri Lanka increased by 4.6 percent in 2020, mainly owing to favorable market prices and weather conditions in the second half of the year. Although rubber output fell by 10.1 percent in the first half of 2020 due to fewer tapping days and dry weather conditions in rubber-growing areas during the first wave of the COVID-19 pandemic, the total amount of rubber produced increased by about 4.6 percent to 39.1 million kilograms. In 2020. However, KPL's rubber production had decreased by only 0.18 percent due to the impact of the Covid-19 pandemic and the continuous uprooting process of unproductive and old rubber trees.

Other Crops

Since 2005, KPL has successfully diversified into intercropping from 59.28 hectares in 2005 to 654.15 hectares by 2020. Cashew, cinnamon, dragon fruit, mango, and guava have been cultivated in Kurunegala's dry zone estates, while Rambutan and Durian have thrived in Gampaha's wet zone. Over the years, the other agricultural industry has also experienced significant growth. KPL was reaped income of Rs. 41.99 from intercrops.

Strategy and Focus

Aside from financial issues, we stayed committed to operational discipline and continual process improvement, which I feel were critical in overcoming the obstacles we faced during the year. We also put a significant emphasis on our primary business. We evaluated the value change and analyzed our competitive position in each business category while considering different options to keep the growth momentum in the long run.

In line with the vertical integration of agriculture and forward integration, a range of value-added products such as white coconut oil, cinnamon, pepper products, and turmeric powder have been introduced to market. In addition, eco-tourism and alternative eco-related initiatives are being seriously explored. Finally, we discussed the challenges due to increased labor wages, which have become a formidable challenge in light of the volatility in coconut and rubber prices. Our approach was to devise a more long-term salary model that balanced the Company's costs and the worker's benefits.

Furthermore, from a marketing standpoint, we accelerated our direct marketing efforts using a variety of tactics, which has delivered positive results. Meanwhile, as part of our continuous goal to transition to a more sustainable development model for the future, we invested in some precision agriculture practices in tandem with our coconut diversification projects. For example, we've used GPS tools to survey our acreage, and we've implemented the fertigation approach in part of our plantations. Furthermore, we started a trial project to cultivate bud grafted jak fruit on idle lands in a few estates. In addition, we looked into diversifying into other sectors that would complement the eco/agro-tourism sector, which we hope to invest in soon.

Governance and Stewardship

As part of our commitment to all stakeholders, we believe that excellent corporate governance is the cornerstone of developing a sustainable organization. As a result, we remain steadfastly committed to maintaining high standards in governance processes. I want to emphasize that the Board collaborates closely with management to assess and manage risks, allowing the Company to overcome the myriad problems that the industry faces regularly.

Future Outlook

With our long-term objective of sustainable plantation development, we will continue with our development and diversification program. On a strategic level, our long-term focus is on developing and consolidating our core plantation business while also seeking diversification-driven growth. As a result, the Company will explore a variety of crop value creation efforts to transition from a merely primary producer to a value-added product company, assuring its long-term viability.

I am optimistic that good times lie ahead. Although recovery appears to be at a slower pace because the demand in the local coconut industry is sluggish at present, we must keep abreast of market conditions to reap long-term benefits. I am confident that the rubber industry, too, will bounce back in 2021, signaling an end to the difficulties we faced over the past seven years. That is why we remain fully committed to ensuring that both our business segments are consistently well positioned to bring us long-term success by optimizing emerging opportunities to generate value for all stakeholders of the business. I believe that better days are ahead. Although recovery appears to be taking longer than expected due to the outcome of the Covid- 19 pandemic, we must stay sustainably to reap long-term benefits from our coconut plantation. I am optimistic that the rubber sector will recover in 2021, ending the endured hardships for the past seven years. Intercropping, under coconut, is always making a sizable profit. That is why, in the future, we will stay wholly committed to ensuring that triple of our business sectors is continually well positioned to offer us long-term success by utilizing emerging possibilities to generate value for all company stakeholders. Simultaneously, we will uphold the fundamental ideals that have led to our success throughout the years. To continue at the vanguard of value generation means maintaining an uncompromising focus on efficiency and ongoing innovation.

Vertical Integration

Vertical integration is a strategy that allows KPL to streamline its operations by taking direct ownership of various stages of its production process rather than relying on external contractors or suppliers.

Vertical integration is one of the decisive factors influencing agriculture's market structure and competitiveness. Forward and backward integration is

major streams under vertical integration. Forward integration means expansion of agriculture production towards product finalization and distribution, in which we have expanded the range of finished products and launched the marketing of same. Backward integration is directed to the preceding phases to engage inputs from the primary subjects within the product vertical. The level of vertical integration differs between individual industries and within each sector. Vertical integration should internalize to the transaction to undertake the market's coordination role to increase the firm's competitiveness both on domestic and foreign markets. KPL is focused on forwarding integration strategies to expand the range of value-added products during the year under review.

We are working to make the most of our resources by implementing precision farming practices across our whole plantation operations and other vital initiatives. Furthermore, we intend to share our knowledge with the entire plantation sector to ensure that Sri Lanka remains at the forefront of plantation crop production in the South Asian and Southeast Asian regions.

Acknowledgments

I want to express my gratitude to Dr. Ramesh Pathirana, the Hon. Minister of Plantation, and Mr. Arundika Fernando, the Hon. State Minister of Coconut, Kithul, and Palmyrah Cultivation Promotion, Related Industrial Product Manufacturing, and Export Diversification. Mr. Ravindra Hewavitharana, Secretary to the Ministry of Plantation Industries, Mr. Tissa Hewavithana, Secretary to the State Ministry, and other Ministry Officials have been of great help and encouragement.

Furthermore, my heartfelt gratitude goes out to our Chairman, Mr. R.P.G. Rajapaksha, who has relentlessly directed the rest of the Board and us for their vital inputs, encouragement, and support. Finally, I'd like to thank Corporate Advisory Services (Private) Limited – Secretaries to KPL and all of our other stakeholders for their contributions to the Company's success over the year.

In addition, I must express my gratitude to our effective Senior Management Team, Area Superintendents, and all staff for their passion, dedication, and loyalty, which enabled Kurunegala Plantations Limited to continue to achieve these outstanding victories.



Dr. S.M.M. Samarakoon
Chief Executive Officer

BOARD OF DIRECTORS



Mr. R.P.G. Rajapaksha
Chairman

Mr. Rajapaksha was appointed as the Chairman of Kurunegala Plantations Ltd on 09th July 2021. He has completed his Master of Business Administration – (Finance) from university of Southern Queensland from 2012. Mr. Rajapaksha has completed his Post Graduate Diploma in Business and Financial Administration from Cranfield University School for Management, UK. (2006/7). Also completed Executive Diploma in Accounting & Finance (ICASL). (2005/6) and Chartered Accountancy - Intermediate Certificate (2003). Further Mr. Rajapaksha followed Computer training programs in MS office and excel application by Staff Development center (Commercial Bank of Ceylon) and Computer Awareness Programme conducted by the faculty of engineering of the Open University of Sri Lanka, Attended and completed a workshop for “Entrepreneur Approach to Credit Management” Regional Authority under Sales and marketing Forum. (UK) and he have been received Level 2 Certificate for “English for Communication” examination by University of Warwick.

Mr. Rajapaksha started his carrier from Sri Lanka Insurance corporation Ltd in 1996 as Accounts clerk (Grade III) and from 2008 he has promoted as an Accountant – credit control. From 2011 to 2012 he moved to Philippines with his family while his spouse doing her studies, he self-employed as private tutor. From 2012 to 2016 worked as a Senior Accountant of Promo Ts Private Ltd and 2016 to 2018 worked to Keith Morton Security Limited – (Singapore) as a Senior Accountant. In 2018 he started Irashma Fabric Printing solutions and he is the Founder and the owner. From 1st of November 2020 he appointed as an Advisor to the State Minister of Plantations.



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

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

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

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



Ms. M.K.P. Rukmani
Director

Ms. M.K.P. Rukmani appointment as a Director of Kurunegala Plantations Ltd with effect from 21st July 2021. Ms. Rukmani is the Chief Accountant of State Ministry of Coconut, Kitul, Palmyrah, and rubber cultivation promotion and Related Industrial Products Manufacturing & export diversification.

Ms. Rukmani has completed Higher National Diploma in Accountancy, AAT and also completed Intermediate level of Chartered Accountants of Sri Lanka. She started her carrier to join Accountancy service in 2005 and promoted to Class 1 to 2015. She worked as an Accountant, Zonal Education in Badulla, Department of Education Uva Province, Ministry of Agriculture Uva province, Divisional Secretariat Divlapitiya, Divisional Secretariat Imaduwa.



Mr. H.A. Nadeeka Hettiarachchi
Director

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

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

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



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

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

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



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

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

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



Mr. Thaminda Ediriwickramasuriya
Director

Mr. Wickramasuriya schooled at St. Peters College, Colombo and excelled his carrier as a businessman. He was appointed as a member of the board of Kurunegala Plantations Ltd in 2021.

Besides, he performs his duties as a "Coordinating Secretary" to the State Minister of Plantation Hon. Arundika Fernando whilst executing his business activities as a director "Auto Lanka (Pvt) Ltd", "Thaminda Construction Company" and "Kutilla Motors".

He is a sport enthusiastic and attentive in Badminton.

SENIOR MANAGEMENT



Chief Executive Officer
Dr. S.M.M. Samarakoon
PHD, M. Sc. (Agric.Econ.)
B. Sc. (Agriculture) Hons.



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



Manager – Finance
Mr. D.I.K. Dissanayake
B.B. Mgt. (Human Resource)
(Special),
CBA,



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



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



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



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

AREA SUPERINTENDENTS



Mr. G.K.A. Jayawardana



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



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



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



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



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



Mr. S.L.P. Vithanage
B.Sc. Plantation Management

SUSTAINABILITY REPORT

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

Sustainable agriculture practices

We have consistently encouraged sustainable agricultural management practices to ensure maximum productivity. Hence, these practices have been applied in all our seven estates, through increased land use for efficiency, crop diversification, inter cropping and under planting. To optimize the land use for increased productivity, we have taken immense effort to follow the 'maximum possible palms per acre' policy. Under planting is now implemented across every type of land available. The under planted acreage at the end of 2020 was recorded as 23% (857.98 hectares) of the total Coconut bearing area and during the year Rs.103 million was invested in immature Coconut plantations. This increase in the number of palms per acre will undoubtedly improve the yield of coconuts from all our estates in future, thereby enduring the sustainability of the Company.

Our sound agricultural practices such as harrowing, increased usage of organic manure with restricted usage of inorganic fertilizer, contoured drains, mulching, etc. Have contributed to a sustainable productivity improvement of our lands. Besides, the usage of organic manure has contributed to the improvement of soil fertility, moisture retention capacity, soil aeration, porous texture and healthy microbial activity of soil. These favourable properties of the soil bear testimony to the good agricultural practices and our dedication to the sustainability of our lands.

Reduction in the usage of synthetic chemicals on plantations

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

Biological control

- Use of predator mites (*Neoseiulus baraki*) to control ordinary mites (*Aceria guerreronis*) in Coconut plantations – Production of predator mites is carried out in a full-fledged breeding laboratory at Katugampola. This eco-friendly technique has shown highly promising results.
- Pheromone traps – To regulate Fruit Fly (*Drosophila* species) in fruit plantations and Red Weevil (*Rhynchophorus ferrugineus*) in Coconut plantations.
- Introduction of Red Ants (*Solenopsis* species) for the control of *Helopeltis* mosquito in Cashew plantations.

Mechanical control

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

- Using machinery for ploughing, harrowing, and slashing
- Grazing of cattle

- Establishing cover crops
- Mulching the fertilizer circles

Application of organic manure

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

Biodiversity

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

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

Employee Benefits and Encouragement

KPL remains steadfast in its commitment to provide a safe, pleasant and rewarding working environment for its employees. Our employees who possess a competitive advantage as qualified, experienced and credible professionals remain our most valuable asset. By appreciating the need for a high degree of professionalism and expertise for the profitable management of our plantations, KPL constantly attempts to acquire and foster a human capital base that has the relevant skills and knowledge. As of end 2020, the total workforce of KPL comprised 1,135 personnel.

Payment of Performance Based Incentives

The Company started a performance-based incentive scheme in 2005 and has continued it while encouraging its employees to deliver better performance. A sum of Rs. 36 million was set aside in the financial statements for the payment of

performance-based incentives in the year 2020. The figure for 2019 was Rs. 20 million. This provision was made in order to pay two months' worth of Provident Fund Salary to monthly paid employees and Rs. 15,500 to daily paid workers as incentives.

Other Benefits enjoyed by our Employees:

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

Residence Facilities

Over the course of the past few years, we have made an intensive effort to improve the housing conditions across our plantations. The Company has always been concerned about the resident workers and so provided better residences with electricity and sanitary facilities. During the year, we constructed 10 Staff quarters including 01 Managers bungalow Total amounting Rs. 20.4 Million was with basic facilities like electricity, water supply and sanitation, in addition to renovating a few residential quarters.

Employee Training and Development

KPL continues to invest on training and development of the staff by imparting to them the required skills, knowledge and attitude to enhance their productivity. A wide range of training programs, both in-house and external have been offered with the aim of promoting the employees' continued learning as well as personal development. During the year under review,. In addition, the company also supports a number of

diploma, degree and master programs for the employees. For the field staff, on the job training is provided in addition to arranging special training programs conducted by experts in the field of agriculture.

Building lifelong relationships with employees

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

KPL and the society

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

uphold are embedded in our operations with all our business activities and are aimed at promoting Economic, Social and Environmental stability. KPL being a Plantation Company remains dedicated to practicing economically viable farming whilst protecting the environment, preserving biodiversity, and ensuring the well-being of the employees and our Nation at large.

RISK MANAGEMENT

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

Risk culture

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

Risk identification

The Company's top management remains committed to creating a risk culture within the Company by instilling an adequate sense of risk awareness among the employees. The Company's efforts to identify internal risks follows a bottom-up approach where even the operational level employees are encouraged to identify risks arising within their respective occupational areas. The top management also remains cognizant of external developments while identifying external risks. The Company further categorizes these identified risks, some of which are common to every organization while some are specific to the Plantation Sector, for the purpose of exercising effective control.

Operational risks

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

Pests and disease

The coconut mite "*Aceria guerreronis*", "*Plessispa*" and "*Weligama Wilt*" have now been added to the portfolio of pests and diseases prevalent in the plantations, and which have caused tremendous damage and destruction to high quality coconut trees. Coconut mite

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

Crop security

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

Shortage of labor

A skilled workforce for harvesting, husking and tapping is an essential requirement in the industry. However, over the last few years, a troublesome issue faced by the management of the Company was the shortage of skilled coconut plantation workers. This has badly hampered the day-to-day management practices at coconut estates. Since Coconut plantations do not retain a resident workforce unlike the Tea and Rubber estates, the Company is compelled to depend on labourers from the neighbouring villages. Therefore, to reduce reliance on manual labourers and maintain the plantations efficiently, the Company adopted the use of machinery for weeding, draining and fertilizing, including judicious chemical weeding as an alternative solution. While we have always been mindful of

optimal output from our labour force, we have also obtained very high output through appropriate mechanization. The Company also took measures for staff retention through the provision of free residential facilities, and supplying electricity, water and coconut at concessionary prices. Additionally, incentive payments were made based on performance, and other benefits were made available, such as payment of bonus, scholarships for children's education, various loan schemes to meet essential requirements, distress loans to staff, timely payment of statutory dues, providing professional training and setting up a friendly and caring working environment.

Risk of land acquisition

The Company is highly vulnerable to the risk of acquisition of productive land for national requirements, public purposes and to meet statutory demands. It is worthy of note that Kurunegala Plantations Limited has lost 26% of the land that was originally taken over in 1992 for the establishment of the Company.

Trade unions, social and environmental changes

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

Risk monitoring and review

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

CORPORATE GOVERNANCE

The Board of Directors of Kurunegala Plantations Limited operates on the principles of honesty, corporate impartiality, transparency and accountability. These are the governing principles that form the foundation on which it endeavours to build a strong relationship with all its stakeholders and nurture the environment within which the Company operates. The Company's activities are conducted in line with ethical standards and in the best interests of all its stakeholders. This commitment is supported with the right roles, structures and information that are embodied in the policies, procedures and processes that are designed not only to ensure regulatory compliance and sustainability of business but also to enhance business value.

Board of Directors

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

Responsibility

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

Composition

The Board is comprised of seven (07) Non-Executive appointed Directors including the Chairman.

Board meetings

Board Meetings are scheduled on a monthly basis. At these meetings the Board sets out the strategic direction of the Company, reviews the Annual Budget, the progress of all activities, and the recurrent and capital expenditure programs. The Board members are given appropriate documentation in advance of each Meeting. Nine 11 Board Meetings were held during the year 2020 as follows:

- 358th Board Meeting on 13th February 2020
- 359th Board Meeting on 29th February 2020
- 360th Board Meeting on 30th March 2020
- 361st Board Meeting on 13th May 2020
- 362nd Board Meeting on 30th June 2020
- 363rd Board Meeting on 20th July 2020
- 364th Board Meeting on 20th August 2020
- 365rd Board Meeting on 30th September 2020
- 366th Board Meeting on 29th October 2020
- 367th Board Meeting on 02nd December 2020
- 368rd Board Meeting on 24th December 2020

Current Board of Directors

Name	Designation	Date of Appointment
Mr. R.P.G.Rajapaksha	Chairman	09/07/2021
Mrs. A.V.K. Madhavi Herath (Appointed to the Board 31.12.2019 and Resigned on 08.07.2021)	Chairman (31/12/2019 to 08/07/2021)	31/12/2019
Mr. B.L.A.J. Dharmakeerthi (Appointed to the Board 05.02.2020 and Resigned on 21.07.2021)	Director	05/02/2020
Mr. W.D.R. Crishantha	Director - Treasury Representative	11/01/2020
Mr. H.A. Nadeeka Hettiarachchi	Director	15/01/2020
Mr. W.A.J.G.D. Wijesinghe	Director	15/01/2020
Mr. S.E. Dias Rathnayake	Director	15/01/2020
Mr. H.C.M.M. Kulasekara	Director	05/02/2020
Ms. M.K.P.Rukmani	Director	21/07/2021
Mr. T. Ediriwickramasuriya	Director	16/08/2021

The attendance of the Board of Directors at these meetings during the year 2020 is as follows.

	13.02.2020	29.02.2020	30.03.2020	13.05.2020	30.06.2020	20.07.2020	20.08.2020	30.09.2020	29.10.2020	02.12.2020	24.12.2020	Attendance
Ms. A.V.K.M.Herath - Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. B.L.A.J.Dharmakeerthi	✓	✓	✓	✓	✓	✓	x	x	x	x	x	06/11
Mr. W.D.R. Crishantha – Treasury representative	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. H.A.Nadeeka Hettiarachchi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. W.A.J.G.D..Wijesinghe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. S.E.Dias Rathnayake	✓	X	x	✓	x	x	x	x	x	x	x	02/11
Mr. H.C.M.M. Kulasekara	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11

Compliance with legal requirements

The Board of Directors makes every endeavour to ensure that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulations as applicable to state-owned business undertakings in the Country.

The Board ensures that the financial statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007.

REPORT OF THE AUDIT COMMITTEE

The Members of the Audit Committee are appointed by the Board of Directors of the Kurunegala Plantations Ltd and the Committee comprises of three Non-Executive Directors. The Audit Committee meetings are scheduled as needed under the Chairmanship of the Board Member representing the General Treasury. The Chairman, Chief Executive Officer and another Non-Executive Director participate in the Audit Committee meetings regularly.

Furthermore, Senior Executives and Managers, Area Superintendents and representative from National Audit office participate time to time in the meetings by invitation and the meetings are coordinated by the Manager-Audit of the Company. There had been 04 Audit Committee meetings during the year 2020 and the attendance to the aforementioned meetings are as follows:

Present Audit Committee Year - 2020/ 2021

Name	Appointed to the Board on
Mr. W.D.R. Crishantha Chairman Audit Committee Director - Treasury Representative.	11.01.2020
Mr. H.A.N.Hettiarachchi – Director	15.01.2019
Ms. M.K.P.Rukmani – Director	21.07.2021

Audit Committee Meetings Year – 2020

Name	12/03/2020	29/06/2020	17/08/2020	09/12/2020
Mr. W.D.R. Crishantha – Chairman Audit Committee – Director Treasury Representative	√	√	√	√
Mr. B.L.A.J. Dharmakeerthi - Director Additional Secretary to the Ministry of Plantation Industries and Export Agriculture. (Appointed to the Board 05.02.2020 and Resigned on 21.07.2021)	√	√	√	x
Mr. H.A.N. Hettiarachchi – Director	√	√	√	√

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

Progress during the Financial Year

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

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

The Audit Committee wishes to acknowledge with thanks the services rendered by the Internal Audit Division and their efforts to meet the requirements

and expectations of the Company. The priceless contribution made by the Members of the Audit Committee as well as other invitees/observers is acknowledged with grateful appreciation and their competence and relevant experience in financial matters have been really helpful for continuous success of the Company.



Mr. W D R Crishantha
Chairman, Audit Committee

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kurunegala Plantations Limited have pleasure in presenting their Annual Report together with the Audited Financial Statements for the fiscal year ended 31st December 2020.

Legal status of the company

Kurunegala Plantations Limited (KPL) was incorporated as a limited liability Company under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government Owned Businesses undertakings into Public Companies Act No. 23 of 1987. It was re-registered under the Companies Act No. 07 of 2007 with a new registration number – PB 1319. The registered office of the Company is located at No. 80, Dambulla Road, Kurunegala. The Company remains as a Single Shareholder Company, the Secretary to the Treasury of the Government of Sri Lanka being its Shareholder.

Principal activities and nature of business

The Company's principal activities of cultivation which include manufacture and sale of Coconut, Rubber, Other crops and other agriculture produce continued during the year 2020. The Company's lands are scattered in Kurunegala, Gampaha and Anuradhapura districts, which form 07 Area estates, namely Attanagalla, Dambadeniya, Dodangaslanda, Hiriya, Kurunegala, Katugampola & Narammala.

Extent of lands held

KPL has lost large extents of productive lands due to release of lands for national requirements and Statutory Declarations. Kurunegala Plantation Limited has lost over 26% (1,750.88 hectares) of the land originally handed over (6,722 hectares) to the Company in 1992 with the establishment of the Company. At the end of Financial Year 2020 the total land extent in possession is 4,971.12 hectares.

Land Extent of Area Estates

	Extent (hectares)
Attanagalla	1114.53
Dambadeniya	462.18
Dodangaslanda	690.73
Hiriya	980.21
Katugampola	617.12
Kurunegala	555.80
Narammala	550.55
	<u>4971.12</u>

Product portfolio

Coconut is the main crop in all 07 area estates while rubber had been confined to Attanagalla and Dodangaslanda areas. KPL also maintains a range of other crops that are grown as intercrops under Coconut considering land & climatic suitability.

Going concern

The Board of Directors are satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the Financial Statements are prepared based on the Going Concern Concept.

Financial statements & auditor's report

The duly completed Financial Statements for the year ended 31st December 2020 signed by the Directors and the Auditor's Report for the same period are given in page 36 to 40

Accounting policies

The Accounting Policies adopted in the preparation of the Financial Statements are further elaborated in pages 45 to 58 of this Report. The Accounting Policies adopted in the previous year are applied without changing.

Revenue

The Company's revenue showed an increase over 38% against last year. The composition of the revenue is as follows;

	2020 Rs. million	2019 Rs. million	Increase/ (Decrease) %
Coconut	583	403	45
Rubber	30	29	3
Intercrop	42	44	(5)
Other sources	30	22	36
Total	685	498	38

Profit before tax & profit after tax

The total revenue of the Company for the year 2020 is Rs. 685 million (2019 - Rs. 498 million). The other operating income for the year is Rs. 51 million (2019 - Rs. 73 million). The profit-before tax of the

Company the year 2020 is Rs. 214.9 million (2019 - Rs. 120 million). Financial results of the Company are given in the Statement of Comprehensive Income.

	2020 Rs. million	2019 Rs. million
Profit from Coconut	242	92
Loss from Rubber	(11)	(16)
Profit from other sources	44	37
Gross Profit	275	113
Gain on Fair value of biological Assets	7	19
Other operating income	51	73
Administrative expenses	(126)	(115)
Profit from operating activities	208	91
Finance Income	36	59
Finance Expenditure	(30)	(30)
Profit before taxation	215	120
Current year Income tax expense	-	-
Deferred taxation	(28)	(18)
Profit for the year	186	102

Coconut sector

The bearing extent of Coconut at KPL was 2,794.28 ha as at end 2020. Currently the Coconut under-plantation acreage (833.67 ha.) is 30% of the bearing coconut extent. KPL's Coconut estates have a density of 61 palms per acre, compared with best practice of around 60 palms per acre. It is noteworthy to mention that the palms per acre had been increased from 50 on 1st January 2005, the year in which the management of the Company had been taken over to by the Government. Coconut yields have continued on an increasing trend since 2005 to peak in 2012 recording 18.1 million Nuts. However, in 2013, KPL and other growers experienced a considerable draw back where KPL's production fell to 13.0 million nuts. However, Company's Coconut production showed an increasing trend afterwards recording 16.7 million nuts

in 2014, 14.1 million nuts in 2015, 16.7 million nuts in 2016. However, a noticeable downfall in production was recorded in 2017 hitting the bottom of 10.6 million nuts, which is the lowest production recorded in the history of KPL. However, coconut production in 2019 improved to 16.3 million nuts and it 11.4 million recording an over 30% decrease over the year 2020.

Even though, the production decreased by 30%, the Net sales average per nut of Rs. 49.07 recorded in 2020, its increased Rs.24.46 than the last year. The Net sales average per nut for the year 2019 was Rs. 24.61. This situation created a favorable impact on coconut revenue recording a Rs. 179 million increase over the last year.

Rubber sector

The Company held 163.47 hectares of mature Rubber plantation at the end of year 2020 and 18.13 hectares immature plantation. Rubber has long been an unattractive sector due to the low NSA. The loss from rubber decreased to 10.6 million from 16.1 million in 2020. The loss in 2018 was Rs.16.6 million. This was mainly due to the decrease in NSA by Rs. 65 per kilogram in 2020 compared to 2017/2018. (NSA – Rs. 244 in 2019, NSA - Rs. 309 in 2017). In addition, the company rubber production has been come down gradually due to uprooting of old or unproductive rubber plantations and reducing of number of tapping days due to adverse weather conditions. The production in 2020 is 107,088 kilogram and 107,280 kilogram in 2019, while it was 111,112 kilogram in 2018. Unproductive rubber plantations are used to diversification with high yielding minor export crops. More focus was given to crops such as cinnamon and pepper considering its growth potential and market profitability. Some land areas were also dedicated for mono cultivation where they produce or grow a single crop.

Other crops

Our intercrop cultivation contributed by Rs. 41.9 million for our revenue during year under review. Our outstanding success and profitability can be attributed to our farsighted strategic direction. One of the critical strategic steps taken during recent past in this regard was the large-scale initiation of diversification into intercrops in minimizing our dependency on the major crop of coconut that accounts for approximately 80% of our income. As a result, we have been able to maximize the income generated from a land unit while generating an additional income from intercrops.

Intercrops such as black pepper, mango and rambutan contributed largely to this income. There were also other benefits that resulted from intercrop cultivation. Intercropping had a positive impact on creating bio-diversity. In enhancing the existing cultivation systems, in par with its low cost marketing approach, KPL introduced leasing of intercrop harvest where it is economical by evaluation. In this way, the responsibility of plucking and selling the harvest will be vested on the buyer minimizing the post-harvest risk on the Company.

Capital expenditure & investments

The company has been investing a considerable amount of money in capital developments for years, which includes expansion of coconut & intercrops and maintenance of plantations in immature stage. During the fiscal year under review, Rs. 102 million (2019 - Rs. 116 million) had been invested in Fixed Assets of the Company out of which nearly Rs. 124 million (2019 - Rs. 138 million) had been incurred on immature plantations.

Financial position structure

Total asset has been increased year on year fortifying the financial position structure, Rs 364 million increase during the fiscal year under review. The investment of Rs. 226 million, in property plant & equipment, net improvement of consumable biological assets by Rs. 2 million and increase of current asset by 122 million in the year under review were and the total asset Rs. 2,801 million during year under review.

Liquidity management

Net working capital of the Company Rs. 619 million (2019 - Rs. 510 million) due to a increase in short term investments. Cash and short term investments Rs. 590 million in the year 2020 and Rs. 454.9 million in 2019. The Company held over Rs. 525 million in short term investments as at 31st December 2020 compared with Rs. 430 million in 2019. These investments comprised of term deposits at State Banks as follows

	As at 31.12.2020	As at 31.12.2019
Matured within 03 months		
Term Deposits - Bank of Ceylon	30,000,000	60,200,000
Term Deposits - Peoples' Bank	-	-
Term Deposits - National Savings Bank	-	-
	60,200,000	60,200,000
Matured after 03 months		
Term Deposits - Bank of Ceylon	200,000	160,000,000
Term Deposits - Peoples' Bank	495,000,000	50,000,000
Term Deposits - National Savings Bank	-	160,000,000
	495,200,000	370,000,000
Total	525,200,000	430,200,000

Stated capital

This refers to the total amounts received by the Company in respect of the issue of shares. The total Stated Capital of the Company as at 31st December 2020 was Rs. 200,000,010. This comprises 20,000,000

in Ordinary Shares and 01 Golden Share held by the Secretary to the General Treasury of Sri Lanka. No allotments of shares were made during the year.

Reserves

The Company Reserves as at 31st December 2020 are represented by;

	2020	2019
	Rs. million	Rs. million
Retained Earnings	1,521	1,342
Biological Asset Valuation Reserves	375	368
Revaluation Reserve	115	-
Other Reserves	65	68
	2,076	1,778

Payment of dividends

While most government institutions are a burden to the General Treasury, KPL has not only been transformed to a successful self-financing institution, but has also fulfilled its commitment by way of paying dividends to the Golden Shareholder, the General Treasury. We are proud to state that during the current financial year, KPL continues to be a self-financing

public enterprise under State Management. After taking-over of the management of KPL by the Government in 2005, for the first time in its history, the Company paid dividends in 2007. Since 2007 a sum of Rs. 457.5 million in total have been paid to the General Treasury as dividend. Rs. 50 million is expected to be paid for the financial year 2020.

Directorate

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

Name	Date of Appointment
Mr. R.P.G. Rajapaksha – Chairman	09.07.2021
Mrs. A.V.K.M. Herath – Chairman (Resigned on 08.07.2021)	31.12.2019
Mr. B.L.A.J. Dharmakeerthi (Director - Additional Secretary to the Ministry of Plantation) (Resigned on 21.07.2021)	05.02.2020
Mr. W.D.R. Crishantha – Treasury Representative	11.01.2020
Mr. H.A.Nadeeka Hettiarachchi – Director	15.01.2020
Mr. W.A.J.G.D..Wijesinghe – Director	15.01.2020
Mr. S.E.Dias Rathnayake – Director	15.01.2020
Mr. H.C.M.M. Kulasekara – Director	05.02.2020
Ms. M.K.P.Rukmani (Chief Accountant – State Ministry of Coconut, Kithul and Palmyrah cultivation promotion and Related Industrial Production Manufacturing & Export Diversification)	21.07.2021
Mr. T. Ediriwickramasooriya – Director	16.08.2021

Directors' interest in contracts

The Directors have no direct or indirect interest in contracts.

Directors' share holding

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

Audit committees

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

Employment

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Company practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.

Statutory payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and all other known statutory dues were paid by the Company as at the Reporting Date.

Events after the reporting date

There have been no events subsequent to the Reporting Date, which would have any material effect on the Company other than those disclosed in this report.

Auditors

The Accounts for the year 2020 have been audited by the Auditor General's Department.

Financial statements

The Financial Statements for the year ended 31st December 2020 was approved by the Board of Directors of the Company on 25th February 2021. Mrs. A.V.K. Madhavi Herath (Chairman) and Mr. W.D.R. Crishantha (Director/ Treasury Representative) were authorized to sign the Financial Statements for and on behalf of the Board of Directors of Kurunegala Plantations Ltd.

Annual General Meeting

The Annual General Meeting will be held at Taj Samudra Hotel, No. 25, Gallface Center Road, Colombo at 11.30 a.m. on Thursday 27th January 2022. The notice of the Annual General Meeting is attached hereto.

For and on behalf of the Board of Directors

Signed

Mr.R.P.G. Rajapaksha
Chairman



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



Corporate Advisory Services (Pvt) Limited
Secretaries of Kurunegala Plantations Ltd.
11th January 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The financial statements comprise:

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

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

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

The Directors are required to prepare the Financial Statements and provide the Auditors with every opportunity to take needed steps and accept whatever assessments they may consider to be appropriate to

enable them to give their audit opinion. As per the Companies Act the Board shall cause the Annual General Meeting Report to be sent to every shareholder of the Company not less than 15 working days before the date fixed for holding the Annual General Meeting. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

Compliance report

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

By Order of the Board



Corporate Advisory Services (Pvt) Limited
Secretaries - Kurunegala Plantations Limited
Kurunegala.
11th January 2022



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



PLA/A/KPL/01/2020/05

31 August 2021

The Chairman

Kurunegala Plantations Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Kurunegala Plantations Limited for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kurunegala Plantations Limited for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

- Plans relating to lands leased to the value of Rs.139 million shown under property, plant and equipment in the financial statements, were not available with the Company. As such, the Company had failed to confirm the legal ownership and clear title of lands.
- The approval of the Ministry of Plantation Industries or Treasury had not been received for the decision reached by the Company to discontinue the lease rental since the year 2009, payable to the General Treasury relating to lands of 1,751 hectares in extent released for various purposes of the Government, out of lands leased out to the Kurunegala Plantations Ltd. for plantation activities. Moreover, the lease rental of Rs.221 million not paid up to the end of the year under review had not been disclosed in the financial statements.
- Even though lands of 1,751 hectares in extent valued at Rs.67 million of lands granted to the Company by the Janatha Estates Development Board in the year 1992, had been released by the end of the year under review for various requirements of the Government and public, details on those lands had not been disclosed in the financial statements of the year under review.
- Even though 160 motor vehicles to the book value of Rs.11,923,616 had been revalued for Rs.127,803,190 in the year under review, according to paragraph 73(e) of Sri Lanka Accounting Standard 16 on property, plant and equipment, the said revalued amount had not been separately disclosed in the balance of property, plant



and equipment in the statement of financial position of the Company. Moreover, according to paragraph 77 of the Standard, disclosures to be made in respect of revaluation had not been made in the financial statements.

- (e) In terms of paragraphs 51 and 61 of Sri Lanka Accounting Standard 16 on property, plant and equipment, the useful life of non-current assets had not been reviewed annually and as such, fully depreciated assets such as computers, equipment and furniture costing Rs.3,113,150, Rs.8,591,207 and Rs.2,351,155 had been further used by the end of the year under review. However, action had not been taken to revise the said estimated error and to indicate the accurate carrying amount in the financial statements in terms of Sri Lanka Accounting Standard 08.
- (f) The policy adopted by the Company for allocating provision for bad debts and doubtful debts for debtors had not been disclosed in the financial statements.
- (g) A liability totalling Rs.21,925,220 comprising tax liability on business profit of Rs.7,616,547 and tax liability on investment income of Rs.14,308,673 had not been indicated in the financial statements and as such, after tax profit of the year had been over-computed by Rs.21,925,220 while current liabilities had been under-computed by the same amount.
- (h) According to 4th Schedule 1(1) of the Inland Revenue Act, No.24 of 2017, capital allowance for buildings should be calculated as 20 years. However, as there is an error in calculating the capital allowance for buildings purchased by the Company at a cost of Rs.33,385,858 in the year under review, it had been considered as one year, thus resulting in an increase in the deferred tax liability by Rs.4,440,319 and after tax profit as well had decreased by the same value.
- (i) In terms of paragraph 61 A of Sri Lanka Accounting Standard 12 on income tax, deferred tax relating to items recognized outside profit or loss, should be recognized outside profit/loss. However, it had not been so done and according to paragraph 62 (a) of the Standard, the deferred tax arising on a change in carrying amount arising from the revaluation of property, should be recognized in other comprehensive income. However, the overall impact to the value of Rs.16,767,677 arising from revaluation of motor vehicles made by the Company in the year under review had been recognized as a deferred tax asset valued at Rs.1,179,555 without being recognized under deferred tax liabilities, deferred tax expenses and other comprehensive income. As a result, the comprehensive income and the profit of the year had increased by Rs.16,223,140 and Rs.1,724,092 respectively while the deferred tax liability had decreased by Rs.17,947,232. Further, even though the said impact should be adjusted to the revaluation reserve, the Company had not done accordingly.
- (i) A sum of Rs.17,616,548 representing 14 per cent of the value of revised profit from taxes of the Company amounting to Rs.54,403,910 had been recognized as a deferred tax liability. As such, the deferred tax liability of the Company had been overstated and the after tax profit of the year had been understated by the said value. Moreover, tax losses of Rs.89,503,736 of the Company, brought forward since the preceding years had not been used as a deferred tax asset in calculating the said deferred tax liability and as such, deferred tax liability had been overstated by Rs.12,530,523.

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



1.3 Other Information included in the Annual Report-2020 of the Company

Other information means the information included in the Annual Report -2020 of the Company which is expected to be submitted to me after the date of this report, but not included in the financial statements and my audit report thereon. The Management should be responsible for other information.

Other information is not enclosed by my opinion on financial statements and I do not make any certification or express an opinion in that connection.

My responsibility relating to my audit on financial statements is to read other information identified as above when it is available and to consider whether other information is not materially compatible with financial statements or with my knowledge gained in audit or any other manner.

When reading the Annual report 2020 of the Company, if I conclude that material misstatements exist, those matters should be communicated to those charged with governance for correction. If any material misstatements further exist, those will be included in the report tabled in Parliament by me in due course in terms of Article 154(6) of the Constitution.

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

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

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

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

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

1.5 Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that is required for the audit and as far as appears from my examination, proper financial records have been kept by the Company as per the requirement of Sub-section 163 (2) (d) of the Companies Act, No. 7 of 2007 and Sub-section 12(a) of the National Audit Act, No.19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 Except for the observations indicated in paragraphs 1.2(a),(b),(c), 2.2.2(a),(b) and (c) of this report, the financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Sub-section 12 (d) of the National Audit Act, No. 19 of 2018

2.2.2 Except for the following observations, to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Sub-section 12 (f) of the National Audit Act, No. 19 of 2018



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NATIONAL AUDIT OFFICE

Reference to law/direction	Description
(a) Paragraph 02 of Public Enterprises Circular No.95 of 14 June 1994	Despite not having made any provision whatsoever in the Circular, the Company had paid an allowance named adjustment allowance totalling Rs.1.08 million at Rs.10,000 per month each to 09 Middle Level Managers of the Company and a sum of Rs.1,418,894 as medical allowances to officers of Executive Level in the year under review.
(b) Paragraph 01 of Management Services Departmental Circular No.39 of 26 May 2009	Employees' salaries for deploying estate workers in the service amounting to Rs.5.4 million payable to 09 Staff Officers of Senior Level of the Company, had been paid in the year under review as well to the relevant officers as employees' allowances convertible to money without deploying workers in such manner and without the approval of the Department of Management Services and the General Treasury.
(c) Paragraph 02 of Public Enterprises Circular No.01/2015 of 25 May 2015	Five officers serving in the Head Office who were not entitled to official transport facilities, were provided with official vehicles and an expenditure of Rs.1.02 million as well had been incurred in the year under review for fuel for those vehicles.

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

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

W.P.C. Wickramaratne
Auditor General

KURUNEGALA PLANTATIONS LIMITED
Financial Statements - 2020
 STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2020 Rs.	2019 Rs.
Revenue	4	685,267,268	498,675,657
Cost of sales	5	(409,477,281)	(385,717,645)
Gross profit		275,789,987	112,958,012
Gain/(Loss) on Fair Value of Biological Assets	16.2	7,800,153	19,801,889
Other operating income	6	51,118,052	73,492,888
Administration & general expenses	7	(126,086,981)	(115,247,075)
Profit from operating activities		208,621,211	91,005,713
Net financial income / (expenses)	8	6,325,540	29,165,193
Profit before taxation		214,946,751	120,170,906
Income tax expense	9	(28,312,387)	(18,132,567)
Profit for the year		186,634,364	102,038,339
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)		(2,733,269)	2,900,441
Revaluation Reserve		115,879,574	-
Total comprehensive income for the year		299,780,669	104,938,780
Earnings per share	10	9.33	5.10

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

KURUNEGALA PLANTATIONS LIMITED
Financial Statements - 2020
STATEMENT OF FINANCIAL POSITION

For the year ended 31st December	Note	2020 Rs.	2019 Rs.
ASSETS			
NON-CURRENT ASSETS			
Leasehold right to bare land	11	63,988,435	66,609,849
Immovable lease assets (other than bare lands)	12	17,033,916	20,539,864
Property, plant & equipment	13	1,751,813,564	1,506,431,377
Consumable biological assets	14	211,139,706	209,633,348
Other financial assets	15	11,023,123	10,152,846
		2,054,998,744	1,813,367,284
CURRENT ASSETS			
Produce on bearer biological assets	16.1	19,613,444	13,954,054
Inventories	16.3	43,002,315	51,597,548
Deposits	17	879,700	1,086,700
Pre-payments	18	1,808,745	1,961,862
Pre-paid expenditure on short term projects	19	8,075,010	3,479,044
Trade & other receivables	20	63,838,696	78,879,164
Tax over payment		9,066,720	9,060,199
Other financial assets	15	9,772,910	9,322,065
Short term investments	21	525,200,000	430,200,000
Cash and bank balance	22	65,632,685	24,952,228
		746,890,225	624,492,865
Total assets		2,801,888,968	2,437,860,149
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated capital	23	200,000,010	200,000,010
Retained earnings		1,521,567,946	1,342,271,311
Biological asset valuation reserve		375,691,316	368,353,586
Revaluation Reserve Vehicle		115,879,574	-
Other reserves		65,486,351	68,219,620
		2,278,625,196	1,978,844,527
NON-CURRENT LIABILITIES			
Retirement benefit obligations	24	90,476,078	79,007,165
Net liability to lessor	25	83,650,434	87,215,638
Deferred tax liability	26	221,255,796	192,943,409
		395,382,308	359,166,212
CURRENT LIABILITIES			
Net liability to lessor	25	3,565,204	3,565,204
Advance received	27	3,938,052	5,244,537
Income tax payable		-	-
Trade and other payables	28	120,378,208	91,039,669
		127,881,464	99,849,410
Total equity and liabilities		2,801,888,968	2,437,860,149

The accounting policies & notes form an integral part of these financial statements.
It is certified that the financial statements have been prepared in compliance with requirements of Companies Act No 07 of 2007.


DISSANAYAKE DIK
MANAGER - FINANCE


SAMARAKOON SMM
CHIEF EXECUTIVE OFFICER

The board of directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the board of directors of Kurunegala Plantations Limited.


MADHAVIE HERATH AVK
CHAIRMAN


CRISHANTHA WDR
DIRECTOR/ TREASURY REPRESENTATIVE

KURUNEGALA PLANTATIONS LIMITED
Financial Statements - 2020
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December	Stated Capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at January 01, 2019	200,000,010	348,089,274	65,319,178	-	1,387,997,284	2,001,405,746
Net profit for the year 2019					102,038,339	102,038,339
Other Comprehensive Income			2,900,441			2,900,441
Transferred to Biological Assets Reserve		19,801,889			(19,801,889)	-
Dividend - 2016/2017/2018				-	(127,500,000)	(127,500,000)
Balance as at December 31, 2019	200,000,010	367,891,163	68,219,619	-	1,342,733,735	1,978,844,526
Net profit for the year 2020					186,634,364	186,634,364
Other Comprehensive Income			(2,733,269)		-	(2,733,269)
Revaluation Reserve				115,879,574		115,879,574
Transferred to Biological Assets Reserve		7,800,153			(7,800,153)	-
Dividend						-
Balance as at December 31, 2020	200,000,010	375,691,316	65,486,350	115,879,574	1,521,567,946	2,278,625,196

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

KURUNEGALA PLANTATIONS LIMITED

Financial Statements - 2020

STATEMENT OF CASH FLOWS

For the year ended 31st December

	2020 Rs.	2019 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	214,946,751	120,170,906
Adjustments for		
Depreciation & amortization	54,558,205	51,641,458
Provision for retirement benefit obligations	18,260,157	16,329,411
Loss on impairment of plantations	-	-
Immature plantation transfer to expenditure	-	-
Revaluation Reserve Vehicle	115,879,574	-
Profit on disposal of property plant & equipment	(56,700)	-
Profit on sales bearer plants	(19,318,559)	(35,952,689)
Gain arising from changes in fair value less cost to sell - consumable biological assets	(7,800,153)	(26,137,021)
Net finance income	(6,325,540)	(29,165,193)
Profit before working capital changes	370,143,734	96,886,872
Changes in working capital		
Inventories	8,595,233	(5,060,908)
Deposits	207,000	80,000
Pre-payments	146,595	1,013,958
Trade and other receivables	11,451,048	(14,427,332)
Pre-paid expenditure on short term projects	(4,595,966)	1,337,594
Advance received	(1,306,485)	(1,784,088)
Trade and other payables	29,338,539	(21,782,587)
Cash generated from operations	413,979,699	56,263,509
Payment of retirement benefit costs	(9,524,514)	(11,336,914)
Income tax paid	-	(7,702,574)
Withholding tax paid	-	(3,573,098)
Economic service charge paid	-	-
Net cash generated from operating activities	404,455,185	33,650,923
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(305,939,924)	(204,733,176)
Additions to consumable biological assets	11,484,928	(198,189)
Proceeds from disposal of property, plant & equipment	-	-
Proceeds from disposal of barer plants - coconut & rubber trees	19,344,212	36,555,424
Proceeds from sale of consumable biological assets	1,307,420	9,115,271
Net investment in term deposits	(125,200,000)	165,200,000
Interest received	39,169,757	70,184,174
Net cash flows used in investing activities	(359,833,608)	76,123,504
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	(32,820,000)	(31,794,000)
Interest on short term borrowings	-	(258,586)
Loan given to staff	(13,142,350)	(14,927,000)
Staff loan recoveries	11,821,228	14,635,739
Dividend paid	-	(127,500,000)
Net cash flows used in financing activities	(34,141,122)	(159,843,847)
Increase/(decrease) in cash and cash equivalents	10,480,456	(50,069,421)
Cash and cash equivalents at the beginning of the year	85,152,228	135,221,649
Cash and cash equivalents at the end of the period (Note - A)	95,632,685	85,152,228
Note - A		
Cash and Cash Equivalents as at	31.12.2020 Rs.	31.12.2019 Rs.
Term Deposits matured within 03 months at		
Bank of Ceylon	30,000,000	60,200,000
Peoples' Bank	-	-
National Savings Bank	-	-
Repo	47,000,000	13,000,000
Cash at Bank	14,879,925	8,497,433
Cash in Hand	3,743,433	3,443,889
Postage/Stamps	9,327	10,906
	95,632,685	85,152,228

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

ACCOUNTING POLICIES

01. GENERAL

1.1 Legal Status of the Reporting Entity

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

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

1.2 Principal Activities and Nature of Business

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

Attanagalla	Dambadeniya
Dodangaslanda	Kurunegala
Katugampola	Narammala
Hiriyala	

02. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Going Concern

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

2.3 Basis of Presentation

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

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

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

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgments

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

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

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

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

Note 14 - Consumable biological assets

Note 24 - Measurement of defined benefit obligation.

Note 26 - Deferred taxation

2.6 Comparative Information

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

03. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Assets and the Basis of their Valuation

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

3.1.1 Property, Plant & Equipment

3.1.1.1 Recognition and Measurement

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

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

other costs directly attributable to bringing the asset to the working condition or its intended use. This also includes cost of dismantling and removing the existing asset.

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

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

Permanent Land Development Costs are costs incurred to make major changes to land contours, to build new access roads and on other major infrastructure development.

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

Any revaluation surplus is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. The Company has adopted a policy of revaluing Motor Vehicle by an external valuer and an internal valuation of Motor vehicle to be carried out at least every 5 years.

3.1.1.2 Subsequent Expenditure

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

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

3.1.1.3 De-recognition

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

3.1.1.4 Borrowing Cost

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

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

3.1.1.5 Depreciation and Amortization

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

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

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

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

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

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

3.1.1.6 Land Development Cost

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

Depreciation of an asset ceases when the asset is classified as held for sale and the asset is derecognized subject to the above depreciation policy. Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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

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

3.1.1.7 Leased Assets

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

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

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

3.1.1.8 Impairment of Non-Financial Assets

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

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

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

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

3.1.2 Biological Assets

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

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

3.1.2.1 Bearer Plants

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

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

The expenditure incurred on immature plantations which come into bearing during the year, is transferred

to mature plantations at the end of the year and is depreciated over their useful lives as follows.

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

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

Disposal of trees are done on FIFO basis.

3.1.2.2 Infilling cost on Bearer Plants

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

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

3.1.2.3 Consumable Biological Assets

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

The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in Statement of Comprehensive Income for the period in which it arises. All other assumptions are given in Note 14.

The main variables in DCF model concerns.

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

3.1.2.4 Recognition and Measurement

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

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

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

3.1.2.5 Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, Company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

Coconut -	Auction Price by Coconut Development Authority less cost of picking & transport
Rubber -	Latex Price (95% of current RSS1 Price) less Cost of tapping & transport

3.1.3 Financial Instruments

(a) Recognition and initial measurement

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

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

the transaction price.

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at

amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for

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

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g., non-recourse features).

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

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

Financial assets at FVTPL

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

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized

cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

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

Equity investments at FVOCI

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

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

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading
 - derivative hedging instruments; or
 - designated as at FVTPL

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

Financial assets at FVTPL

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

Held-to-maturity financial assets

Measured at amortized cost using the effective interest method.

Loans and receivables

Measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

(c) Derecognition

Financial assets

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

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

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets

transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

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

Impairment policy: applicable from 1 January 2018

Non-derivative financial assets

Financial instruments and contract assets

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the

timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Impairment Policy: applicable prior to 1 January 2018

Financial assets (including receivables)

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

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

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

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows

discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment Policy: Non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

Financial Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument

fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties.

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

Liquidity Risk

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

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

3.1.4 Inventories

Agricultural Produce harvested from Biological Assets

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

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

Agricultural Produce after further processing

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

Input Material, Consumables and Spares

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

Growing Crop Nurseries

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

3.1.5 Cash & Cash Equivalents

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

3.2 Liabilities and Provisions

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

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

3.2.1 Employee Benefits

Defined Contribution Plans – EPF & ETF

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

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

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

Defined Benefit Plan – Retirement Gratuity

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

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

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

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

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

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

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

3.3 Capital Commitments and Contingencies

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

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

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

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

3.5 Statement of Comprehensive Income

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

3.5.1 Revenue Recognition

Sale of Goods

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

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

Entities are required to apply five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue is recognized when or as an entity transfers control of

goods and services to a customer at the amount at which the entity expects to be entitled.

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

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

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

Interest Income

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

Gains or Losses on Disposal

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

3.5.2 Expenditure Recognition

Operating Expenses

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

Finance Cost

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

Tax Expense

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

Current Taxes

Current tax expense for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

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

Deferred Taxation

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

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

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

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

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

3.6 Statement of Cash Flows

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

3.7 Earnings per Share

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

3.8 Events after the reporting period

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

For the year ended 31st December		2020 Rs.	2019 Rs.
4	REVENUE		
	Coconut (Note 4.1)	583,019,070	403,232,199
	Rubber (Note 4.2)	30,728,840	29,108,051
	Coconut Husk	28,293,753	19,337,723
	Rambutan	7,043,169	9,427,855
	Pepper	2,663,768	5,719,107
	Cashew	11,474,141	13,322,401
	Mango	4,426,334	8,808,808
	Foliage & Ornamental Plants	333,900	269,705
	Coconut Oil	1,226,602	-
	Others	16,057,692	9,449,808
		685,267,268	498,675,657
4.1	Coconut Income		
	Green nuts	542,784,044	374,459,297
	Seed nuts No of Nuts 32,809	2,964,036	11,602,707
	Copra	37,270,990	17,170,195
		583,019,070	403,232,199
	Production (Nuts)	11,411,931	16,300,283
	Sales (Nuts)	11,879,390	16,384,430
	Net Sales Average (per 1000 nuts)	49,078	24,611
	Cost of Sales (per 1000 nuts)	28,779	19,002
4.2	Rubber Income		
	RSS	-	2,837,228
	Latex	30,205,640	25,204,589
	Scrap & Cuttings	523,199	1,066,234
		30,728,840	29,108,051
	Production (Kg)	107,088	107,280
	Sales (Kg)	104,605	119,198
	Net Sales Average (per 1 Kg)	294	244
	Cost of Sales (per 1 Kg)	396	380
5	COST OF SALES		
	Coconut	341,871,549	311,329,548
	Rubber	41,399,964	45,270,613
	Rambutan	2,885,497	2,232,740
	Pepper	2,321,728	5,969,701
	Cashew	7,292,113	6,074,604
	Mango	1,609,449	2,675,079
	Foliage & Ornamental Plants	1,843,247	1,538,664
	Loss on Impairment of Plantations	-	-
	Others	10,253,733	10,626,697
		409,477,281	385,717,645

For the year ended 31st December	2020 Rs.	2019 Rs.
6 OTHER OPERATING INCOME		
Profit on sales bearer biological assets (Note - 6.1)	19,318,559	35,952,689
Profit / (Loss) on disposal & sale of Property Plant & Equipment	56,700	-
Profit from sale of Timber Trees	1,320,466	6,335,132
Late removal & payment charge -coconut	11,289,969	9,554,842
Lease/ facility fee income	15,522,071	13,706,726
Sand/ Soil	3,500	2,923,522
Write back/ (Write off)	1,625,769	2,648,075
Other miscellaneous income	1,981,018	2,371,901
	51,118,052	73,492,888
6.1 Profit on sales bearer biological assets - Coconut Tree Sales	15,966,002	22,564,424
Less: Cost of Tress disposed during the year	(410,630)	(519,253)
Add: Accumulated depreciation as at 31st December	390,655	476,649
	15,946,027	22,521,820
 Profit on sales bearer biological assets - Rubber Tree Sales	3,378,210	13,991,000
Less: Cost of Tress disposed during the year	(42,588)	(3,628,094)
Add: Accumilted depreciation as at 31st December	36,910	3,067,963
	3,372,532	13,430,869
 Profit on sales bearer biological assets	19,318,559	35,952,689
7 ADMINISTRATION & GENERAL EXPENSES		
Payroll Related Expenses	95,456,025	74,386,453
Maintenance & Repairs	9,821,387	12,867,814
Other Administration Expenses	20,809,570	27,992,809
	126,086,981	115,247,075
PROFIT FROM OPERATING ACTIVITIES		
is stated after charging the following;		
Directors emoluments	2,448,337	4,029,224
Auditors fees on statutory audit	750,000	1,009,900
Donations	144,350	316,080
Depreciation/ Amortization-		
- Leasehold rights to bare land of JEDB Estates	2,621,414	2,614,259
- Immovable leased assets of JEDB Estates	3,480,294	3,519,867
- Mature Plantation	17,705,928	15,983,257
- Property, plant and equipment	30,750,568	29,524,076
Personal Cost includes		
- Defined Benefit Plan - Retirement Gratuity	18,260,157	16,329,411
- Defined Contribution Plan Cost - EPF and ETF	39,287,287	39,122,309
- Performance incentive	36,413,886	13,871,389
- Bonus	11,959,703	11,244,758
- Holiday Pay	8,129,906	8,057,103
- Medical Leave	7,178,553	4,949,413
- Salaries & Wages	293,612,845	292,396,027

For the year ended 31st December	2020 Rs.	2019 Rs.
8. NET FINANCIAL INCOME /(EXPENSE)		
FINANCE INCOME		
Interest on Term Deposits	33,299,123	53,342,917
Interest on REPOs	1,455,605	3,335,258
Interest on Loans given to Staff	825,608	974,402
Un-winding of Pre-paid Staff Benefits	1,253,931	1,651,327
	36,834,267	59,303,904
Less: FINANCE COST		
Interest on Lease - JEDB	29,254,796	28,228,798
Interest on short term Borrowings	-	258,586
Amortization of Staff Cost	1,253,931	1,651,327
	30,508,727	30,138,711
Net financial income /(expense)	6,325,540	29,165,193

9. INCOME TAX EXPENSE

Current Income Tax Expense (Note 9.1 & 9.2)	-	-
Deferred Taxation (Note 9.3 & 26)	28,312,387	18,132,567
	28,312,387	18,132,567

9.1 CURRENT INCOME TAX EXPENSE

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

9.2 Reconciliation between Accounting Profit to Income Tax

Accounting Profit Before Taxation	214,946,751	120,170,906
Income from other sources & exempt Income	(57,651,840)	(88,381,053)
	157,294,911	31,789,853
Aggregate Disallowable Items	73,110,335	70,347,219
Aggregate Allowable Items	(176,001,336)	(191,640,808)
Exempt Losses applicable to the Period of April 01, 2019 to December 31, 2019	-	-
Adjusted Business Profit for the Year	-	-
Income from Other Sources	-	-
Assessable Income/(loss)	-	-
Qualifying payments	-	-
Taxable Income	-	-
Concessionary Rate predominantly engage in agriculture Act 24 of 2017	-	-
Taxable Income at Concessionary Rate - 48A - Act No. 06 of 2016) - 10%	-	-
Other Income	-	-
Tax on Concessionary Rate predominantly engage in agriculture 14%	-	-
Tax on agricultural activities 10%	-	-
Tax on other income 28%	-	-
Gross Income Tax Liability	-	-

9.3 DEFERRED TAX

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

	2020 Rs.	2019 Rs.
Deferred tax Expense / (Income) arises from :		
Property Plant & Equipment	4,601,026	1,893,732
Bearer Biological Assets	14,918,882	17,036,713
Consumable Biological Assets	158,985	2,236,761
Claimable Loss	10,156,767.96	(2,540,221)
Provision for bad & doubtful debts	82,374	(201,530)
Employee Benefit Liability	(1,605,648)	(292,888)
	28,312,387	18,132,567

10 EARNINGS PER SHARE

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

For the year ended 31st December	2020 Rs.	2019 Rs.
10.1 Basic Earnings per Share		
Profit attributable to Ordinary Shareholders (Rs.)	186,634,364	102,038,339
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings Per Shares (Rs. Cts.)	9.33	5.10

10.2 Diluted Earnings per Share

"There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2020.

Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above."

11 LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD

11.1 The leasehold rights to the lands of all the estates have been taken into the books of the company as at June 18, 1992, immediately after the formation of the company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board has decided at its meeting held on March 08, 1995 that these bare lands would be revalued, at the values established for these lands, by the valuation specialist Mr. D.R. Wickramasinghe just prior to the formation of the company. The revalued amount taken to the June 18, 1992 Statement of Financial Position was Rs. 189,234,932. The carrying values are given in Note 11.3 below. However the Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRSs and introduced Statement of Recommended Practices (SoRP) on leasehold land on 19th December 2012. As per the SoRP, right to use land does not permit further revaluations.

11.2 Though JEDB has handed over all 13 Estates to the Company, of these estates leases for only 5 estates have been executed and the leases for the balance 8 estates (Dambadeniya, Dodangaslanda, Hiriya, Katugampola, Kurunegala, Mahayaya, Narammala and Wariyapola) remain to be executed. These leases will be retroactive to June 18, 1992, the date of formation of the company. The Company had entered into a Memorandum of Record with JEDB with regard to all these estates for which leases have not been executed. This Memorandum of Record is considered as an agreement between JEDB and the Company.

11.3 Leasehold Right to Bare land (53 years)

	Rs.
COST	
Capitalized Value as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2019	(50,586,168)
Balance as at 31.12.2019	138,648,764
Disposals due to change in controlling interest from 01.01.2019 - 31.12.2020	-
Balance as at 31.12.2020	138,648,764
AMORTIZATION	
Accumulated amortization as at 01.01.2019	69,424,655
Amortization for the year 2019	2,614,259
Accumulated amortization as at 31.12.2019	72,038,914
Amortization for the year 2020	2,621,414
Disposals due to change in controlling interest from 01.01.2019 - 31.12.2020	-
Balance as at 31.12.2020 (Note - A)	74,660,328
WRITTEN DOWN VALUE	
As at 31.12.2019	66,609,850
As at 31.12.2020	63,988,436
Note - A	
No. of Days for the lease period from 18.06.1992 - 17.06.2045	19,358
No. of Days for the period from 18.06.1992 - 31.12.2020	10,424
Amortization as at 31.12.2020 (138,648,765 / 19,358 x 10,424)	74,660,332

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

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

Revaluation	Life of the Asset Years	As at 18.06.1992 Rs.	Transfer in/(out) Rs.	Disposals Rs.	Balance as at 31.12.2019 Rs.
Land Development Cost	30	1,127,305		(4,000)	1,123,305
Buildings	25	22,130,873		(4,437,121)	17,693,752
Machinery	15	34,841		-	34,841
Mature plantations	30	43,001,122	90,335,750	(30,262,090)	103,074,782
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	-	(35,014,683)	121,926,680

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2020 Rs.	Disposals Rs.	Balance as at 31.12.2020 Rs.
Land Development Cost	1,123,305	-	1,123,305
Buildings	17,693,752	-	17,693,752
Machinery	34,841	-	34,841
Mature plantations	103,074,782	(453,218)	102,621,564
	121,926,680	(453,218)	121,473,463

Amortization	Balance as at 01.01.2020 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.12.2020 Rs.
Land development cost	1,031,138	37,422	-	1,068,561
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note A)	82,627,086	3,442,872	(427,565)	85,642,393
	101,386,817	3,480,294	(427,565)	104,439,547

Carrying value	Balance as at 01.01.2020 Rs.	Balance as at 31.12.2020 Rs.
Land development cost	92,167	54,744
Buildings	-	-
Machinery	-	-
Mature plantations	20,447,696	16,979,171
	20,539,864	17,033,916

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

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

Note - A Mature plantations

COST

Mature Plantations as at 18.06.1992

Balance as at 18.06.1992	43,001,122
Disposals of mature plantations	
due to change in controlling interest from 18.06.1992 - 31.12.2020	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2019	(11,717,119)
Value of Coconut Trees disposed (other than alienation) during the year 2020	(410,630)
Balance as at 31.12.2020 - [a]	23,893,785

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

Balance as at 18.06.1992	90,647,222
Disposals at immature stage due to change in controlling interest	(311,472)
Disposals after being transferred to mature plantations due to change in controlling interest	(8,730,966)
Value of Rubber Trees disposed (other than alienation) upto 31.12.2019	(2,834,417)
Value of Rubber Trees disposed (other than alienation) during the year 2020	(42,588)
Balance as at 31.12.2020 - [b]	78,727,778

Mature Plantations as at 31.12.2020 [c] - (a + b)

102,621,564

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

AMORTIZATION

Mature Plantations as at 18.06.1992

# Days for the Period from 18.06.1992 - 17.06.2022 (30 Years)	10,957
# Days for the period from 18.06 .1992 - 31.12.2019	10,424
Amortization as at 31.12.2019 (24,823,668 / 10,957 x 10,058) - [d]	22,731,479

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

Year of Transfer	Description	Date of Disposal	Balance as at 18.06.1992 Rs.	COST		AMORTIZATION	
				Alienation/ Disposal	Balance as at 31.12.2020 Rs.	Balance as at 31.12.2020	as at 31.12.2020
31/12/1994	Value of the Immature plantation		37,756,930				
	Disposal - Korakaha - Disposed at immature stage			(311,473)			
	Disposal - Mahayaya	7/8/1997		(2,957,425)			
	Disposal - Malwatta	7/8/1997		(355,313)			
	Disposal - Ambana (Rubber)	10/9/1994		(223,374)			
	Disposal - Suriyapura	6/6/2000		(92,705)			
	Disposal - Polgammana	1/1/2016		(322,347)			
	Disposal - Polgammana	1/1/2016		(410,721)			
	Disposal - Rubber Trees 2013-2015	1/1/2016		(990,854)			
	Disposal - Rubber Trees - 2016	31/12/2016		(209,249)			
	Disposal - Rubber Trees - 2017	31/12/2017		(326,797)			
	Disposal - Rubber Trees - 2018	31/12/2018		(207,232)			
	Disposal - Rubber Trees - 2019	31/12/2019		(951,289)			
	Disposal - Rubber Trees - 2020	31/12/2020		(42,588)			
			37,756,930	(7,401,366)	30,355,564	26,308,340	
31/12/1995	Value of the Immature plantation		8,429,585				
	Disposal - Mawathagama	15/8/1997		(493,832)			
	Disposal - Walbotale	31/5/2011		(721,401)			
	Disposal - Rubber Trees - 2018	31/12/2018		(18,018)			
			8,429,585	(1,233,251)	7,196,334	5,997,164	

Economic Life time 30 years	Year of Transfer	Description	Date of Disposal	COST		AMORTIZATION	
				Balance as at 18.06.1992 Rs.	Alienation/ Disposal Rs.	Balance as at 31.12.2020 Rs.	Balance as at 31.12.2020
31/12/1996		Value of the Immature plantation		12,394,880	-	12,394,880	9,916,356
31/12/1997		Value of the Immature plantation		8,045,288			
		Disposal - Mawathagama	8/15/1997		(412,325)		
		Disposal - Pannala	4/9/1999		(748,578)		
		Disposal - Pethiyakanda	6/6/2000		(242,922)		
		Disposal - Rubber Trees - 2017	31/12/2017		(130,979)		
				8,045,288	(1,534,803)	6,510,485	4,991,748
31/12/1998		Value of the Immature plantation		9,962,094	(684,684)		
		Disposal - Polgammuna	1/1/2016				
				9,962,094	(684,684)	9,277,410	6,803,547
31/12/1999		Value of the Immature plantation		8,676,654			
		Disposal - Mawathagama	15/8/1997		(420,467)		
		Disposal - Polgammuna	1/1/2016		(604,222)		
				8,676,654	(1,024,689)	7,651,965	5,356,655
31/12/2000		Value of the Immature plantation		4,666,747			
		Disposal - Polgammuna	1/1/2016		(40,648)		
				4,666,747	(40,648)	715,044	452,898
31/12/2001		Value of the Immature plantation		715,044			
Total [e]				90,647,222	(11,919,443)	78,727,779	62,910,914
Amortization - Mature Plantations as at 31.12.2019 [f] - (d + e)							85,642,394

13 PROPERTY, PLANT AND EQUIPMENT

BEARER PLANTS

The following are the investments in plantations since the formation of the company. The assets (including plantation assets) taken over under estate leases are set out in Notes 11 and 12. Continuing investments in immature plantations, taken over under these leases are shown in the above Note. When such plantations come into bearing, the additional investments incurred since taking over to bring them to bearing had been transferred from immature to mature plantations in this Note. A corresponding transfer had been made from immature to mature plantations being the investment undertaken by JEDB on the particular plantation prior to the formation of the company as described in Note 12.

IMMATURE PLANTS															
Cost	Coconut	Rubber	Cashew	Cinnamon	Rumbutan	Guava	Dragon Fruit	Mango	Pepper	Cocoa	Durian	Ariconut	Waraka	Coffee	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01.01.2020	545,587,560	29,442,592	3,083,285	12,050,635	4,450,029	-	-	9,351,122	19,626,647	-	4,853,846	745,111	291,280	-	629,482,107
Additions during the year	103,184,826	2,890,449	856,831	6,745,462	1,191,900	-	-	2,505,577	5,654,821	-	707,686	55,768	476,047	-	124,269,367
Transfers during the year	(190,129,992)	(10,312,077)	-	-	-	-	-	(767,771)	-	-	-	-	-	-	(201,209,840)
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	458,642,394	22,020,964	3,940,116	18,796,097	5,641,929	-	-	11,088,928	25,281,468	-	5,561,532	800,879	767,327	-	552,541,634
MATURE PLANTS															
Cost	Coconut	Rubber	Cashew	Cinnamon	Rumbutan	Guava	Dragon Fruit	Mango	Pepper	Cocoa	Durian	Ariconut	Waraka	Coffee	Total
Useful life of the asset	50 years	20 years	20 years	20 years	20 years	6 years	20 years	20 years	20 years	20 years	20 years	Rs.	Rs.	Rs.	Rs.
Balance as at 01.01.2020	489,147,686	92,201,970	21,591,410	11,752,137	4,287,487	191,347	3,472,230	2,086,955	13,274,477	5,936,675	4,656,518	-	-	153,769	648,752,661
Transfers during the year	190,129,992	10,312,077	-	-	-	-	-	767,771	-	-	-	-	-	-	201,209,840
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	679,277,678	102,514,047	21,591,410	11,752,137	4,287,487	191,347	3,472,230	2,854,726	13,274,477	5,936,675	4,656,518	-	-	153,769	849,962,501
Amortization															
Balance as at 01.01.2020	84,301,696	34,842,084	5,121,581	3,254,735	1,110,140	63,782	483,627	730,436	2,889,189	1,752,677	358,659	-	-	115,324	135,023,930
Charge for the year	9,782,954	4,606,613	1,079,571	511,497	214,370	31,891	173,610	104,348	663,726	296,834	232,826	-	-	7,688	17,705,928
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	94,084,650	39,448,697	6,201,152	3,766,232	1,324,510	95,673	657,237	834,784	3,552,915	2,049,511	591,485	-	-	123,012	152,729,858
Written down value															
As at 01.01.2020	404,845,991	57,359,886	16,469,829	8,497,402	3,177,347	127,565	2,988,603	1,356,519	10,385,288	4,183,998	4,297,859	-	-	38,445	513,728,732
As at 31.12.2020	585,193,029	63,065,350	15,390,258	7,985,905	2,962,977	95,674	2,814,993	2,019,942	9,721,562	3,887,164	4,065,033	-	-	30,757	697,232,644
TOTAL BEARER BIOLOGICAL ASSETS															
Written down value															
As at 01.01.2020	950,433,551	86,802,478	19,553,114	20,548,037	7,627,376	127,565	2,988,603	10,707,641	30,011,935	4,183,998	9,151,705	745,111	291,280	38,445	1,143,210,838
As at 31.12.2020	1,043,835,423	85,086,314	19,330,374	26,782,002	8,604,906	95,674	2,814,993	13,108,870	35,003,030	3,887,164	9,626,565	800,879	767,327	30,757	1,249,742,277

13. PROPERTY, PLANT AND EQUIPMENT cont...

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

Useful life of the Asset (Years)	40	40	3	13	5	13	1/3	10	8	5	8	40	40	30	Total	Work-in-progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost																	
Balance as at 01.01.2020	8,123,564	4,742,217	269,178,455	10,687,958	85,985,056	157,519,974	1,849,609	18,489,268	29,751,430	4,539,130	13,562,168	3,410,502	3,751,046	611,590,377	18,700,103	630,290,481	
Additions during the year	-	913,100	33,385,858	746,290	7,198,050	131,856,380	-	292,600	2,296,631	329,800	6,034,935	1,603,385	-	184,657,029	32,368,231	217,025,260	
Disposals during the year	-	-	-	-	-	(160,716,253)	-	-	-	-	-	-	-	(160,716,253)	(35,354,703)	(196,070,956)	
Transferred (from)/ to	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(177,625)	(177,625)	
Balance as at 31.12.2020	8,123,564	5,655,317	302,564,313	11,434,248	93,183,106	128,660,101	1,849,609	18,781,868	32,048,061	4,868,930	19,597,103	5,013,887	3,751,046	635,531,153	15,536,006	651,067,159	
Depreciation																	
Balance as at 01.01.2020	-	1,213,746	26,428,114	1,746,155	62,430,170	145,415,442	752,526	9,205,412	14,479,218	3,503,865	1,044,732	100,351	750,212	267,069,943		267,069,943	
Charge During the year	-	236,131	7,246,117	270,491	11,420,349	4,234,106	138,721	1,768,991	2,848,008	364,464	1,755,215	92,873	375,103	30,750,568		30,750,568	
Disposals during the year	-	-	-	-	-	(148,792,637)	-	-	-	-	-	-	-	(148,792,637)		(148,792,637)	
Balance as at 31.12.2020	-	1,449,877	33,674,230	2,016,646	73,850,519	856,911	891,247	10,974,403	17,327,226	3,868,329	2,799,947	193,224	1,125,315	149,027,873	-	149,027,873	
Written down value																	
As at 01.01.2020	8,123,564	3,528,471	242,750,341	8,941,803	23,554,886	12,104,532	1,097,083	9,283,857	15,272,212	1,035,265	12,517,436		3,000,834	344,520,435	18,700,103	363,220,538	
As at 31.12.2020	8,123,564	4,205,440	268,890,083	9,417,602	19,332,587	127,803,190	958,362	7,807,466	14,720,835	1,000,601	16,797,156	4,820,663	2,625,731	486,503,280	15,536,006	502,039,286	
"Fully depreciated assets as at 31.12.2020																	
TOTAL OF PROPERTY, PLANT AND EQUIPMENT																	
Written down value																	
As at 01.01.2020																1,506,431,376	
As at 31.12.2020																1,751,813,563	

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

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
14 CONSUMABLE BIOLOGICAL ASSETS		
14.1 TIMBER TREES		
Balance as at the beginning of the year	208,390,272	191,937,743
Increase due to development	673,015	-
Cost of harvested timber trees	(1,307,420)	(3,352,231)
Gain / (loss) arising from changes in fair value less cost to sell	1,770,008	19,804,760
Balance as at the end of the year	209,525,875	208,390,272

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

The valuation was carried by Mr. T.M.H Mutaliph, independent Chartered valuers, using Discounted Cash Flow (DCF) method.

Key assumption used in Valuation

1. The harvesting is approved by the Department of Forest & the Line Ministry
2. The Prices adopted are net of expenditure.
3. Discount rate is 14%

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

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

Regulatory and environmental risks

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

Supply and demand risk

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

Climate and other risks

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

14.2 LIVESTOCK

Cattle

Balance as at the beginning of the year	1,243,076	475,666
Addition during the year	71,085	5,442
Gain / (loss) arising from changes in fair value for the Year	422,239	773,005
Death/Sale value	(122,569)	(11,037)
Balance as at the end of the year	1,613,831	1,243,076
Total Consumable Biological Assets	211,139,706	209,633,348

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

15 OTHER FINANCIAL ASSETS

	Loan Given to Employees Rs.	Pre Paid Staff Benefit Rs.	Total Rs.
Balance at 01.01.2019	17,508,362	1,675,288	19,183,650
Loan granted during the year -2019	13,387,695	1,539,305	14,927,000
Loan recovered during the year -2019	(12,984,412)	(1,651,327)	(14,635,739)
Balance at 31.12.2019	17,911,645	1,563,266	19,474,911
Loan granted during the year -2020	11,825,275	1,317,075	13,142,350
Loan recovered during the year -2020	(10,567,297)	(1,253,931)	(11,821,228)
Balance at 31.12.2020	19,169,623	1,626,410	20,796,033
Non Current Balance as at 31.12.2019	9,620,036	532,810	10,152,846
Current Balance as at 31.12.2019	8,291,609	1,030,456	9,322,065
Balance at 31.12.2019	17,911,645	1,563,266	19,474,911
Non Current Balance as at 31.12.2020	10,384,320	638,803	11,023,123
Current Balance as at 31.12.2020	8,785,302	987,608	9,772,910
Balance at 31.12.2020	19,169,622	1,626,411	20,796,033

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

Distress Loans	2020	2019
Kurunegala Plantation Limited	5.00%	5.00%
Market interest rate of similar loans		
01.12.2014 - 31.12.2014	11.50%	
01.01.2015 - 31.12.2015	11.50%	
01.01.2016 - 20.11.2016	13.00%	
21.11.2016 - 31.12.2016	14.00%	
01.01.2017 - 31.12.2017	14.00%	
01.01.2018 - 31.12.2018	13.00%	
01.01.2019 - 31.12.2019	12.50%	
01.01.2020 - 31.12.2020	12.50%	
AS AT	31.12.2020 Rs.	31.12.2019 Rs.

16 PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

16.1 Produce on Bearer Biological Assets

As at 1st January	13,954,054	13,956,926
Change in fair value less cost to sell	5,659,390	(2,871)
As at 31st December	19,613,444	13,954,054

Level 2 inputs were used when arriving above figures.

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
16.2 Gain/(Loss) on fair value of Biological assets		
Consumable Biological Assets Gain/(loss) (Note 14.1)	1,770,008	19,804,760
Produce on Bearer Biological Assets Gain/(loss) (Note 16.1)	5,659,390	(2,871)
Livestock Gain/(loss) (Note 14.2)	370,755	773,005
Produce on Bearer Biological Assets Gain/(loss)	7,800,153	19,801,889
16.3 Inventories		
Produce Stocks	26,812,767	31,645,775
Input Materials, Spares & Consumables	13,096,103	17,227,463
Growing Nurseries	3,093,445	2,724,311
	43,002,315	51,597,548
17 DEPOSITS		
Deposits on purchase of Fuel	435,000	530,000
Deposits on purchase of other products & Services	49,700	41,700
Deposits for rented Colombo office	390,000	510,000
Deposit kept at Labour Tribunal for Gratuity	-	-
Others	5,000	5,000
	879,700	1,086,700
18 PRE-PAYMENTS		
Insurance	1,069,095	1,291,174
Pre-paid subscriptions	94,328	102,450
Pre-paid amount on service agreements	32,679	7,006
Pre-paid Rents	-	-
Cadastral Survey	-	-
Others	612,643	561,231
	1,808,745	1,961,862
19 PRE PAID EXPENDITURE ON SHORT TERM PROJECTS		
Cut foliage Project - Attanagalla (Note 19.1)	2,286,229	3,479,044
Manioc	-	-
Compost Manufacturing	-	-
Turmeric	2,564,278	-
Oil Manufacturing	3,224,503	-
Pasture	-	-
Paddy	-	-
	8,075,010	3,479,044

19.1 This include Office Building, Net house, Land Development Cost, Watersupply System constructed entirely for the purpose of Foliage project & Foliage Plantations. Foliage project was leased out for a period of 5 years w.e.f. 01.12.2017. Hence, the Net book value of those assets as at 30.11.2017 amounting to Rs. 5,964,074 is ammortized over the lease period of 5 years at Rs. 1,192,815 per annum.

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
20 TRADE AND OTHER RECEIVABLES		
Trade Debtors		
Produce Debtors - Coconut	50,151,167	61,527,955
Less: Rejection provision	(1,277,958)	(1,332,226)
Recoverable loss on sale of Coconut	4,280,268	4,647,268
Produce Debtors - Rubber	3,980,179	5,569,527
Produce Debtors - Others	717,180	424,774
Rent Receivables	553,794	76,645
Other Receivables		
Interest Receivable	4,112,686	7,702,105
Staff debtors	2,487,263	2,319,413
Cadastral Survey	965,586	965,586
Economic Service Charges Carried Forward	2,184,041	2,184,041
Sundry Debtors	865,868	563,840
Less: Provision for Bad & Doubtful Debts	(5,181,377)	(5,769,764)
	63,838,696	78,879,164
21 SHORT TERM INVESTMENTS		
Matured within 03 months		
Term Deposits - Bank of Ceylon	30,000,000	60,200,000
Term Deposits - Peoples' Bank	-	-
Term Deposits - National Savings Bank	-	-
	30,000,000	60,200,000
Matured after 03 months		
Term Deposits - Bank of Ceylon	200,000	160,000,000
Term Deposits - Peoples' Bank	495,000,000	50,000,000
Term Deposits - National Savings Bank	-	160,000,000
	495,200,000	370,000,000
	525,200,000	430,200,000
22 CASH & BANK BALANCES		
Stamps	9,327	10,906
Repo	47,000,000	13,000,000
Cash at Bank	14,879,925	8,497,433
Cash in Hand	3,743,433	3,443,889
	65,632,685	24,952,228
23 STATED CAPITAL		
Issued and Fully Paid		
20,000,000 Ordinary shares Rs. 10/- each	200,000,000	200,000,000
Golden share held by Secretary to the Treasury (Note 23.1)	10	10
	200,000,010	200,000,010

23.1 The Golden Shareholder

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

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
24 RETIREMENT BENEFIT OBLIGATIONS		
Balance as at the beginning of the year	79,007,165	76,915,109
Charged during the year	20,993,426	13,428,970
Gratuity paid /payable during the year	(9,524,514)	(11,336,914)
Balance as at the end of the year	90,476,077	79,007,165

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

The Valuation method used by the actuaries to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19,'Employee Benefits'. The actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2020 by Actuarial & Management Consultants (Pvt) Limited.

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

Interest Cost	8,690,788	8,460,662
Current Service Costs	9,569,369	7,868,749
Total included in the staff cost (Note 07)	18,260,157	16,329,411
Past Service Cost	-	-
Actuarial (Gain)/Loss recognized immediately	2,733,269	(2,900,441)
Amount Recognized in the statement of other comprehensive income	2,733,269	(2,900,441)
Total recognized in the comprehensive income	20,993,426	13,428,970

24 RETIREMENT BENEFIT OBLIGATIONS cont...

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

Financial Assumptions (2019)

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

Financial Assumptions (2020)

Rate of Interest	8% p.a
Rate of Increase of Salaries	
Executive Staff	5% p.a next increment due on 01/06/2021
Non Executive Staff - Head office	5% p.a next increment due on 01/06/2021
Estate Staff	25% p.a once in 3 years next increment due on 01/06/2023
Watchers	9% p.a next increment due on 01/06/2021
Daily Paid Staff	10% p.a. Next increment due on 01/06/2021
Daily Paid Staff's wage rates	Rs.480 or Rs. 740 as applicable.

Demographic Assumptions

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

Retirements-Age : Male/Female 60 Years (2017 - 60 Years)

Gratuity Formula

For monthly paid Staff:

Half month salary for each completed year of service, subject to a minimum of 5 years' service.

For Executive and, Non Executive Staff - Head office:

Monthly Salary = Basic Salary + COLA (Rs. 7,800/-)

Matching Allowance of Rs. 10,000/- is added for the Executives, who entitles for the said allowance.

For Estate Staff:

Monthly Salary = Basic Salary

For Daily Paid Staff/ Workers:

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

AS AT	18.06.1996 Rs.	31.12.2020 Rs.	31.12.2019 Rs.
25 NET LIABILITY TO LESSOR			
Gross lease liability	401,114,000	200,254,230	208,440,230
Less: Finance charges applicable to future periods	(226,419,004)	(113,038,592)	(117,659,388)
Net lease liability	174,694,996	87,215,638	90,780,842
a) Payable after 5 years;			
Gross Liability		159,324,230	167,510,230
Less: Finance charges applicable to future periods		(89,934,612)	(94,555,408)
Net Liability		69,389,618	72,954,822
b) Payable within 2 to 5 years;			
Gross Liability		32,744,000	32,744,000
Less: Finance charges applicable to future periods		(18,483,184)	(18,483,184)
Net Liability		14,260,816	14,260,816
c) Payable within 1 year;			
Gross Liability		8,186,000	8,186,000
Less: Finance charges applicable to future periods		(4,620,796)	(4,620,796)
Net Liability to the Lessor		3,565,204	3,565,204
		87,215,638	90,780,842
Net liability to lessor			
Non - current liability			
Current Liability		83,650,434	90,780,842
		3,565,204	3,565,204
		87,215,638	94,346,046

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

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

The payment due in each subsequent 12 month period till the end of lease on June 18, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Income Statement during the current period is Rs. 29,254,796 which comprises the fixed interest portion and a contingent interest portion of the lease rental .

	AS AT	31.12.2020 Rs.	31.12.2019 Rs.
26	DEFERRED TAX LIABILITIES		
	Balance as at the beginning of the year	192,943,409	174,810,842
	Charged during the year	28,312,387	18,132,567
	Balance as at the end of the year	221,255,796	192,943,409
	Liability Loss	(54,403,910)	18,144,432.74
	Bearer Biological Assets	(1,249,774,278)	(1,143,210,838)
	Consumable Biological Assets	(209,525,875)	(208,390,272)
	Property, Plant & Equipment	(162,351,935)	(129,487,462)
	Provision for doubtful debts	5,181,377	5,769,764
	Retirement Benefit Obligation	90,476,078	79,007,165
		(1,580,398,542)	(1,378,167,211)
	Applicable Tax Rate	14%	14%
	Net Deferred Tax Liabilities	(221,255,796)	(192,943,408)
27	ADVANCE RECEIVED		
	For Sub Lease/ Land given on facility basis	3,938,052	5,244,537
	Others	-	-
		3,938,052	5,244,537
28	TRADE AND OTHER PAYABLES		
	Trade & Other Creditors & Accrued Expenses	11,226,386	8,101,108
	Checkroll Wages	14,211,523	14,535,009
	Refundable Bid Securities, Security Deposits & Retentions	26,215,339	17,458,223
	Gratuity Payable	1,855,196	2,632,803
	EPF Payable	4,128,139	4,010,511
	ETF Payable	688,641	653,982
	Medical Leave Payable	7,144,602	4,869,969
	Economic Service Charge Payable	-	680,709
	Provision for Brokerage-Coconut	431,175	636,648
	Provision for Bonus Payment	12,000,000	11,732,918
	Provision for Performance Incentives	36,555,282	20,000,000
	Provision for Holiday Pay Payment	5,921,926	5,727,788
		120,378,208	91,039,669
29	CAPITAL COMMITMENTS & CONTINGENCIES		
29.1	Capital Commitment		
	The Company had no material capital commitments outstanding as at the Reporting date.		
29.2	Contingent Liabilities		
	There were no contingent liability other than disclose as at the reporting date.		

29.2 Contingent Liability - Details of Legal Cases Filed

	Court Case	Discription	Present Situation
01	DMR/1366/18 - Commercial Court, Colombo.	Non Paymnt of Rs 1,414,441.40 by New Produce & General Brokers Company regarding the purchase of coconut parcels through CDA coconut Auction.	Relevant Case is Going on
02	M/13834 - District Court - Kurunegala.	Non Payment of Rs. 429,988.35 by W.A.K.N.Rodrigo regarding the purchase of coconut parcels of KPL.	Relevant Case is Going on
03	CA/WRIT/224/2018 - Court of Appeal, Colombo	Payment of gratuity based on one month salary instead of ½ month salary to employee over 10 years of service & Salary paid to former CEO Mr.N.M.S.K. Nillegoda.	Relevant Case is Going on
04	1970 M - Attanagalla Magistrate Court.	Non Payment of Rs. 375,000.00 by G.Kumuduni regarding the purchase of Rambutan harvest at attanagalla Area Estates.	Order has given to recover the cost Rs.375,000/-
05	1236/L - Attanagalla District Court	Deed has been given to G.S.M.Hilmi & his family by the LRC from Halgahapitiya Division (20.47 acre) of Attanagalla Area Estates without the concent of KPL. This party has filed the case agained KPL at Attanagalla District Court for non providing of possession of the land to them by KPL.	Relevant Case is Going on
06	45/2016 - Court of Appeal, Colombo	Ven. Rajawela Nandarathana thero, Padmawathi Piriven Rajamaha viharaya, Keragala, Henegama has filed a case against KPL at Court of appeal to acquire 67 acres 3 roots and 24 perches from Danaukanda Division of Attanagalla Area Estates, Land Reform Commision has given concent and charged Rs. 306,410.42 from the Ven. Rajawela Nandarathana thero.	Relevant Case is Going on
07	176/Land - Wariyapola District Court	R.M.Krishantha has field a case at Wariyapola District Court against KPL for non providing of possession of 19 acres Wewagedara Division of Hiriya Area Estates as he has a deed for this land extent.	Relevant Case is Going on
08	B/1918/17 - 2029 PC - Magistrate Court - Kurunegala	Lost of 4914 Coconut worth Rs. 175,358.50 at Kurunegala Area Estates.	Suspect has escaped from the area & Police Investigations are going on
09	23/K/10188/2016 - LT Kurunegala	Malpractices done by former Assistant Superintendent S.C.Wijethilaka while on duty. Claiming reinstatement or compensation for the same.	Relevant Case is Going on
10	B/57624 Magistrate Court - Kuliyapitiya	Lost of 5542 Coconut worth Rs.224,494.00 at Dambadeniya Area Estates.	Relevant Case is Going on
11	B/21/20	Lost of 3669 Coconut worth Rs. 156,725/40 at Attanagalla Area Estates	Relevant Case is Going on

30 EVENTS AFTER THE REPORTING PERIOD.

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

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
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31 RELATED PARTY TRANSACTIONS

- 1) Mr. S.E. Dias Rathnayake who is a Director of the Company is also a proprietor of Asliya Printers

Company	Relationship	Nature of transaction		
Asliya Printers	Common Directors	Printing	190,850	-

As at 31st of December company had contract with Asliya Printers Rs: 374,000.00 to Designing, Layouting and Printing of Annual Reports 2019.

All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

31.1 Key Management Personnel

Key Management Personnel includes all Board of Directors and Chief Executive Officer.

Short term employment benefits	2,448,337	4,029,224
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32 GOVERNMENT GRANTS

Non-monetary Grants received

From PHDT (Grants related to income)	-	-
"Non-monetary grants (roofing sheets) have been received from the Plantation Human Development Trust (PHDT) for workers' welfare facilities including latrines and re-roofing of line rooms, watchers quarters.		

Monetary Grants received

From Department of Rubber Development (Grants related to income)	-	-
The subsidy received for fixing of rain guards has been deducted from the related cost		

33 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk Management Framework

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

Credit Risk

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

KURUNEGALA PLANTATIONS LIMITED
Financial Statements - 2019
NOTE TO THE FINANCIAL STATEMENT

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
Loans and Receivables		
Trade and other Receivables	63,838,696	78,879,164
Short Term Investment	495,200,000	370,000,000
Cash and Cash Equivalents	65,632,685	24,952,228
	624,671,380	473,831,392

Liquidity Risk

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

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

AS AT	31.12.2020 Rs.	31.12.2019 Rs.
FINANCIAL RISK MANAGEMENT		
Net liability to the lessor	87,215,638	90,780,842
Trade and other payables	120,378,208	91,039,669
	207,593,846	181,820,511

Market Risk

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

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kurunegala Plantations Limited – 2020 will be held at Taj Samudra Hotel, No. 25, Gallface Center Road, Colombo at 11.30 a.m. on Thursday 27th January 2022 for the following purposes.

1. To receive and consider the Statement of Accounts for the year ended 31st December 2020 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditors of the Company for the year 2021.
3. To declare a Final Dividend of Rs. 50 million payable from the profits for the year ending 31st December 2020.
4. Any other business.

By Order of The Board of Kurunegala Plantations Ltd.



CORPORATE ADVISORY SERVICES (PVT) LTD.

SECRETARIES OF KURUNEGALA PLANTATIONS LTD.

Date: 11th January 2022

A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.

Form of Proxy

I/We the undersigned.....
of..... being a member/ members of
Kurunegala Plantations Limited hereby appoint.

Mr. R.P.G.Rajapaksha or failing him

Mr. H.C.M.M. Kulasekara or failing him,

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

Ms. M.K.P.Rukmani or failing him,

Mr. H.A. Nadeeka Hettiarachchi or failing him

Mr. T. Ediriwickramasooriya or failing of him,

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

or

as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Annual General Meeting – 2020 of the Company to be held at Taj Samudra Hotel, No. 25, Gallface Center Road, Colombo at 11.30 a.m. on Thursday 27th January 2022 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

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

		For	Against
1	To receive and consider the Statement of Accounts for the year ended 31st December 2020 with the Report of the Directors and Auditors thereon.		
2	To appoint Auditor General's Department as Auditors of the Company for the year 2021.		
3	To declare a Final Dividend of Rs. 50 million payable from the profits for the year ending 31st December 2020.		
4	Any other business.		

Signed this day of 2022.

.....

Signature

Shareholders NIC/ PP/ Co. Reg.No.

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

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

CORPORATE INFORMATION

NAME OF THE COMPANY

Kurunegala Plantations Limited

REGISTERED OFFICE

No. 80, Dambulla Road, Kurunegala.

Tel: 037 2223133 Fax: 037 2229618

Email: kurunegalaplt@sltnet.lk

DATE OF INCORPORATION

18th June 1992

COMPANY REGISTRATION NO.

PB 1319

LEGAL STATUS

Fully Government Owned Public Company with Limited Liability. Kurunegala Plantations Limited is a Limited Liability Company incorporated under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007.

COMPANY AUDITORS

Auditor General's Department

No. 306/72, Polduwa Road, Battaramulla.

Tel: 011 2887028 - 34 Fax: 011 2887223

E-mail: oaggov@sltnet.lk Web Site: www.auditorgeneral.gov.lk

BANKERS

Bank of Ceylon

Peoples' Bank

National Savings Bank

SECRETARIES

Corporate Advisory Services (Pvt) Ltd

No. 47, Alexandra Place,

Colombo 07.

Tel: 0112 695782

Fax: 0112 695410



Kurunegala Plantations Limited

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