

வாரச்சிக வாரச்சாவ  
ஆண்டறிக்சகை  
Annual Report

2014



தலாவதை வசீலீ சலாஸத  
சிலாபம் ஢ெருந்தோட்ட நிறுவனம்  
Chilaw Plantations Ltd



சுலால் சஸவீரீதன சசன ச்சனாவ வநு சஸவீரீதன ஂலாவசஸஸசு.  
தெந்நகு அ஢ிவிருத்தி மற்றும் மக்கள் துாட்ட அ஢ிவிருத்தி அமைச்சு.  
Ministry of Coconut Development & Janatha Estate Development.

# 2014 ANNUAL REPORT



**Chilaw Plantations Limited**

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## CORPORATE INFORMATION

|                            |  |
|----------------------------|--|
| Name of the Company        | Chilaw Plantations Limited (CPL)   |
| Head Office                | 'Kapruka Sewana',<br>No 165, Puttalam Road, CHILAW. 61000.   |
| Colombo City Office:       | J.R.Jayawardana Centre<br>No. 191, Dharmapala Mawata, Colombo 07.  |
| Date of Incorporation      | 11th June 1992   |
| Company Registration No.   | PB 703 (under new Company Act 07 of 2007)  |
| Legal Status               | Chilaw Plantations Ltd.(the Company) is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company re-registered under the companies Act No 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Own Business Undertaking into Public Companies Act No. 23 of 1987.   |
| Shareholdings              | Full Shares (100%) and the 'Golden Shareholder' Status are allotted to the 'Secretary to the Treasury', on- behalf of the State of the Democratic Socialist Republic of Sri Lanka.   |
| Share Capital              | 20,000,001 Shares of Rs Ten (Rs 10/=) including 'One Golden Share' held by the Treasury with special rights.   |
| Present Board of Directors | <p>Mr Gamini Rajakaruna - Chairman &amp; CEO – Member<br/>(wef. 27/11/2014 to 31/12/2014)</p> <p>Mr P. Jayasinghe - Chairman &amp; CEO – Member<br/>(wef. 24/09/2013 to 27/11/2014)</p> <p>Mr A. M. Chandrapala - Executive Director - Member</p> <p>Mr Keerthi Pathiranage - Working Director - Member</p> <p>Mrs Priyangani Liyanage - Member (Treasury Representative)</p> <p>Mr S Chandra S Fernando - Member (Former IGP)</p> <p>Mr K.B. Rathnayake - Member</p> <p>Mr R.R.M.Amarathunga - Member</p> <p>Mr I. M. R Widanagamage - Member</p> |
| External Auditors          | M/s Aiyar & Co (Appointed by The Treasury & Auditor General)<br>Chartered Accountants<br>Havelock Central Building,<br>No 104-4/1, Havelock Road, Colombo 05   |
| Bankers                    | Bank of Ceylon   |
| Secretaries                | Corporate Advisory Services (Pvt) Ltd<br>No. 47, Alexandra Place, Colombo 07.  |

**Our CPL**  
**VISION**

**TO Be The Best Scientifically & Profitably  
Managed Coconut Based Plantation Company  
In Sri Lanka**

**Our CPL**  
**MISSION**

**To Achieve Sustainable High Profit &  
Potential Productivity  
Through Scientific & Commercial Development  
of Coconut Plantation Assets & Resources  
By Highly Competent, Empowered, Motivated &  
Committed Professional Staff To Benefit All  
Stakeholders Including Employees, Public,  
Government, Present & Future Generations,  
To Partnering With Our Journey  
To Attain Sri Lanka as 'THE WONDER OF ASIA'**

## FINANCIAL HIGHLIGHTS

|  | 2014           | 2013           | Variance % |
|--|----------------|----------------|------------|
| Coconut Production Nuts '000           | 12,969         | 9,595          | 35         |
| <b>Summary Results</b>                 | <b>Rs' 000</b> | <b>Rs' 000</b> |            |
| Revenue                                | 374,851        | 287,152        | 30.54      |
| Gross Profit                           | 152,726        | 112,890        | 35.29      |
| Profit Before Interest and Tax         | (31,966)       | 108,989        | (129.33)   |
| Profit Before Tax                      | (61,273)       | 81,820         | (174.89)   |
| Profit After Tax                       | (61,680)       | 72,919         | (184.59)   |
| Retained Profits                       | 543,862        | 625,542        | (13.06)    |
| Dividend Paid                          |                | 20,000         |            |
| Dividends TOTAL                        | 396,650        | 396,650        | -          |
| <b>Financial Position</b>              |                |                |            |
| Non Current Assets                     | 792,832        | 737,497        | 7.50       |
| Mature / Immature Plantations          | 581,618        | 502,826        | 15.67      |
| Current Assets                         | 233,545        | 356,230        | (34.44)    |
| Inventories                            | 73,432         | 71,398         | 2.85       |
| Short Term Investment (Fixed Deposits) | 113,276        | 128,996        | (12.19)    |
| Total Asset                            | 1,026,376      | 1,093,727      | (6.16)     |
| Current Liabilities                    | 57,100         | 45,452         | 25.63      |
| Non Current Liabilities                | 225,414        | 222,734        | 1.20       |
| Stated Capital                         | 200,000        | 200,000        | -          |
| Shareholders' Funds                    | 743,861        | 825,542        | (9.89)     |
| Current Ratio (Times)                  | 4.09           | 7.84           | (47.81)    |
| Quick Ratio (Times)                    | 2.80           | 6.27           | (55.25)    |
| Gross Profit Ratio %                   | 40.74          | 39.31          | 3.64       |
| Earning Per Share Rs.                  | (3.10)         | 3.69           | (184.01)   |
| Return on Average Equity (ROE) - %     | (7.86)         | 8.80           | (189.32)   |
| Return on Capital Employed (ROCE) - %  | (3.30)         | 10.40          | (131.72)   |
| Total Asset to Current Liabilities     | 0.06           | 0.04           | 33.87      |
| Shareholders fund ratio                | 72.47          | 75.48          | (3.98)     |
| Interest Cover - (times)               | (1.09)         | 3.98           | (127.40)   |

## MESSAGE OF THE CHAIRMAN/C. E. O

It gives me great pleasure to present the annual report and audited financial statements for the year 2014 on behalf of the Board of Directors of Chilaw Plantations Ltd.

Annual rainfall 2014 had shown improvements. However total number of productive coconut palms has decreased to 313,048 from 340,586 in 2013, due to inadequate young palms to replace the depleting over-aged palms as a result of the improper and insufficient under plantings done during the private management. Ultimate result of these outcome was the decrease of the total yield of coconuts to 9.60 million by the end of year 2013 in comparison to the yield of 18.26 million coconuts in year 2010. The crop records 12,969,381 nuts in 2014 against the crop of 9,595,275 harvested in 2013, thus recording an increase of 35% against 2013. On the other hand, although the number of palms have decreased the productivity has increased as the nuts per palm achieved in 2014 records 46 nuts per palm against the 31 nuts per palm in 2013, which indeed is a sign that the crop is taking a turn for the better.

Rain water harvesting program is continued and under this program lakes/ponds at Bingiriya, Madampe and Divulapitiya were developed at reasonable high costs and as a result the soil conditions in these estates have improved resulting in increased crops at Bingiriya. The traditional soil moisture conservation operations such as burying coconut husks and mulching fronds are also in progress as per the requirement. Manure and dolomite applications to improve the soil nutrients, which is also an requirement, also was attended to.

The cashew processing center established last year in the Thambapanni estate of Puttalam making good progress and as a result two more sales outlets had been opened – one at Mangalaeliya and the other at Kasamadu, both on the Colombo – Mannar main road. Furthermore, additional revenue was added to the main revenue through the sale of Palugaswewa pure curd and yoghurt also at these outlets.

The cinnamon cultivation undertaken as an intercrop at Divulapitiya yielded good results and the first harvest was achieved during the year.

### Revenue & Profit

Revenue for the year 2014 was slightly increased to Rs.375 Million compared to that of Rs. 287 Million in 2013, although the coconut market price fluctuated at low levels with Net sale average (NSA) of Rs 29/= Per nut during the year 2014 as against the NSA of Rs. 30/= per nut prevailed in year 2013.

The company had provided temporary finance facilities of Rs 105 million to State owned government organization in the Year 2010 as advised by then secretary to the Ministry of State resources and Enterprise Development .

However despite many reminders, repayment of loan installments and accumulated interest from 2010 to 2014 has not been Settled by respective parties at the end of the year 2014.

Considering the above fact that the Board of Directors of Chilaw Plantations Ltd resolved to make a full provision for impairment on financial assets (bad debt provision) for the year ended 2014.

After making bad debt provision (Impairment loss on financial assets) of Rs 119.7 Million for above finance facilities, net loss for the year 2014 was Rs 61.6 Million.

## MESSAGE OF THE CHAIRMAN/C. E. O

Chilaw Plantations Ltd which is a state plantation company remitted a sum of Rs. 20 Million to the General Treasury as dividends for year 2013 with the concurrence of the Board of Directors and the Ministry of Coconut Development and Janatha Estate Development in year 2014.

### Achievements and Contributions

Once again it a pride for the Chilaw Plantations Ltd to have won a bronze medal for medium producer plantation companies at the National Agri Business Convention in year 2014, which victory was achieved with the dedication of the entire staff of the Company.

The Hand pollination program implemented by the Company since year 2011 in Palugaswewa estate had indeed produced high quality coconut seedlings and the first issuing of coconut seedlings under this project carried out in year 2013 had produced healthy seedlings in our Under Plantations. Total seed nuts of 38,080 were laid in nursery during last three years from this project.

Progress of the coconut under Plantation program launched in an area of 100 acres in the Kinyama estate of Bingiriya with the collaboration of the Coconut Research Institute, to produce hybrid seed nuts, is very encouraging. The palms produced by these hybrid seed nuts are expected to come into bearing after 2 ½ years.

### Management and Human Resources

Training programmes, seminars and workshops were conducted for the executives and staff to improve their efficiency and productivity.

### Acknowledgement

I am also pleased to take this opportunity to offer my heartfelt gratitude and sincere thanks to all estate Superintendents, Assistant Superintendents, all employees of the Office who offered their services with utmost honesty to enable this progress, to all workers of plantations who contributed their labour on behalf of the institution, to the Minister and the Secretary and all other officials of the Ministry who were constantly in touch with us to lend their support and to the Board of Directors.



Ravindra Herat  
Chairman/Chief Executive Officer  
Chilaw Plantations Limited

## BOARD OF DIRECTORS – CPL

- 1. Mr. Gamini Rajakaruna** - (wef. 27/11/2014 to 31/12/2014) **Chairman / CEO**  
 (Secretary, Ministry of Coconut Development & Janatha Estate Development) **071 8438488**  
 36/2, Galmaduwwatta Housing Scheme, Galmaduwwatta.
- 2. Mr. Panduka Jayasinghe** - (wef. 24/09/2013 to 27/11/2014) **Chairman / CEO**  
 No.27, 1St Lane, Rampart road, Ethulkotte. **0716884082**
- 3. Mr. A.M. Chandrapala** **Board Member & Executive Director**  
 (Former Secretary, Ministry of Provincial Councils,  
 Retired SLAS Special Class Officer)  
 165/1A, Dutugamunu Street, Kohuwala **077 3321551**
- 4. Mr. O.P.P.Pathiranage** **Board Member & Working Director**  
 Walakadawatta, Uluvitike, Galle. **077 7903922**
- 5. Mrs. Priyangani Liyanage** **Board Member & Treasury Representative**  
 Senior Manager, PED, Treasury **0777898 841**
- 6. Mr. Chandra Fernando** **Board Member**  
 (Rtd. Inspector General of Police (IGP),  
 Senior Advisor to HE The President)  
 No 3, Shrubbery Gardens, Colombo 04. **011 2580561**  
**011 2553321**
- 7. Mr. K.B. Rathnayake** **Board Member**  
 No. 22, Dikyaya, Buththala. **0722229160**
- 8. Mr. R. R.M. Amarathunga** **Board Member**  
 No. 7/44, School Lane, Gangodawila, Nugegoda. **0777751433**
- 9. Mr. I.M.R. Widanagamage** **Board Member**  
 'Tharindu', Buddiyagama, Weeraketiya. **077 3088478**

## SENIOR MANAGEMENT TEAM - CPL

|  |   |             |
|--|---|-------------|
| 1. Mr. Gamini Rajakaruna<br>(wef.27/11/2014)                 | Chairman/ CEO                               | 071 8438488 |
| 2. Mr. Panduka Jayasinghe<br>(wef. 24/09/2013 to 27/11/2014) | Chairman/ CEO                               | 071 6884082 |
| 3. Mr. A. M.Chandrapala                                      | Executive Director                          | 077 7774892 |
| 4. Mr. O.P.P.Pathirana                                       | Working Director                            | 077 7903922 |
| 5. Mrs. T.V.D.D.S. Karunaratne                               | (Act.) General Manager                      | 076 6904905 |
| 6. Mr. D.G.A.R. De Silva                                     | DGM Plantations                             | 071 4173203 |
| 7. Mr. W.L.D. Fernando                                       | AGM Plant. Engineering                      | 077 7364907 |
| 8. Mr. B.Hettiarachchi<br>(wef.17/11/2014)                   | AGM Plantations                             | 071 8413943 |
| 9. Mr.R.M.R.B.Ratnayake                                      | Senior Accountant                           | 071 8478569 |
| 10. Mr. H.P.M.W. Hemachandra                                 | Chief Internal Auditor                      | 071 8441536 |
| 11. Mr.M.M. Merly  | Manager Estate                              | 077 6746458 |
| 12. Mr. A.A.AshokaAnanda                                     | Manager Estate                              | 071 5285866 |
| 13. Mr. W.K.Pradeep  | Manager Tec: & Develop:                     | 071 8351431 |
| 14. Mr. A.M.T.B. Attapattu                                   | Manager HR/Admin                            | 077 3799003 |
| 15. Mr. M.K.N.Abeydeera                                      | Manager Finance                             | 071 8608954 |
| 16. Mr. A.N.S. Karunathunga                                  | Manager Marketing                           | 077 3413838 |
| 17. Mr B. Hettiarachchi<br>(As at 17/11/2014)                | Superintendent,<br>Thambapanni Area Estate. | 071 8413943 |
| 18.Mr. J. H. Fernando  | Superintendent,<br>Palugaswewa Estate       | 071 4244248 |
| 19. Mr. G.M.A. Karunathilaka                                 | Superintendent,<br>Chilaw Area Estate.      | 071 8363615 |
| 20. Mr. D.M.G.A.Dissanayake                                  | Superintendent,<br>Bingiriya Area Estate.   | 071 8504698 |
| 21. Mr. M.G.C. Dias  | Superintendent,<br>DiulapitiyaArea Estate.  | 077 3586974 |
| 22. Mr. B.M.U.B.Basnayake                                    | Superintendent,<br>MadampeArea Estate       | 077 3156774 |

# MANAGEMENT REVIEW

## Coconut Productivity

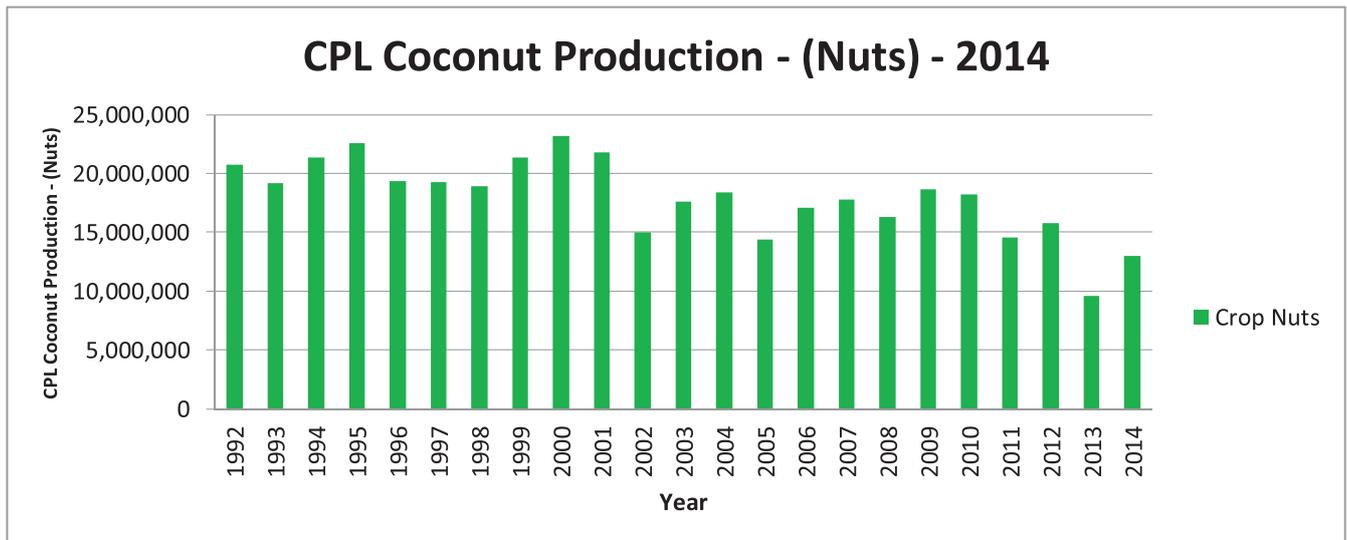
The total extent of 5733.23 Hectares, of which 4464.12 Hectares in coconut, situated from Puttlam to Katunayaka on the coastal line and Nikaweratiya to Divulapitiya on the land line, managed by the CHILAW PLANTATIONS LTD., coming under the dominance of different weather and climatic conditions, such as, dry zone, intermediate zone and wet zone, are located as below:

| Estate | Extent (ha)               | Zone     |              |
|--------|---------------------------|----------|--------------|
| 1      | Bingiriya Area Estates    | 1,509.66 | Intermediate |
| 2      | Chilaw Area Estates       | 645.57   | Intermediate |
| 3      | Divulapitiya Area Estates | 424.49   | Wet          |
| 4      | Madampe Area Estates      | 655.86   | Wet          |
| 5      | Palugaswewa Estate        | 672.22   | Intermediate |
| 6      | Thambapanni               | 1,825.43 | Dry          |

The productivity and the yield, that imperatively varies relatively area to area recording with low yields in the dry zone and high yields in the wet zone has been in the range and average of 46 nuts per palm.

The crop suffered a setback and a drastic drop due to the prolonged severe drought and the harsh drought in 2012 which made CPL to lose over 19,239 high yielding palms and retarding the growth and productivity of another 20,000 palms, thus reducing the bearing palms to 283,449 and the crop to 12,969,381 nuts in 2014 as detailed below:

| Year | Coconut yield (Nuts) | Variance | Bearing Palms(Nos) | Variance | Productivity (nuts per palm) | SriLanka Production (Million) | Variance |
|------|----------------------|----------|--------------------|----------|------------------------------|-------------------------------|----------|
| 1992 | 20,782,648           | 0        | 421,875            |          | 49                           | 2,296                         | 0        |
| 1993 | 19,145,214           | -8       | 407,512            | -05%     | 47                           | 2,164                         | -06%     |
| 1994 | 21,382,314           | +12      | 426,722            | +03%     | 50                           | 2,622                         | +21%     |
| 1995 | 22,603,156           | +6       | 441,379            | +04%     | 51                           | 2,275                         | +05%     |
| 1996 | 19,336,658           | -14      | 421,716            | -04%     | 46                           | 2,546                         | -08%     |
| 1997 | 19,235,974           | -1       | 412,006            | -02%     | 47                           | 2,630                         | +03%     |
| 1998 | 18,921,808           | -2       | 415,718            | +01%     | 46                           | 2,522                         | -04%     |
| 1999 | 21,348,626           | +13      | 393,360            | -05%     | 54                           | 2,828                         | +12%     |
| 2000 | 23,216,882           | +9       | 399,454            | +02%     | 58                           | 2,396                         | +09%     |
| 2001 | 21,829,630           | -06      | 395,435            | -01%     | 55                           | 2,769                         | -11%     |
| 2002 | 15,031,795           | -31      | 413,465            | +05%     | 36                           | 2,392                         | -14%     |
| 2003 | 17,585,652           | +17      | 402,937            | -03%     | 44                           | 2,562                         | +11%     |
| 2004 | 18,354,614           | +04      | 401,162            | 00%      | 46                           | 2,591                         | +01%     |
| 2005 | 14,391,265           | -22      | 408,006            | +02%     | 35                           | 2,515                         | -03%     |
| 2006 | 17,070,324           | +19      | 411,968            | +01%     | 41                           | 2,785                         | +11%     |
| 2007 | 17,815,317           | +04      | 395,762            | -04%     | 45                           | 2,869                         | +03%     |
| 2008 | 16,280,051           | -09      | 378,333            | -04%     | 43                           | 2,908                         | +01%     |
| 2009 | 18,632,247           | +14      | 380,000            | 00%      | 49                           | 2,762                         | -05%     |
| 2010 | 18,256,007           | -2       | 340,586            | -10%     | 54                           | 2,317                         | -16%     |
| 2011 | 14,527,770           | -20      | 353,113            | +04%     | 41                           | 2,808                         | +09%     |
| 2012 | 15,807,753           | +09      | 312,456            | -12%     | 51                           | 2,940                         | +05%     |
| 2013 | 9,595,275            | -39      | 313,048            | +01%     | 31                           | 2,513                         | -14%     |
| 2014 | 12,969,381           | 35       | 283,449            | -9%      | 46                           | 2,870                         | 14%      |



The total number of palms in bearing had reduced to 283,000 in 2014 from 400,000 in the year of 2000. The crop have declined to 13Mn. in 2014 from that of 23Mn. In year 2000. The productivity remains in the range of 46 nuts per palm.

#### Human Resources Management

Whilst seminars and workshops were held for Superintendents by EFC and Labour Department. The Superintendents, and Head Office executives also attended workshops organized by the Foundation of Skill Development.

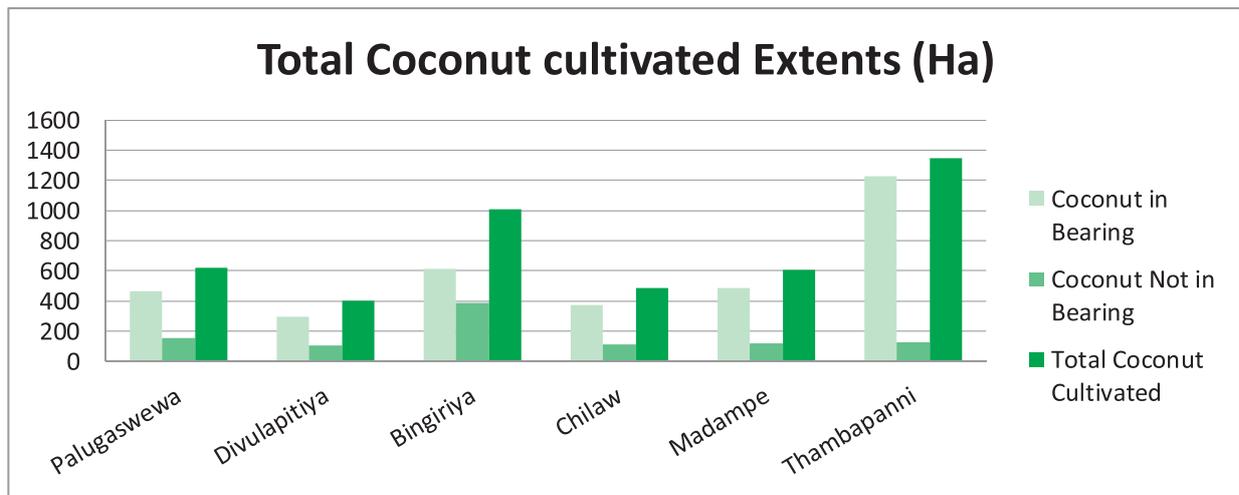
#### National Agribusiness Awards 2014 awarded by the National Agribusiness Council of Sri Lanka.

National Agribusiness Awards 2014 – Bronze award received by the CPL for Medium Producing Plantation in 2013.



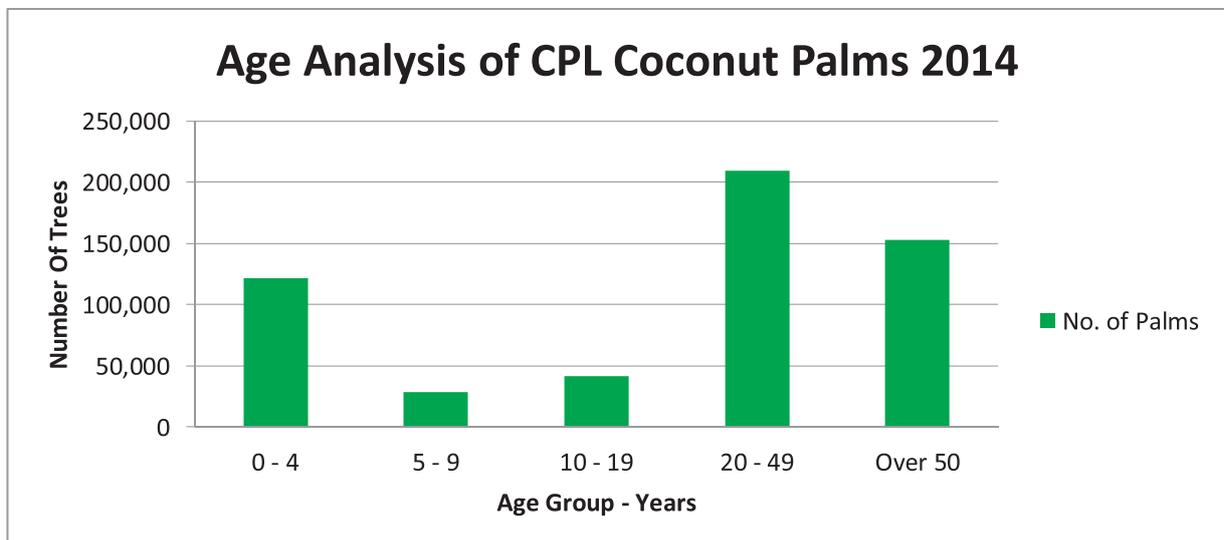
**Total Coconut cultivated Extents (Ha)  
End 31st December 2014**

| Area                          | Palugaswewa | Divulapitiya | Bingiriya | Chilaw | Madampe | Thambapanni | Total    |
|-------------------------------|-------------|--------------|-----------|--------|---------|-------------|----------|
| Coconut in Bearing (Ha)       | 461.66      | 296.74       | 615.96    | 374.99 | 484.95  | 1225.23     | 3,459.53 |
| Coconut Not in Bearing (Ha)   | 155.50      | 107.00       | 389.93    | 110.37 | 118.70  | 123.09      | 1,004.59 |
| Total Coconut Cultivated (Ha) | 617.16      | 403.74       | 1005.89   | 485.36 | 603.65  | 1,348.32    | 4,464.12 |



**Age Analysis of CPL Coconut Palms 2014.  
End of December 31st**

| Age Category | Over 50 | 20 – 49 | 10 – 19 | 5 – 9  | 0 - 4   | Total   |
|--------------|---------|---------|---------|--------|---------|---------|
| No. of Palms | 152,544 | 208,997 | 41,979  | 28,711 | 121,374 | 553,605 |
| % - Total    | 28%     | 38%     | 8%      | 5%     | 22%     |         |

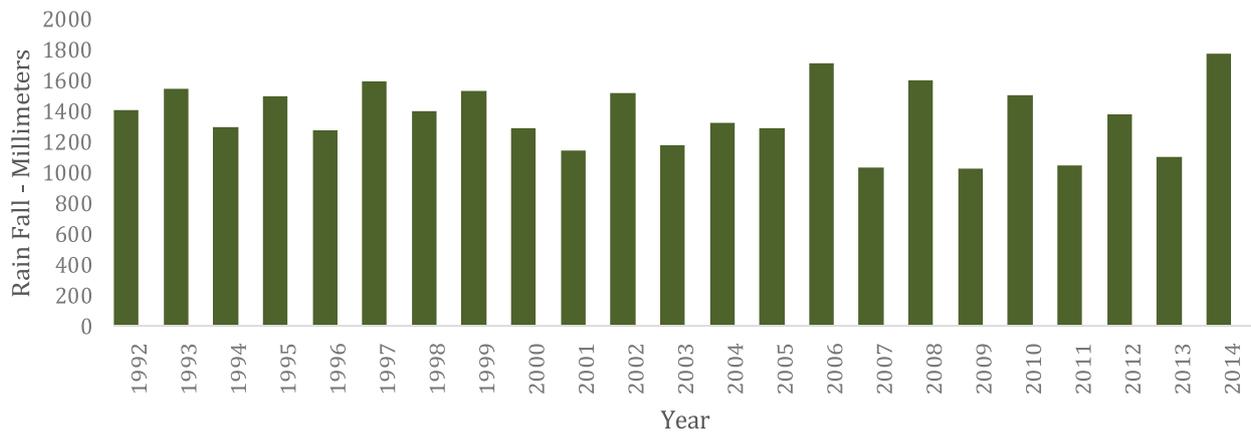


### Wet Days and Rain Fall

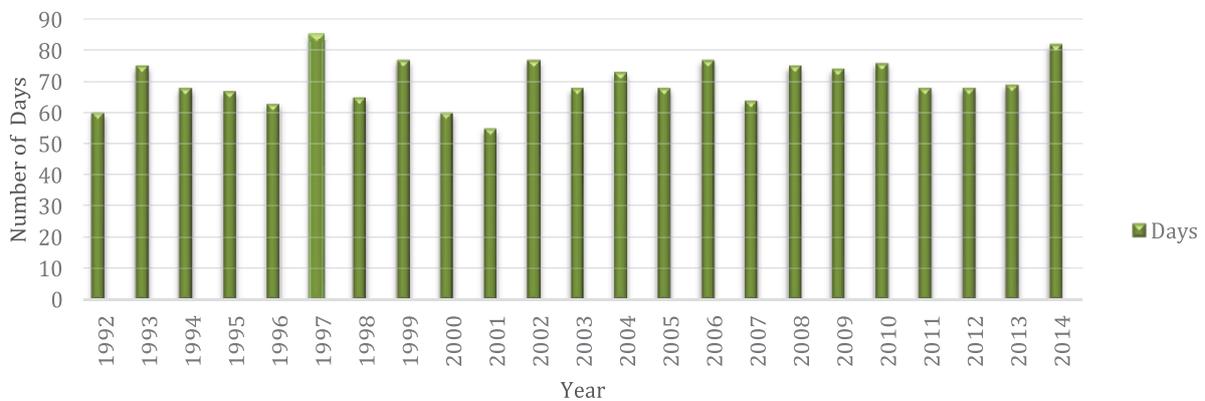
Climatic condition turned towards better with better rainfalls during the year when compared with the last few years.

| Estate       | 2014 Jan – Dec Rain Fall mm | 2014 Jan – Dec Wet Days | 2014 Dec Rain Fall mm | 2014 Dec Wet Days |
|--------------|-----------------------------|-------------------------|-----------------------|-------------------|
| Bingiriya    | 1718                        | 87                      | 374                   | 19                |
| Chilaw       | 1536                        | 72                      | 349                   | 20                |
| Divulapitiya | 1765                        | 95                      | 394                   | 18                |
| Madampe      | 2200                        | 70                      | 372                   | 15                |
| Palugaswewa  | 1715                        | 87                      | 320                   | 23                |
| Thambapanni  | 1674                        | 84                      | 380                   | 20                |

### CPL Average Rain Fall



### CPL Average Wet Days.



## Hand pollination

Having realized the vital fact that the Coconut Industry needs healthy and high yielding palms, for higher productions and higher profits, areas and avenues in this regard were explored and as a result the need for premium seedlings was found as the basic requirement. Subsequently, ventured into the raise healthy, high yielding and drought resistant seedlings.

The Hand Pollination project nursery established at Palugaswewa Estate successfully continues to produce hybrid seedlings. The seedlings thus derived and planted in the under plantations appear to be strong and well growing, promising and with all signs of a healthier and high yielding palms.



### Production of Genetically Superior Seed Nuts by Hand Pollination

| Year  | Sanramon | Seed Nuts Harvested | Laid In Nursery |
|-------|----------|---------------------|-----------------|
|       | Flowers  | Nuts                | Nuts            |
| 2013  | 4,098    | 16,121              | 20,968          |
| 2014  | 1,976    | 17,452              | 17,112          |
| Total | 6,074    | 33,573              | 38,080          |

### Seed Garden

Production of Hybrid 'Kapruwana' Cultivar of Coconut Seed nuts / Seedlings (Hand-pollinated genetically screened/selected green Dwarf + San Ramon) Seed Garden at Kinyama Estate CRI-CPL Joint Project

(Started in 2012) appears to be a successful project where the growing seedlings appear to be strong and promising.

## INVESTMENT PORTFOLIO

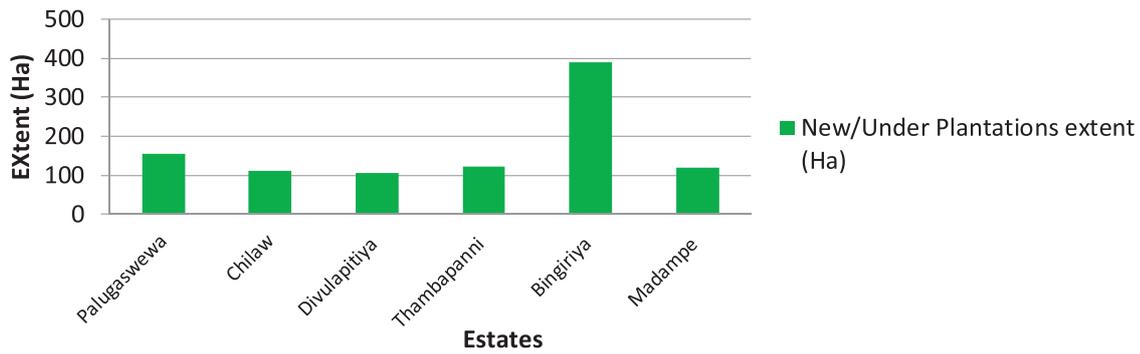
### NEW PLANTATIONS AND UNDER PLANTATIONS

New plantations and under plantations are the main investment for Chilaw Plantation Limited. Large scale New Plantations and Under Plantation were given priority as this aspect was not given due attention previously. The most of the coconut palms are over 50 years and more than 152,544 palms from the total plantation. It is nearly 28% from total palms. Therefore productivity is very low at the moment and we have planted more than 939.09ha. Nearly 141,368 young plants in new plantings and under plantations after 31st May 2008. These new plantings and under plantings will come to bearing in another five years time. This investment done after the management taken over by government.

Accumulated Investment on New/Under Plantation as at 31/12/2014

| Estate            | New/Under Plantations extent (Ha) | Total Investment to end December 2014 (Rs.) |
|-------------------|-----------------------------------|---|
| Palugaswewa       | 155.50                            | 56,989,871.68                               |
| Chilaw Area       | 110.37                            | 38,892,297.98                               |
| Divulapitiya Area | 107.00                            | 34,098,188.79                               |
| Thambapanni Area  | 123.09                            | 47,560,103.56                               |
| Bingiriya Area    | 389.93                            | 119,766,800.09                              |
| Madampe Area      | 118.70                            | 32,237,597.40                               |
| Total             | 1004.59                           | 329,544,859.50                              |

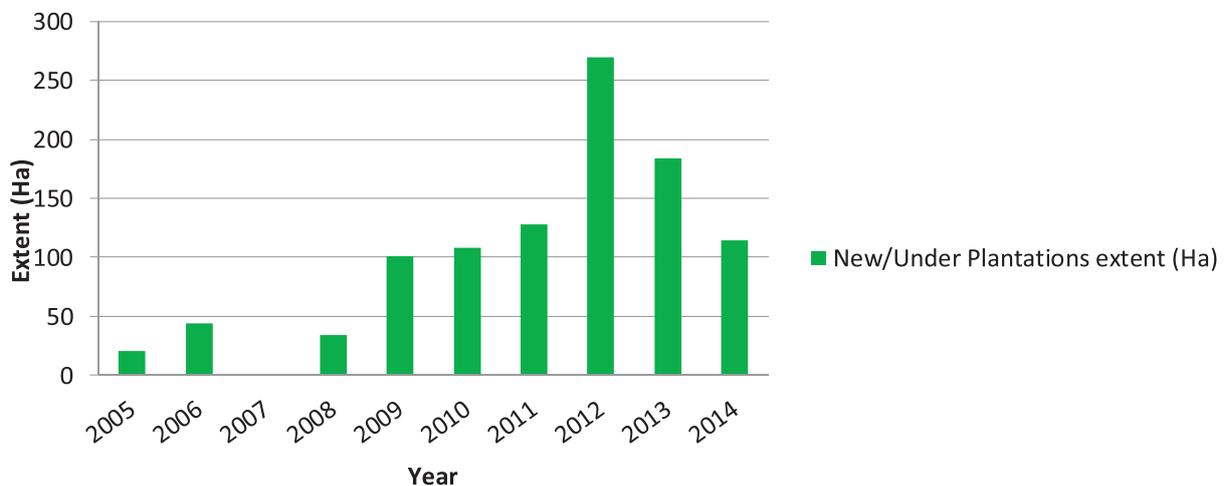
## New/Under Plantations extent From 2005 to 2014



## CPL Under Plantations and New Plantations

| Year         | New/Under Plantations extent (Ha) | Number of Seedlings |
|--------------|-----------------------------------|---------------------|
| 2005         | 54.35                             | 8,592               |
| 2006         | 44.50                             | 7,791               |
| 2007         | 0                                 | 0                   |
| 2008         | 33.94                             | 5,566               |
| 2009         | 101.10                            | 15,847              |
| 2010         | 107.93                            | 17,689              |
| 2011         | 128.17                            | 19,685              |
| 2012         | 269.62                            | 37,495              |
| 2013         | 183.76                            | 28,231              |
| 2014         | 114.57                            | 16,855              |
| <b>Total</b> | <b>1,037.94</b>                   | <b>157,751</b>      |

## New/Under Plantations extent since 2005



## Intercropping and Livestock

### Buffalo Project

Situated in Palugaswewa estate.  
 No. of Buffaloes – 419.  
 No. of Milking cows – 187.  
 Total milk converted into curd and yoghurt. 45075.04 L  
 Last year artificial insemination is done.  
 5 nos. new birth after AI.

Upgrading the standards of the herd and diary is underway, in line with the advice of the Officials from Netherlands. A milking parlor with milking machines would be constructed in due course.

### Sheep Project

Bingiriya Area Estates – Kinyama estate.  
 No. of Sheep – 925.  
 Sheep dung is used for under plantations and dragon fruit.



## RAMBUTAN PLANTATIONS

Situated in Divulapitiya Area Estates Kopyiwatte estate.  
 Established in 1996 and 2005.  
 Total number of palms – 590.  
 Income generated from Rambutan Project is Rs.343,000/-.

## PEPPER PLANTATIONS

Situated in Divulapitiya Area Estates Weeranissankamalla estate.  
 Established in 1998 and 1999.  
 Total number of vines – 1973  
 Income generated in 2014 is Rs.1.2 Million.

## CINNAMON PLANTATIONS

Situated in Divulapitiya Area Estates Dombawinna and Saraswathi estates.  
 Established in 2011.  
 Number of plants – 24,365.  
 Income generated is Rs.237,170/-.

Situated in Bingiriya Area Estates Kolomunuoya estate  
 1 acre – 3600 plants.  
 Siyambalawewa estate 2011 – 3600 plants.

## DRAGON FRUIT PLANTATIONS

As the Project at Bingiriya planted in 2006 has shown good results by offering a steady income, profit having already surpassed the total expenditure / investment on this, this project was expanded to the other estates also as detailed below:

| Estate       | Year of planting | Number of plants | Number of plants in bearing |
|--------------|------------------|------------------|-----------------------------|
| Palugaswewa  | 2011             | 50               | 50                          |
| Bingiriya    | 2008/2012        | 2700             | 450                         |
| Divulapitiya | 2011/2012        | 946              | 946                         |
| Madampe      | 2011/2012        | 550              | 50                          |



Processing, Further Processing and Value added Products and Marketing.

## Cashew Project

### Cashew Processing Centre at Thambapanni Area Estates

The Budded Cashew Plant Nursery established in Thambapanni Area Estates continues to cater to the cashew cultivators with high yielding plants.

Total cashew harvested in year 2014 was 76,792.5 kgs. And the raw nuts received favorable prices in the market. A part of the cashew crop is being processed at the Thambapanni Area Estates Cashew Processing Centre and sold to the customers.

Income generated from the cashew project amounts to nearly Rs. 21 M with a profit amounting to Rs. 6 M.

## Rain Water Harvesting



### Rain water harvesting.

Rain water harvesting which is given priority as a risk management step and to increase the moisture content in the soils. Tanks in the six Area Estates were developed and de-silted.

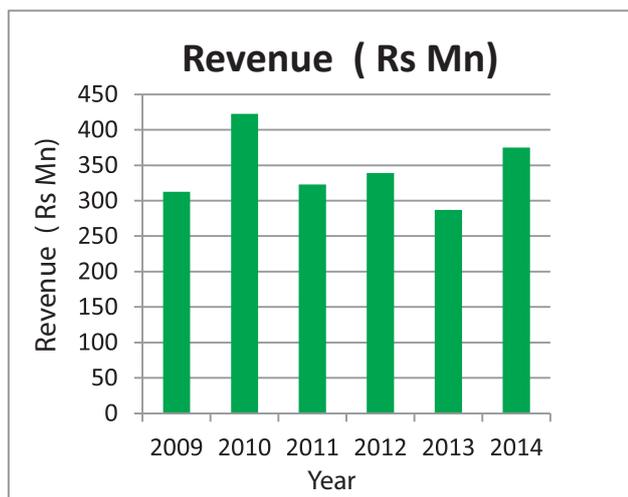
# FINANCIAL REVIEW

## COMPANY FINANCIAL PERFORMANCE AT A GLANCE

|                         | 2014 | 2013 | Variance | % of variance | Key Factor   |
|-------------------------|------|------|----------|---------------|--|
| Coconut Nuts Mn         | 12.9 | 9.5  | 3.4      | 35%           |  |
| Revenue                 | 375  | 287  | 88       | 30%           | Crop harvested has increased by 35%  |
| Cost of Sales           | 222  | 174  | 48       | 27%           | Due to increase in cost of fertilizer application In Mature plantation During the year           |
| Other Income            | 37   | 76   | (39)     | (51%)         | Other operating income has decreased   |
| Administrative Expenses | 104  | 93   | 11       | 11.8%         | Increase of Incentive payment ,salary etc.   |
| Other operating Exp     | 9    | 9    |          |               |  |
| Finance Income          | 11   | 21   | (10)     | (48%)         | Lower interest rates realized for deposits and FD Balance were decreased due to investment on NP |
| Finance Expenses        | 29   | 27   | 2        | 7%            | Lease interest on JEDB Asset has increased due to increase of annual GDP Deflator                |

### Revenue

In the year under review, the company recorded a Revenue of Rs. 374.8 Million compared to Rs. 278 Million in the previous year which shows an increase of Rs. 88 Million in comparison. Increase in crop harvested during the year was the main reason for this favorable variance. The total harvest in 2014 is 12,969,381 nuts whereas in the year 2013 it was 9,595,315 nuts reflecting a 35% increase, compared to the previous year.



### Cost of Sales

The Cost of Sales for the year under review is Rs 222 Mn, which records an increase of Rs. 48 Mn when compared to the previous year. The main reasons for this cost increase can be outlined as follows.

- The cost on Fertilizer application to mature plantation has increased from Rs.13 Mn in 2013 to Rs.36 Mn in 2014 since the fertilizer application was carried out only in a very limited area in 2013 due to the unfavorable weather condition prevailed during the last quarter of year 2013.
- Due to revision of labour wage rates by the wages board the total labour wages increased by 15% i.e. in the year 2013 – Rs 87 million and in the year 2014 – Rs 100 million.
- Salary revisions as per CESU/CPL Collective Agreement to Estates staff and salary increase to the Estates Executives staff as per the Management services circular, incurred an additional expenditure of Rs 3 million compared to the previous year.
- During the year 2014, the company has spent Rs. 3.2 million on new electricity connections to the workers and staff houses, which is a basic and essential requirement.
- Adjustment in the sum of Rs 3.5 million has been made in the provision of gratuity for previous period of service based on the salary revision to staff.
- Expenditure on other field activities such as harrowing, weeding, draining, desilting tanks, re supplying, burying husks has increased.

## **Other Operating Income**

Other Operating income that consisted of sales of Cashew, Husks, Timber, Paddy, Livestock, Sale of dead/senile Trees decreased from Rs. 76 Mn to Rs 37 Mn, compared to the previous year.

During the previous year company has earned sum of Rs 18.5 Mn from Sale of Timber trees and Rs 15.6 Mn from Old vehicles auction. During the year 2014 company did not sell any valuable timber trees and Auction income on discarded vehicle not received during the corresponding year, which are the main reasons for decrease in sundry income. Details of other income sources are shown in the Note no 21 for the financial statement.

## **Administration Expenses**

Administrative expenses have increased by Rs 12 Mn compared to the previous year due to the following reasons.

- A payment of Rs 13.5 Mn was made in the year 2014 as performance incentive to all employees, compared to Rs. 11.6 Mn in the last year.
- Provision for depreciation of Fixed assets has increased by 3.1 Mn in 2014 on Capital Assets purchase in the year 2013
- Nine employees were promoted as Executives in the year 2014 and salary increase to Executives and non Executive staff as per Management services circular, incurred an additional Expenditure of Rs. 3.5Mn on salaries and allowances

## **Finance Income**

Finance income represents the interest income from Fixed deposits. When compared to the year 2013, interest income from short term deposits has decreased from 21.1 million to 11.3 million due to the decline in interest rates and decrease of short term deposits. This short term deposit reduction is mainly due to the large scale investment on New plantations, under plantations and payment of dividend to the treasury, from short term deposits.

## **Net Finance Cost**

Finance cost reflects the interest & contingent lease rental paid to Government on JEDB Leasehold Assets. Interest paid to the government on Leasehold Assets increased by 7% i.e. Rs. 29 Mn compared to the previous year which was only 27 Mn, mainly due to the increase of contingent lease rental according to the Gross Domestic Product deflator.



## **Impairment Loss on Financial Assets and Net Profit/(Loss)**

The company had provided temporary finance facilities of Rs 105 million to State owned government organization in the Year 2010 as advised by then secretary to the Ministry of State resources and Enterprise Development. However despite many reminders, repayment of loan installments and accumulated interest of Rs 14,757,808.21 has not been Settled by respective parties at the end of the year 2014. Considering the above fact that the Board of Directors of Chilaw plantations Ltd resolved to make a full provision for impairment on financial assets (bad debt provision) for the year ended 2014. After make bad dept provision (Impairment loss on financial assets) of Rs 119.7 for above finance facilities, net loss for the year 2014 was Rs 61.6 Million.

## **Dividend**

Whilst many of the Government Organizations depend on state funds, Chilaw plantations Ltd has paid total dividend of Rs. 235 million to the Treasury/Golden share holder, after the taking over the management back to the Government in May 2008. In comparison to the profit earned by the company from year 2008 to 2014 this is a significantly high amount. Thus the total dividends paid to the treasury amount to Rs 396 Mn to end year 2013.

## **Service Recognition of Human Resource**

The company paid Rs 13Mn in the year 2014 as performance incentive to employees compared to Rs.12Mn in the last year, as a motivation factor. In addition to that a provision of Rs 5.7 Mn was also made in the year 2014, for payment of employees' 10% profit share, as per the agreement related to the establishment of regional plantation companies (RPCs) in 1992, including the CPL.

## Cash flow

The Company generated net cash of Rs 98 Mn from its operating activities during the year against Rs 117 Mn in the previous financial year. During the year under review, the company has invested Rs. 89 Mn on New/under plantation and Rs. 7 Mn in property plant and equipment which ultimately resulted in creating a net cash outflow from investing activities. The company paid dividend of Rs. 20 Mn during the year 2014 to the treasury/ golden share holder under the finance activities.

However Cash and Cash equivalent at the end of the year under review had been Rs. 116 Mn which comprised of Fixed Deposits at Bank of Ceylon, Treasury Bills and cash and bank balances.

## Earnings Per Share

Earnings per Share for the year 2014 was Rs. (3.10) Compared to Rs. 3.69 in the previous year

## Current Ratio

The current ratio 4.09 for the year is a meaning full level that enable the company to adequately meet the short term liquidity requirements.

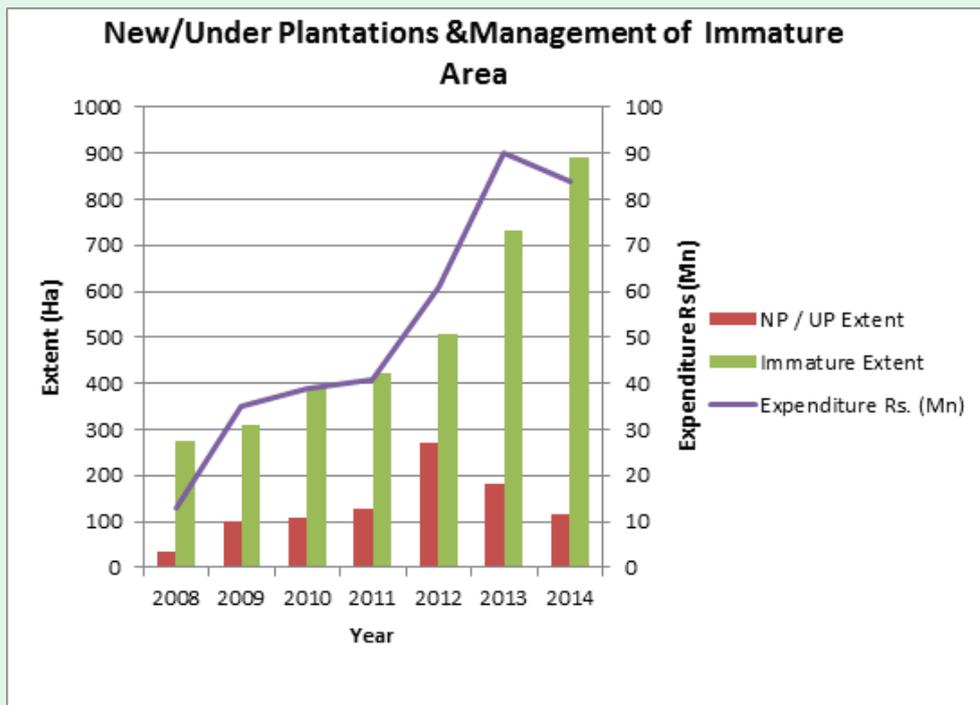
## Asset Base

The Asset base of the company at the end of the financial year recorded as Rs 1026 Mn

| Asset Bass   | 2014<br>Rs.Mn | 2013<br>Rs.Mn |
|--|---------------|---------------|
| Leasehold Right to Bare Land of JEDB/SLSPC Estates             | 82            | 84            |
| Leasehold Property Plant & Equipment of JEDB/SLSPC Estates     | 4             | 4             |
| Leased Bearer Biological Assets of JEDB/SLSPC Estates          | 37            | 41            |
| Biological Assets (Other than Leased Bearer Biological Assets) | 552           | 470           |
| Freehold Property Plant & Equipment                            | 118           | 137           |
| Current Assets   | 233           | 356           |
| Total Assets   | 1,026         | 1093          |

## Capital Investment on New & Under Plantations

During the year 2014 the company has invested Rs. 84 Mn on Coconut New planting/Under planting and management of immature area, in extent of 1005 Hectares. In addition to that the company has invested Rs. 5 Mn on other perennial plantations during the year.

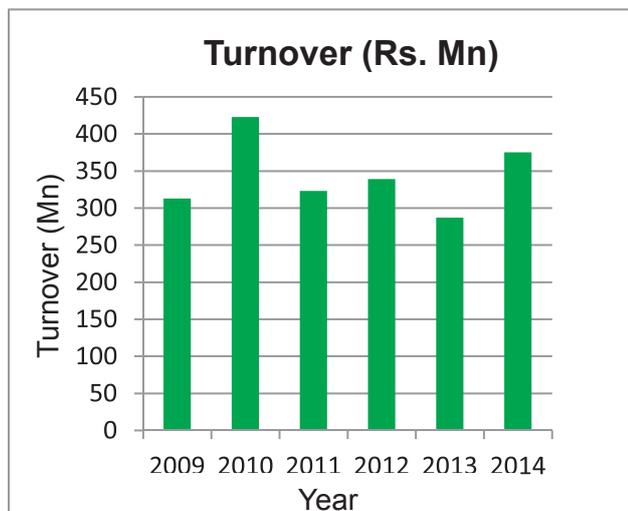


### Coconut Nuts Production, NSA & Revenue ( 2009 – 2014)

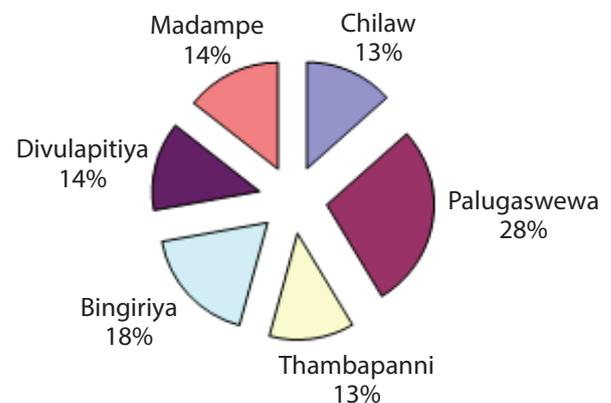
| Year | Coconut Nuts | N.S.A Per 1000 nuts | Revenue Rs  |
|------|--------------|---------------------|-------------|
| 2009 | 18,632,247   | 16,782              | 312,686,690 |
| 2010 | 18,256,007   | 23,152              | 422,668,428 |
| 2011 | 14,527,770   | 22,227              | 322,908,950 |
| 2012 | 15,807,753   | 21,448              | 339,050,649 |
| 2013 | 9,595,315    | 29,926              | 287,152,154 |
| 2014 | 12,969,381   | 27,903              | 374,850,643 |

### Estates Crop Contribution Year 2014

| Estate       | Crop Nuts         |
|--------------|-------------------|
| Chilaw       | 1,735,100         |
| Palugaswewa  | 3,639,284         |
| Thambapanni  | 1,659,753         |
| Bingiriya    | 2,323,000         |
| Divulapitiya | 1,750,693         |
| Madampe      | 1,861,551         |
| <b>Total</b> | <b>12,969,381</b> |



### Estate Crop Contribution 2014



## DIRECTORS REPORT

The Board of Directors are pleased to present the Annual Report of the Company together with the Audited Accounts for the year ended 31st December 2014 and the Summarized Amalgamated Financials Statements are given below for easy reference.

### Summarized Amalgamated Financial Statements:

|  | Year ended<br>31.12.2014<br>(Rs) | Year ended<br>31.12.2013<br>(Rs) |
|--|----------------------------------|----------------------------------|
| <b>Coconut Production (Nuts)</b>                           | <b>12,969,381</b>                | <b>9,595,315</b>                 |
| Revenue  | 374,850,643                      | 287,152,154                      |
| Cost of Sales  | <u>(222,124,184)</u>             | <u>(174,262,628)</u>             |
| <b>Gross Profit</b>  | <b>152,726,458</b>               | <b>112,889,525</b>               |
| Other Operating Income and Gain                            | 37,371,708                       | 76,206,174                       |
| Administration Expenses                                    | (104,412,082)                    | (92,660,057)                     |
| Other Operating Expenses                                   | <u>(9,199,104)</u>               | <u>(8,613,780)</u>               |
| <b>Profit from Operations</b>                              | <b>76,486,980</b>                | <b>87,821,863</b>                |
| Finance Income   | 11,304,731                       | 21,167,854                       |
| Finance Expenses   | (29,306,794)                     | (27,169,196)                     |
| Impairment Loss on Financial Assets                        | (119,757,808)                    |                                  |
| <b>Profit Before Taxation</b>                              | <b>(61,272,891)</b>              | <b>81,820,521</b>                |
| Tax Expenses   | (799,013)                        | (8,072,974)                      |
| <b>Profit for the year</b>                                 | <b>(62,071,904)</b>              | <b>73,747,547</b>                |
| Other Comprehensive Income                                 | 391,711                          | (828,622)                        |
| <b>Total Comprehensive Income for the year, Net of Tax</b> | <b>(61,680,193)</b>              | <b>72,918,925</b>                |
| Basic Earnings Per Share                                   | (3.10)                           | 3.69                             |
| <b>Stated Capital</b>                                      | <b>200,000,010</b>               | <b>200,000,010</b>               |

## Principal Activities

The principal activities of the Company consists of cultivation, production, processing and marketing of produce of coconut, other agricultural crops, and livestock, as well as non-crop diversification initiatives.

## Financial Statements

The Financial Statement of the Company are given on Page 28 - 53

## Auditor's Report

The Auditors Report on the Financial Statements of the Company is given on page 27

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on page 32 to 40 and there were no changes in the Accounting Policies adopted compared to the previous years.

## GOING CONCERN

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

## Directors of the Board

Director of the Board, who served the Company during the year are given below and brief profile of the Directors are given on previous pages.

## Board of Directors of the year 2014

|   |                   |
|---|-------------------|
| Mr Panduka Jayasinghe<br>(1.1.2014 to 27.11.2014)           | Chairman & Member |
| Mr. Gamini Rajakaruna<br>(27.11.2014 to 31.12.2014)         | Chairman & Member |
| Mr A. M Chandrapala   | E D & Member      |
| Mr Keerthi Pathirana  | W D & Member      |
| Mrs Priyangani Liyanage<br>Treasury Representative & Member |                   |
| Mr S. Chandra S Fernando                                    | Member            |
| Mr I. M .R .Widanagamage                                    | Member            |
| Mr K. B. Rathnayake   | Member            |
| Mr R.R.M. Amarathunga                                       | Member            |

## Audit Committee

Following Directors of the Board served on the Audit Committee and conducted five evaluations during the year.

## Audit Committee - 2014

|                          |          |
|--------------------------|----------|
| Mr R.R.M. Amarathunga    | Chairman |
| Mrs Priyangani Liyanage  | Member   |
| Mr I. M .R .Widanagamage | Member   |
| Mr K.B. Rathnayake       | Member   |
| Mr A M Chandrapala       | Observer |

## Review of Performance

The review of the Company performance during the year and important management and development programs are given under the Chairman's Review, Management Review and Financial review.

## Revenue

The Revenue of the Company for the year was Rs 375 Mn and details are given under the Audited Financial Statements.

## Impairment Loss on Financial Assets & Financial Results

Chilaw plantations ltd Provided temporary finance facilities/loan of Rs 105 Million to State Owned Government Enterprises and Ministry of State Resources and Enterprise Development in the year 2010 as advised by then secretary to the Ministry of the state Resources and Enterprise Development. However, despite many reminders, repayment of loan installments and accumulated interest has not been settled by the respective parties at the end of December 2014.

Considering the above facts that the Board of Directors has decided to make full Bad debt provision of Rs.119.7 Million in 2014 accounts on the above loan.

After making bad debt provision (Impairment loss on financial assets) of Rs 119.7 Million for above finance facilities, net loss for the year 2014 was Rs 61.6 Million.

### Fixed Assets

During the year 2014 the Company has invested Rs 89 Million (2013: Rs 102 Mn) on New/under plantations, management of Immature Plantations and Rs 7 Mn Invested on Property Plant and equipment (2013 : Rs 64 Mn). Net Book value of non-current assets (property plant & equipment, leasehold Right, Biological Asset etc.) as at the Balance Sheet date in year 2014 was Rs 792 Mn (2013 : Rs 737 Mn) and details are given in Notes of the Audited Financial Statements.

### Short-term Investments

The Company's Short-term Investments were Rs 113 Mn at the end of 2014, compared to Rs 129 Mn in year 2013. This deposits reduction was mainly due to investment of Rs 89 Million on New/Under planting and investment on non-current assets, as well as Dividend payment of Rs 20 Million to Treasury in 2014.

This investments comprises Rs 107 Mn Fixed Deposits at Bank of Ceylon and Rs 6 Mn in Treasury Bills and REPO at Bank of Ceylon.

### Reserves

The Company reserves are totally represented by the Retained Profit and were Rs 544 Mn, as at 31 December 2014 (2013 : Rs 625 Mn). The movement and composition of the Reserves are disclosed under the Statement of Changes in Equity of the Audited Financial Statements.

### Stated Capital

The total Stated Capital of the Company as at 31 December 2014 was Rs 200,000,010, comprises 20,000,001 Ordinary shares, inclusive of one Golden Share. No Share allotments were made during the year.

### Liabilities & Capital Commitments

Contingent Liabilities and Capital Commitments are disclosed in Notes of the Audited Financial Statements.

### Events After The Balance Sheet Date

There were no events subsequent to the Balance Sheet date, which would have any material effect on the Company, other than disclosed in this report.

### Directors' Interest in Contracts

The Directors have no direct or indirect interest in contracts with the company other than those declared in Notes to the Accounts.

### Directors' Share Holdings

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

### Employment

The Company practices the Equal opportunity Policy in relation to all its activities including employment related selection, training, promotions, disciplinary proceedings, etc. based on merits, while complying the with Government Rules and Regulations for sustainable benefit of the Company. The Company also adhering to equal opportunity for all employees irrespective of gender, ethnicity, religion, marital status, political opinion, or physical stature and comply the to benefit the Company.

### 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 statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or where relevant provided for.

### Auditors

The Accounts for the year 2014 have been audited by M/s Aiyar & Co, Chartered Accountants.

### Annual Report

The Board of Directors has approved the Audited Financial Statements for the year 2014 at the Board Meeting on 30th July 2015.

### Annual General Meeting

The Annual General Meeting is scheduled to be held at the at Grand Oriental Hotel, No. 02, York Street, Colombo 01 on 20th October 2015 at 1.30 Pm

Notice of the Annual General Meeting and Form of Proxy are attached hereto.

For and On-behalf of the Board of Directors of the Chilaw Plantations Ltd



.....  
Ravindra Herat  
Chairman



.....  
CORPORATE ADVISORY SERVICES (PVT) LTD  
Secretaries - Chilaw Plantations Ltd  
Colombo

## Risk Management

Four areas of risk factors have been identified so far, such as the impairment to the production by climatic conditions and impaired sales by poor prices and sales, that have an adverse impact, whilst the others also interfere now and then.

Proposed mitigation strategies:

| Risk Factor              | Risk Assessment  | Risk Mitigation Strategies  |
|--------------------------|--|---|
| Impairment to production | <p>Mainly due to the drought that prevails continuously for months.</p> <p>The other cause being due to a high percentage of the mature palms of the age of over 50 years turning into senile.</p>   | <p>Undertaking increased soil moisture conservation work by jumbo drains with husks buried, more drains to trap the rain water within the plantations soil, more low shades such as gliricidia and cover crops such as pureria being planted.</p> <p>More tanks are also renovated to harvest rain water, which could later be used for irrigation and which also feed the roots of the palms.</p> <p>Large scale of investment on New Plantations and Under Plantations.</p> |
| Commodity Cycle          | <p>Impaired prices and sales depending on the consumer 's demand when the sales become unsteady and impaired, resulting in large quantities of nuts on the estates lying on the ground left to spoil and the rest turned in to copra</p> <p>Availability of substitutes such as palm oil etc, to which more consumers are being attracted to, due to low cost.</p> | <p>Coconuts are sold through the fortnight 'Pol Pola' at the Head Office in addition to the weekly CDA Coconut auction</p> <p>The nuts are turned into high quality copra, of which a part is sold through auction and the other or major part is turned into oil at Palugaswewa oil mill and stored for disposal when prices are favorable.</p>  |
| Credit Risk              | <p>The probability of having delays in the buyers settling the dues or failing to abide by the rules and regulations.</p>  | <p>Seek the Authorities intervention to settle for and review mod of settlement process.</p>  |
| Management Personnel     | <p>Lack of motivation and Training resulting in poor production and outputs.</p> <p>Employees leaving for other industries or companies for better remunerations and higher positions.</p>   | <p>Workshops and training programs undertaken.</p> <p>Ensuring promotions from within, to senior positions as far as possible.</p>  |

# STATEMENT OF CORPORATE GOVERNANCE

The Board of the Chilaw Plantations Limited operates on the principles of integrity, corporate fairness, transparency and accountability, and these governing principals would be the foundation on which it will endeavor to build strong relationship with all stakeholders and nurture the environment within which the Company operates.

The Company's activities are conducted with the ethical standards and in the best interest of stakeholders. This commitment is supported with the right roles, structure, information and resources which are embodied with policies, procedures and process that are designed not only to ensure regulatory compliance and sustainability of business but also to enhance business value.

## BOARD OF DIRECTORS

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

## RESPONSIBILITY

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

## COMPOSITION

In 2014 the Board of Directors comprised eight Directors including the Chairman and an Executive Director.

## BOARD MEETINGS

The Board Meetings are scheduled on a monthly basis, as per the scheduled dates adhering to the Annual Programmed Events Calendar prepared and approved at the beginning of the year 2014. At these Meetings the Board sets the strategic direction of the Company, reviews the annual budgets, the progress of all activities the recurrent and the capital expenditure programs.

The Board members are given appropriate documentation in advance of each Meeting.

## AUDIT COMMITTEE

The Audit Committee is comprised of four Directors, inclusive of three non- Executive Directors.

Mr R.R.M. Ammarathunga, being a non- executive Director functioned as the Chairman of the Audit Committee and conducted three evaluations during the year.

The Chairmen, General Manager, Internal Auditor and the Senior Accountant attended Audit Committee Meetings on invitation.

## COMPLIANCE WITH LEGAL REQUIREMENT

The Board of Directors ensured that the Company complies with the Memorandum and Articles of Association of the Company and other rules and regulation as applicable to state-owned business undertakings of the Country.

The Board ensures that the financial statements of the company are prepared in accordance with the Sri Lanka Accountings Standards.

## STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Adhering to the provisions under the Companies Act No 7 of 2007, the Directors of Chilaw Plantations Ltd acknowledge their responsibility in relation to financial reporting of the Company, while the responsibilities of its Auditors, Messrs Aiyar & Co, are given in brief in their report.

The Financial Statements of the Company for the year ended 31st December 2014 included in this report, have been prepared and presented in accordance with the Sri Lanka Accounting standards and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards.

The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the Financial Statements. All material deviations from these standards if any, have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that Company maintains accounting records, which are sufficient to prepare Financial Statements to disclose with reasonable accuracy, the financial position of the Company. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company as at 31st December 2014.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by management comprised internal checks, internal audit, financial and other controls so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors are of the view that the Company has adequate resources to continue operations in the foreseeable future and have continued to use the going-concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors, Messrs Aiyar & Co, Chartered Accountants, with every opportunity to carry out review and tests that they consider appropriate and necessary for the performance of their responsibilities.

The Auditors, have examined the Financial Statements together with all financial records and related data and expressed as Independent Auditors Opinion, which is included in this Annual Report with relevant financial details.

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 statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or where relevant provided for.

By Order of the Board,



CORPORATE ADVISORY SERVICES (PVT) LTD  
Secretaries - Chilaw Plantations Limited.

# Audit and Management Committee

Audit and management Committee of Chilaw Plantations Ltd was established in terms of public Enterprises Guidelines of Good Governance dated 2nd June 2013 and circular number PED/55 dated 14th December 2010 of Department of Public Enterprise

Five Audit Committee Meetings were held during the year 2014 on following dates:

- 31st March 2014
- 16th June 2014
- 5th September 2014
- 21st October 2014
- 18th December 2014

Members of Audit committee are as below.

| <b>Name of the Officer</b> | <b>Designation</b>   |
|----------------------------|--|
| Mr. R.R.M. Amarathunga     | Chariman – Audit Committee - CPL                           |
| Mrs. Priyangani Liyanage   | Member Audit Committee - CPL<br>(Treasury representative ) |
| Mr. I.M.R. Widanagamage    | Member Audit Committee - CPL                               |
| Mr. K.B. Rathnayake        | Member Audit Committee - CPL                               |

Seventy Two Audit and investigation reports submitted to Audit Committee of Chilaw Plantations Limited during the year 2014 were as follows.

| <b>Date of Audit Committee meeting</b> | <b>Number of Audit &amp; Investigation reports taken for discussion</b> |
|--|---|
| 31 <sup>st</sup> March 2014            | 11  |
| 16 <sup>th</sup> June 2014             | 14  |
| 5 <sup>th</sup> September 2014         | 15  |
| 21 <sup>st</sup> October 2014          | 16  |
| 18 <sup>th</sup> December 2014         | 16  |

# Auditors Report

**AIYAR & CO.**  
Chartered Accountants

"Havelock Central"  
No. 104-4/1, Havelock Road,  
Colombo 05,  
Sri Lanka.

P.O.Box : 1029  
Telephone : +94-11-2505516 - 17  
Telefax : +94-11-2505518  
E-mail : aiyar@aiyarca.lk  
Web : www.aiyarca.lk

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF **CHILAW PLANTATIONS LIMITED,**

We have audited the accompanying Financial Statements of **Chilaw Plantations Limited**, which comprise the Statement of Financial Position as at December 31, 2014 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards, 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of **Chilaw Plantations Limited** as at December 31, 2014 and its financial performance and its Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

  
**CHARTERED ACCOUNTANTS**  
Colombo  
July 30, 2015



**Partners** : E. Ruwan J. Perera FCA, ACMA, ACPM, MFE (Col) Joseph Jayaseelan B.B.Mgt., FCA, FTII (SL)  
**Consultant** : Lal Nanayakkara BA (CEY), FCA

*"An independent firm, in association with Moore Stephens International Limited  
-members in principal cities throughout the World"*



# STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31st December,                          | Notes | 2014<br>Rs.                | 2013<br>Rs.              |
|--|-------|----------------------------|--------------------------|
| Revenue  | 20    | 374,850,643                | 287,152,154              |
| Cost of Sales  |       | <u>(222,124,184)</u>       | <u>(174,262,628)</u>     |
| <b>Gross Profit</b>  |       | <b>152,726,458</b>         | <b>112,889,525</b>       |
| Other Operating Income and Gains                           | 21    | 37,371,708                 | 76,206,174               |
| Administrative Expenses                                    |       | (104,412,082)              | (92,660,057)             |
| Other Operating Expenses                                   |       | (9,199,104)                | (8,613,780)              |
| Profit from Operations                                     |       | <u>76,486,980</u>          | <u>87,821,863</u>        |
| Finance Income   |       | 11,304,731                 | 21,167,854               |
| Finance Expenses   | 22    | (29,306,794)               | (27,169,196)             |
| Impairment Loss on Financial Assets                        |       | (119,757,808)              | -                        |
| <b>Profit before Tax</b>                                   | 23    | <b>(61,272,891)</b>        | <b>81,820,521</b>        |
| Tax Expense (Provisions)                                   | 24    | (799,013)                  | (8,072,974)              |
| <b>Profit for the Year</b>                                 |       | <b><u>(62,071,904)</u></b> | <b><u>73,747,547</u></b> |
| <b>Other comprehensive Income</b>                          |       | 391,711                    | (828,622)                |
| <b>Total Comprehensive Income for the year, Net of Tax</b> |       | <b><u>(61,680,193)</u></b> | <b><u>72,918,925</u></b> |
| Basic Earning Per Share                                    | 25    | <b><u>(3.10)</u></b>       | <b><u>3.69</u></b>       |

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 32 to 53 form an integral part of these Financial Statements.

**Chilaw**  
**July 30, 2015**

# STATEMENT OF FINANCIAL POSITION

| As at 31st December,   | Notes | 2014<br>Rs.                 | 2013<br>Rs.                 |
|--|-------|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |       |                             |                             |
| <b>Non Current Assets</b>  |       |                             |                             |
| Leasehold Right to Bare Land of JEDB/SLSPC Estates   | 04    | 81,866,149                  | 84,554,871                  |
| Leasehold Property Plant & Equipment of JEDB/SLSPC Estates<br>(Other than Right-to-Use-Land and Leased bearer biological assets) | 05    | 3,534,906                   | 4,584,954                   |
| Leased Bearer Biological Assets of JEDB/SLSPC Estates  | 06    | 37,481,845                  | 40,919,718                  |
| Biological Assets (Other than Leased Bearer Biological Assets)   | 07    | 551,970,575                 | 470,345,817                 |
| Freehold Property Plant & Equipment  | 08    | 117,978,069                 | 137,091,895                 |
|  |       | <u>792,831,545</u>          | <u>737,497,255</u>          |
| <b>Current Assets</b>  |       |                             |                             |
| Inventories  | 09    | 73,431,573                  | 71,397,657                  |
| Assets Held for Sale   | 10    | -                           | -                           |
| Trade and Other Receivables  | 11    | 43,244,837                  | 28,790,674                  |
| Financial facility to State Enterprises  | 12    | -                           | 119,757,808                 |
| Other Current Assets   |       | 1,259,779                   | 1,430,790                   |
| Short Term Investment  | 13    | 113,275,930                 | 128,995,973                 |
| Cash in Hand and at Bank   |       | 2,332,902                   | 5,857,391                   |
|  |       | <u>233,545,022</u>          | <u>356,230,292</u>          |
| <b>Total Assets</b>  |       | <u><b>1,026,376,567</b></u> | <u><b>1,093,727,547</b></u> |
| <b>EQUITY &amp; LIABILITIES</b>  |       |                             |                             |
| <b>Capital and Reserves</b>  |       |                             |                             |
| Stated Capital   | 14    | 200,000,010                 | 200,000,010                 |
| Retained Earnings  |       | 543,861,623                 | 625,541,816                 |
| <b>Total equity</b>  |       | <u>743,861,633</u>          | <u>825,541,826</u>          |
| <b>Non Current Liabilities &amp; Deferred Income</b>   |       |                             |                             |
| Deferred Tax Liability   | 15    | 41,266,324                  | 42,524,772                  |
| Deferred Grants and Subsidies  | 16    | 7,619,584                   | 8,048,742                   |
| Retirement Benefit Obligations   | 17    | 65,120,485                  | 58,780,004                  |
| Liability to Make Lease Payment for the JEDB/SLSPC Estates   | 18    | 111,407,987                 | 113,380,484                 |
|  |       | <u>225,414,380</u>          | <u>222,734,003</u>          |
| <b>Current Liabilities</b>   |       |                             |                             |
| Trade and Other Payables   | 19    | 56,831,606                  | 45,559,744                  |
| Income Tax Payable   |       | (1,703,549)                 | (2,004,657)                 |
| Liability to Make Lease Payment for the JEDB/SLSPC Estates   | 18    | 1,972,497                   | 1,896,631                   |
|  |       | <u>57,100,554</u>           | <u>45,451,718</u>           |
| <b>Total Equity and Liabilities</b>  |       | <u><b>1,026,376,567</b></u> | <u><b>1,093,727,547</b></u> |

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 32 to 53 form an integral part of these Financial Statements.

### Certification

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Mr. R.M.R.B. Ratnayake  
Senior Accountant

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Chilaw Plantations Limited.

  
Mr. Ravindra Herat  
(Chairman)  
Chilaw  
July 30, 2015



  
Mr. M.R.V.R. Meepura  
(Director)

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

| Description                             | Stated Capital     | Accumulated Profit | Total              |
|---|--------------------|--------------------|--------------------|
|   | Rs.                | Rs.                | Rs.                |
| <b>Balance as at 1 January 2013</b>     | 200,000,010        | 587,622,891        | 787,622,901        |
| Profit for the year                     | -                  | 73,747,547         | 73,747,547         |
| Other comprehensive income              | -                  | (828,622)          | (828,622)          |
| Total comprehensive income              | -                  | 72,918,925         | 72,918,925         |
| Dividend Paid                           | -                  | (35,000,000)       | (35,000,000)       |
| <b>Balance as at 31st December 2013</b> | <b>200,000,010</b> | <b>625,541,816</b> | <b>825,541,826</b> |
| Dividend Paid                           | -                  | (20,000,000)       | (20,000,000)       |
| Profit for the year                     | -                  | (62,071,904)       | (62,071,904)       |
| Other comprehensive income              | -                  | 391,711            | 391,711            |
| Total comprehensive income              | 200,000,010        | 543,861,623        | 743,861,633        |
| <b>Balance as at 31st December 2014</b> | <b>200,000,010</b> | <b>543,861,623</b> | <b>743,861,633</b> |

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 32 to 53 form an integral part of these Financial Statements.

**Chilaw**

**July 30, 2015**

# STATEMENT OF CASH FLOW

| For the year ended 31st December,                                  | 2014<br>Rs.               | 2013<br>Rs.               |
|--|---------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                           |                           |
| Profit before Tax  | (61,272,891)              | 81,820,521                |
| <b>Adjustments for;</b>  |                           |                           |
| - Depreciation/Amortization  | 39,412,876                | 35,298,925                |
| - Provision for Employee Profit Share                              | 5,711,685                 | 5,386,761                 |
| - Amortization of Grants   | (429,158)                 | (429,158)                 |
| - Finance charge on Government finance lease                       | 29,306,794                | 27,169,196                |
| - Previous year Estate Adjustments (Gratuity Adjustment)           | -                         | 863,379                   |
| - Finance Income   | (11,304,731)              | (21,167,854)              |
| - Provision For Defined Benefit Plan Costs                         | 11,876,634                | 11,756,041                |
| - Profit on Disposal of Property, Plant and Equipment              | -                         | (15,795,773)              |
| - Impairment Loss on Financial Assets                              | 119,757,808               | -                         |
| - Property, Plant and Equipment written off                        | 161,256                   | -                         |
|  | <u>133,220,273</u>        | <u>124,902,038</u>        |
| <b>Changes in:</b>   |                           |                           |
| - Inventories  | (2,033,916)               | 11,207,984                |
| - Dairy Livestock  | 605,000                   | (4,739,500)               |
| - Trade and other Receivables                                      | (15,175,213)              | 6,774,194                 |
| - Other Current Assets   | 171,011                   | 3,247,226                 |
| - Trade and other Payables   | 10,909,672                | (2,871,833)               |
|  | <u>127,696,826</u>        | <u>138,520,109</u>        |
| <b>Cash generated from operating activities</b>                    | <u>127,696,826</u>        | <u>138,520,109</u>        |
| - Defined Benefit Plan Costs paid                                  | (5,144,442)               | (5,621,469)               |
| - Employee Profit Share Paid                                       | (5,349,495)               | (4,672,272)               |
| - Finance costs Paid   | (29,306,793)              | (33,929,164)              |
| - Finance Income Received  | 12,025,778                | 28,859,786                |
| - Income Tax Paid  | (1,756,353)               | (5,852,587)               |
|  | <u>98,165,521</u>         | <u>117,304,403</u>        |
| <b>Net Cash from Operating Activities</b>                          | <u>98,165,521</u>         | <u>117,304,403</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                           |                           |
| - Additions of Property, Plant & Equipment                         | (6,717,623)               | (63,775,030)              |
| - Field Development Expenditure                                    | (88,795,799)              | (102,320,954)             |
| - Proceeds from Disposal of Property, Plant and Equipment          | -                         | 16,535,450                |
|  | <u>(95,513,422)</u>       | <u>(149,560,534)</u>      |
| <b>Net Cash used in Investing Activities</b>                       | <u>(95,513,422)</u>       | <u>(149,560,534)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |                           |                           |
| - Dividends Paid   | (20,000,000)              | (35,000,000)              |
| - Capital settlement of Government Finance Lease                   | (1,896,631)               | (1,823,684)               |
|  | <u>(21,896,631)</u>       | <u>(36,823,684)</u>       |
| <b>Net Cash Flows used in Financing Activities</b>                 | <u>(21,896,631)</u>       | <u>(36,823,684)</u>       |
| <b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>    | <u>(19,244,532)</u>       | <u>(69,079,815)</u>       |
| <b>A. Cash &amp; Cash Equivalents at the Beginning of the Year</b> | <u>134,853,364</u>        | <u>203,933,179</u>        |
| <b>B. Cash &amp; Cash Equivalents at the End of the Year</b>       | <u><b>115,608,832</b></u> | <u><b>134,853,364</b></u> |
| <b>NOTE A</b>  |                           |                           |
| Cash & Cash Equivalents at the beginning of the year               |                           |                           |
| Short term Investments   | 128,995,973               | 199,377,169               |
| Cash in Hand and at Bank   | 5,857,391                 | 4,556,010                 |
|  | <u>134,853,364</u>        | <u>203,933,179</u>        |
| <b>NOTE B</b>  |                           |                           |
| Cash & Cash Equivalents at the end of the year                     |                           |                           |
| Short term Investments   | 113,275,930               | 128,995,973               |
| Cash in Hand and at Bank   | 2,332,902                 | 5,857,391                 |
|  | <u><b>115,608,832</b></u> | <u><b>134,853,364</b></u> |

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 32 to 53 form an integral part of these Financial Statements.

**Chilaw**

**July 30, 2015**

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

#### 1.1.1 Domicile and Legal Form

Chilaw Plantations Limited (the Company) is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company re-registered under the companies Act No 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Own Business Undertaking into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 165, Puttalam Road, Chilaw and the Colombo office is located at Ground Floor, CDA Building, No.01, Duke Street, Colombo 01 and the Plantations are situated in the planting districts of Chilaw, Puttalam, Kurunegala and Gampaha.

#### 1.1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were cultivation of coconut, manufacture of copra and sale of green nuts and copra.

#### 1.1.3 Parent enterprise and Ultimate parent Enterprise

The company's parent undertaking is the Government of Sri Lanka

### 1.2 Date of Authorization for Issue

The Financial Statements of Chilaw Plantations Ltd. for the year ended December 31, 2014 was authorized for issue in accordance with a resolution of the Board of Directors on July 30, 2015

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than leased assets of JEDB/SLSPC estates, which have been revalued as described in Note 04, 05 and 06 to the Financial Statements. Where appropriate, specific policies are explained in the succeeding notes and no adjustments have been made for inflationary factors in the Financial Statements.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Company's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee.

### 2.4 Use of Estimates and Judgments

The preparation of the financial statements in conformity with SLFRS/LKAS requires Management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 2.5 Going Concern

The Management of the company has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 2.6 Comparative Information

The accounting policies have been consistently applied by the company and, are consistent with those used in the previous year unless otherwise stated and previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

## 2.7 Events occurring after the Reporting date

All material Events occurring after the Reporting date have been considered and where appropriate adjustments to or disclosures have been made in the Financial Statements.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and those which are expected to realize 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

Items of Property, Plant & Equipment are measured at cost (or at valuation in the case of Leasehold Right to Bare Land), less accumulated depreciation and accumulated impairment losses, if any.

##### (a) Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as apart of that equipment.

When significant parts of Property, Plant & Equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of comprehensive income as incurred.

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.

##### (b) Leased Assets

Assets obtained under the finance lease, (which effectively transfer substantial risks and benefits incidental to ownership of the leased item) are capitalized at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception and depreciated/amortized over the period the Company is expected to benefit from the use of the leased assets.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3.1.1.2 Subsequent Cost

The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition policy given below. The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in profit or loss as incurred.

## 3.1.1.3 De-recognition

The carrying amount of an item of Property, Plant & 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 in profit or loss and gains are not classified as revenue.

## 3.1.1.4 Depreciation and Amortization

### (a) Depreciation

Depreciation is recognized in Statement of Comprehensive Income on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment. The estimated useful lives for the current and comparative periods are as follows:

|                            | No. of Years | Rate (%) |
|----------------------------|--------------|----------|
| Buildings                  | 40           | 2.50     |
| Plants & Machinery         | 15           | 6.67     |
| Furniture & Fittings       | 10           | 10.00    |
| Motor Vehicles             | 05           | 20.00    |
| Equipment                  | 08           | 12.50    |
| Permanent Land development | 30           | 3.33     |
| Fencing                    | 03           | 33.33    |
| Water Supply               | 20           | 5.00     |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is de-recognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate.

### (b) Amortization

Assets held under finance leases are amortized over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in the year 2045. The leasehold rights of assets taken over from JEDB/SLSPC are amortized in equal amounts over the shorter of the remaining lease periods and the useful lives and the estimated useful lives for the current and comparative periods are as follows:

|                              | No. of Years | Rate (%) |
|------------------------------|--------------|----------|
| Leasehold right to bare Land | 53           | 1.89     |
| Improvements to Land         | 30           | 3.33     |
| Other Vested Assets          | 30           | 3.33     |
| Buildings                    | 25           | 4.00     |
| Machinery                    | 15           | 6.67     |
| Water Supply                 | 20           | 5.00     |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3.1.2 Biological Asset

### 3.1.2.1 Immature and Mature Plantations

#### A) Immovable Leased Bearer Biological Assets (Immature and Mature Plantations)

In terms of the ruling of the UITF of Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates, Immovable Leased Bearer Biological Assets (Immature and Mature Plantations) in the JEDB/SLSPC estates under finance leases have been taken into the books of the Company retroactive with effect from 22nd June 1992.

Amortization on Immovable Leased Bearer Biological Assets is recognized in Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the asset and the estimated useful life for the current and comparative periods is as follows:

|                    | No. of Years | Rate (%) |
|--------------------|--------------|----------|
| Mature Plantations | 30           | 3.33     |

#### B) Improvements to Leasehold Property (Immature and Mature Plantations)

The cost of land preparation, rehabilitation, new planting, replanting, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (i.e. Coconut) which comes into bearing during the year, is transferred to mature plantations.

Depreciation on Improvements to Leasehold Property is recognized in Statement of Comprehensive Income on a straight-line basis over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter. The estimated useful lives for the current and comparative periods are as follows:

|         | No. of Years | Rate (%) |
|---------|--------------|----------|
| Coconut | 50           | 2.00     |
| Cashew  | 25           | 4.00     |
| Others  | 20           | 5.00     |

### 3.1.2.2 Dairy Live Stock

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

### 3.1.3 Non-Current Assets Held for Sale

Non-current assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are measured at lower of their carrying amount and fair value less cost to sell. Non-current assets are classified as held for sale only when the sale is highly probable and the asset is available for immediate sale in its present condition. Property, Plant & Equipment once classified as held for sale are not depreciated or amortized.

### 3.1.4 Inventories

Inventories are valued at lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formula.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

|  |   |
|--|---|
| <b>Input Material Consumables &amp; Spares</b> | At actual cost on FIFO basis.   |
| <b>Growing Crop – Nurseries</b>                | At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.  |
| <b>Harvested Crop</b>                          | Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest.<br>The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce. |
| <b>Live stocks</b>                             | Dairy Live Stocks are measured at their fair value less costs to sell. The fair value of livestock is determined in accordance with the circulars issued by the National Livestock Development Board.   |

### 3.1.5 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash, short-term deposits and investments, trade and other receivables, loans provided to state enterprises.

#### 3.1.5.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance expense in the Statement of Comprehensive Income.

The Company has not designated any financial assets upon initial recognition at fair value through profit or loss.

#### 3.1.5.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate (EIR) method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in finance income in the Statement of comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

Loans and receivables comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables and cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## Trade and Other Receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortized cost less allowance for impairment, if any except for the following receivables.

Interest free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any.

Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

## Cash and Cash Equivalents

In addition to cash in hand and at bank, fixed deposits and saving deposits also considered as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### 3.1.5.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

The Company does not have held-to-maturity investments in year 2014 (2013 - Nil).

### 3.1.5.4 Available-for-Sale Financial Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of the financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity. Interest income on available-for sale debt securities is calculated using the effective interest rate method and is recognized in profit or loss. When investments derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. The Company does not have Available-for-Sale Financial Investments in year 2014 (2013 - Nil).

### 3.1.5.5 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired and if such has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future 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 the Statement of Financial Position date. Noncurrent liabilities are those balances that fall due for payment after one year from the Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.2.1. Financial Liabilities

#### Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3.2.1.1. Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognized in the Income Statement. The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

## 3.2.1.2. Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Other financial liabilities comprise trade and other payables, and income tax payables.

## 3.2.2. Financial Risk Management Objectives and Policies

The Company principal financial liabilities comprise trade and other payables, and income tax payables. The main purpose of these financial liabilities is to finance the Company operations. The Company has loans provided to state enterprises and Trade and other receivables and cash and short-term deposits that arrive directly from its operations.

Accordingly the Company has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments.

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

### 3.2.2.1. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers.

### 3.2.2.2. 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.

## 3.2.3. Employees' Benefits

### (a) Defined Contribution Plans - Provident Fund and Trust Fund

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 Provident and Trust Funds covering all employees are recognized as an expense in profit and loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of such employees to Employees' Provident Fund (EPF) and 3% on the consolidated salary of such employees to the Employees' Trust Fund.

### (b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and staff turnover. Due to the longterm nature of these obligations, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 17.

The liability is externally funded in fixed deposits with Bank of Ceylon.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3.3. Deferred Income

### Grants and Subsidies

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates 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 it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Grants related to Property, Plant & Equipment are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows:

Assets are amortized over their useful lives or unexpired lease period, whichever is less.

|                        |          |
|------------------------|----------|
| Buildings              | 40 years |
| Water Supply           | 20 years |
| Motor Vehicles         | 05 years |
| Furniture and Fittings | 10 years |
| Equipments             | 08 years |

## 3.4. Income and Expenses

For the purpose of presentation of Income Statement, the function of expenses method is adopted, as it represents fairly the elements of the Company's performance.

### 3.4.1. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

**a) Revenue from the sale of goods** is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.

**b) 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 'other operating income' in the Income Statements.

**c) Interest income** is recognized using the Effective Interest Method as set out in LKAS 39.

**d) Other Incomes** are recognized on accrual basis.

### 3.4.2. Expenses

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

## 3.5. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

### (a) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years. The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act and amendments thereto.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## (b) Deferred Tax

Deferred tax is recognised using the Balance Sheet method, providing for 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 recognised 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 or taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

Tax withheld on dividend income from subsidiaries and Associates is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

## 3.6. Segment Reporting

Segmental information is provided for the different business segments of the Company. Business segmentation has been determined based on the Geographical area of Plantations are situated. The activities of the segments are described in the Note 20 to the Financial Statements and Geographical area of Plantations are as follows,

|                    |                   |
|--------------------|-------------------|
| Group I Estates    | Group II Estates  |
| Chilaw Area        | Bingiriya Area    |
| Palugaswewa Estate | Divulapitiya Area |
| Thambapanni Area   | Madampe Area      |

## 3.7. Standards Issued But Not yet Effective

Standards issued but not yet effective up to the date of issue of the financial statements are set out below. The Company will adopt these standards when they become effective. Pending a detailed review the financial impact is not reasonably estimable as at the date of publication of these financial statements.

### (i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently.

### (ii) SLFRS 13 -Fair Value Measurement

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

### (iii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

### (iv) Amendment to LKAS 41 - Agriculture & LKAS 16 - Property, Plant & Equipment

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as property, plant and equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 04. LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

Leases have been executed for all estates for a period of 53 years. All of these leases are retroactive with effect from June 22, 1992 the date of formation of the Company. The leasehold right to the land on all these estates have been taken into the books of the Company on June 22, 1992 immediately after the formation of the Company, in terms of the ruling on this matter obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose the Board decided at its meeting on 8th March 1995 that this bare land would be revalued at the value established for this land by valuation specialist, D.R.Wickramasinghe just prior to the formation of the company.

These assets are taken into the Balance Sheet as at 22nd June 1992 and amortized by equal amounts over a 53 year period and the unexpired period of the lease as at the Reporting date is 30.5 years.

|                              | Gross Carrying Value       |                            |
|------------------------------|----------------------------|----------------------------|
|                              | as at<br>31.12.2014<br>Rs. | as at<br>31.12.2013<br>Rs. |
| Leasehold Right to Bare land | 142,502,287                | 142,502,287                |

|                              | Amortization               |                        |                            |
|------------------------------|----------------------------|------------------------|----------------------------|
|                              | as at<br>31.12.2014<br>Rs. | for the<br>year<br>Rs. | as at<br>01.01.2014<br>Rs. |
| Leasehold Right to Bare land | 60,636,138                 | 2,688,722              | 57,947,416                 |

|                              | Carrying Value             |                            |
|------------------------------|----------------------------|----------------------------|
|                              | as at<br>31.12.2014<br>Rs. | as at<br>31.12.2013<br>Rs. |
| Leasehold Right to Bare land | 81,866,149                 | 84,554,871                 |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

### 05. IMMOVABLE LEASED ASSETS OF JEDB ESTATES (OTHER THAN RIGHT-TO-USE LAND AND LEASED BEARER BIOLOGICAL ASSETS)

In terms of the ruling of the UITF of Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates, all immovable Assets in the JEDB/SLSPC estates under finance leases have been taken into the books of the Company retroactive with effect from 22nd June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 Balance Sheet and the amortization of immovable estate assets up to 31st December 2014 are as follows.

| <b>At Valuation</b>       | <b>Improvements<br/>to Land<br/>Rs.</b> | <b>Other Vested<br/>Assets<br/>Rs.</b> | <b>Buildings<br/>Rs.</b> | <b>Machinery<br/>Rs.</b> | <b>Water Supply<br/>Rs.</b> | <b>2014<br/>Rs.</b> | <b>2013<br/>Rs.</b> |
|---------------------------|---|--|--------------------------|--------------------------|-----------------------------|---------------------|---------------------|
| Capitalized Value         | 841,193                                 | 1,002,944                              | 25,356,498               | 530                      | 4,026,236                   | 31,227,401          | 31,227,401          |
| <b>Amortization</b>       |   |  |                          |                          |                             |                     |                     |
| As at 1 January           | 51,532                                  | 720,019                                | 21,844,131               | 530                      | 4,026,236                   | 26,642,447          | 25,592,400          |
| Amortization for the year | 2,390                                   | 33,397                                 | 1,014,260                | -                        | -                           | 1,050,047           | 1,050,047           |
| As at 31 December         | 53,922                                  | 753,416                                | 22,858,391               | 530                      | 4,026,236                   | 27,692,494          | 26,642,447          |
| <b>Carrying amount</b>    | <b>787,271</b>                          | <b>249,528</b>                         | <b>2,498,107</b>         | <b>-</b>                 | <b>-</b>                    | <b>3,534,906</b>    | <b>4,584,954</b>    |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 06. IMMOVABLE LEASED BEARER BIOLOGICAL ASSETS

| <b>Revaluation</b>        | <b>2014</b>        | <b>2013</b>        |
|---------------------------|--------------------|--------------------|
|                           | <b>Rs.</b>         | <b>Rs.</b>         |
| Mature Plantation         | 103,239,426        | 103,239,426        |
|                           | <b>103,239,426</b> | <b>103,239,426</b> |
| As at 01 January          | 62,319,708         | 58,881,835         |
| Amortization for the year | 3,437,873          | 3,437,873          |
| As at 31 December         | <b>65,757,581</b>  | <b>62,319,708</b>  |
| Carrying amount           | <b>37,481,845</b>  | <b>40,919,718</b>  |

Investment in plantation assets which were immature at the time of handing over to the company by way of estate leases are shown under immature plantations (revalued as at 22nd June, 1992), all of which have been transferred to mature plantations as at the reporting date. Investment by the Company on mature and immature plantations is shown separately under Improvements to Leasehold Property (Mature / Immature Plantation) in Note 7.2. These Mature/Immature plantations were classified as bearer biological assets in terms of LKAS 41 - Agriculture.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 07. BIOLOGICAL ASSETS (OTHER THAN LEASED BEARER BIOLOGICAL ASSETS)

|   | 2014               | 2013               |
|---|--------------------|--------------------|
|   | Rs.                | Rs.                |
| Dairy Livestock   | 7,834,500          | 8,439,500          |
| Improvements to Leasehold Property (Mature / Immature Plantation) | 544,136,075        | 461,906,317        |
|   | <b>551,970,575</b> | <b>470,345,817</b> |

07.1

07.2

## 07.1 DAIRY LIVESTOCK

|  | Mature Cows    |                  | 2014             |                  | 2013             |                  |
|--|----------------|------------------|------------------|------------------|------------------|------------------|
|  | Rs.            | Rs.              | Rs.              | Rs.              | Rs.              | Rs.              |
| As at 1 <sup>st</sup> January          | 401,000        | 8,038,500        | 8,439,500        | 3,700,000        | 196,000          | 4,344,000        |
| Additions during the year              | 76,000         | -                | 76,000           | -                | -                | -                |
| Gain/(Loss) on fair value for the year | -              | -                | -                | -                | -                | -                |
| Transfer- In /Out                      | 82,000         | 194,500          | 276,500          | 282,500          | -                | -                |
| Death                                  | (195,000)      | (762,500)        | (957,500)        | (83,000)         | -                | -                |
| As at 31 <sup>st</sup> December        | <b>364,000</b> | <b>7,470,500</b> | <b>7,834,500</b> | <b>8,439,500</b> | <b>8,439,500</b> | <b>8,439,500</b> |

As at 1<sup>st</sup> January

Additions during the year

Gain/(Loss) on fair value for the year

Transfer- In /Out

Death

As at 31<sup>st</sup> December

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 07. BIOLOGICAL ASSETS (OTHER THAN LEASED BEARER BIOLOGICAL ASSETS) (Contd.)

### 07.2 Improvements to Leasehold Property (Mature / Immature Plantation)

| Cost                         | Immature<br>Plantation | Mature Plantation  |                   |                | 2014               | 2013               |
|------------------------------|------------------------|--------------------|-------------------|----------------|--------------------|--------------------|
|                              |                        | Coconut            | Cashew            | Other          |                    |                    |
|                              | Rs.                    | Rs.                | Rs.               | Rs.            | Rs.                | Rs.                |
| At the beginning of the year | 262,685,963            | 144,053,248        | 87,056,397        | 967,096        | 494,762,703        | 392,441,749        |
| Additions                    | 88,795,799             | -                  | -                 | -              | 88,795,799         | 102,320,954        |
| Transferred from Immature    | -                      | 32,999,896         | -                 | -              | 32,999,896         | 15,752,795         |
| Transferred to Mature        | (32,999,896)           | -                  | -                 | -              | (32,999,896)       | (15,752,795)       |
| Written off                  | (161,256)              | -                  | -                 | -              | (161,256)          | -                  |
| At the end of the year       | <b>318,320,610</b>     | <b>177,053,145</b> | <b>87,056,397</b> | <b>967,096</b> | <b>583,397,247</b> | <b>494,762,703</b> |
| <b>Depreciation</b>          |                        |                    |                   |                |                    |                    |
| At the beginning of the year |                        | 16,654,563         | 16,105,113        | 96,710         | 32,856,386         | 26,766,656         |
| Charge for the year          |                        | 2,881,065          | 3,475,367         | 48,355         | 6,404,786          | 6,089,730          |
| At the end of the year       |                        | <b>19,535,628</b>  | <b>19,580,480</b> | <b>145,065</b> | <b>39,261,172</b>  | <b>32,856,386</b>  |
| <b>Carrying Value</b>        | <b>318,320,610</b>     | <b>157,517,517</b> | <b>67,475,917</b> | <b>822,031</b> | <b>544,136,075</b> | <b>461,906,317</b> |

Note :

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in Notes 4, 5 and 6 to the Financial Statements. Further investment in immature plantations taken over by way of leases are shown in this Note. When such plantations become mature, the additional investments since taken over to bring them to maturity will be moved from immature to mature under this Note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will be carried out under Note No. 6. The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 02 March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property Plant & Equipment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 08. FREEHOLD PROPERTY PLANT & EQUIPMENTS

| Cost/ Valuation                 | Buildings  | Plant & Machinery | Motor Vehicles | Equipment  | Furniture & Fittings | Fencing   | Water Supply | 2014               | 2013               |
|---------------------------------|------------|-------------------|----------------|------------|----------------------|-----------|--------------|--------------------|--------------------|
|                                 | Rs..       | Rs..              | Rs..           | Rs..       | Rs..                 | Rs..      | Rs..         | Rs..               | Rs..               |
| As at 1 January                 | 38,367,735 | 7,839,761         | 139,513,756    | 34,309,555 | 8,110,868            | 2,168,873 | 6,363,580    | 236,674,129        | 191,359,680        |
| Additions                       | 158,700    | -                 | 400,000        | 580,616    | 647,847              | 425,775   | 1,061,114    | 3,274,051          | 63,497,210         |
| Transfers/Disposal              | -          | -                 | -              | -          | -                    | -         | -            | -                  | 18,182,760         |
| As at 31 December               | 38,526,435 | 7,839,761         | 139,913,756    | 34,890,170 | 8,758,715            | 2,594,648 | 7,424,694    | 239,948,180        | 236,674,129        |
| <b>Depreciation</b>             |            |                   |                |            |                      |           |              |                    |                    |
| As at 1 January                 | 4,465,997  | 599,234           | 66,355,753     | 22,388,819 | 4,963,109            | 1,732,038 | 2,586,826    | 103,091,776        | 98,592,948         |
| Charge for the year             | 957,894    | 489,667           | 20,775,847     | 2,497,541  | 524,793              | 253,896   | 331,811      | 25,831,448         | 22,032,553         |
| Transfers/Disposal              | -          | -                 | -              | -          | -                    | -         | -            | -                  | 17,533,725         |
| As at 31 December               | 5,423,891  | 1,088,901         | 87,131,600     | 24,886,360 | 5,487,902            | 1,985,934 | 2,918,637    | 128,923,224        | 103,091,776        |
| <b>Net Value</b>                |            |                   |                |            |                      |           |              |                    |                    |
|                                 |            |                   |                |            |                      |           |              | <b>111,024,956</b> | <b>133,582,353</b> |
| <b>Capital Work-in-progress</b> |            |                   |                |            |                      |           |              |                    |                    |
| As at 1 January                 |            |                   |                |            |                      |           |              | 3,509,541          | 3,231,722          |
| Additions during the year       |            |                   |                |            |                      |           |              | 3,443,572          | 3,012,724          |
| Capitalized during the year     |            |                   |                |            |                      |           |              | -                  | (2,734,904)        |
| As at 31 December               |            |                   |                |            |                      |           |              | <b>6,953,113</b>   | <b>3,509,542</b>   |
| <b>Carrying amount</b>          |            |                   |                |            |                      |           |              | <b>117,978,069</b> | <b>137,091,895</b> |

Note :

The assets shown above are those movable assets vested in the Company by Gazette notification on the date of formation of the Company (22.06.1992) and all investment in tangible assets by the company since its formation. The assets taken over by way of estate leases are set out in Notes 4 and 5 and 6.

Further, the valuation of immovable JEDB / SLSPC estate assets on finance lease (other than leasehold property) and tangible assets other than immature / mature plantations taken over on 22 June 1992 is based on net book values obtained from the State Plantations Corporation and Janatha Estate Development Board as at such date. These values were not made available to us by individual asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

|   | <b>2014</b>              | <b>2013</b>              |                           |
|---|--------------------------|--------------------------|---------------------------|
|   | Rs.                      | Rs.                      |                           |
| <b>09. INVENTORIES</b>                                  |                          |                          |                           |
| Input Materials   | 2,509,061                | 2,647,627                |                           |
| Growing Crop - Nurseries                                | 3,231,351                | 3,433,571                |                           |
| Harvested Crop  | 56,033,169               | 52,882,141               |                           |
| Consumables and Spares                                  | 7,086,032                | 8,296,358                |                           |
| Livestock   | 4,587,460                | 4,153,460                |                           |
|   | <u>73,447,073</u>        | <u>71,413,157</u>        |                           |
| Impairment allowance for Obsolete Stocks                | (15,500)                 | (15,500)                 |                           |
|   | <b><u>73,431,573</u></b> | <b><u>71,397,657</u></b> |                           |
| <b>10. ASSETS HELD FOR SALE</b>                         |                          |                          |                           |
| <b>Motor Vehicle</b>                                    |                          |                          |                           |
| Gross Carrying Value                                    | -                        | 4,455,532                |                           |
| Less; Accumulated Depreciation                          | -                        | (4,455,528)              |                           |
| Disposal During the year                                | -                        | (4)                      |                           |
| <b>Carrying Value</b>                                   | <u>-</u>                 | <u>-</u>                 |                           |
|   | <b><u>2014</u></b>       | <b><u>2013</u></b>       |                           |
|   | Rs.                      | Rs.                      |                           |
| <b>11. TRADE AND OTHER RECEIVABLES</b>                  |                          |                          |                           |
| Produce Debtors   | 23,976,789               | 12,341,718               |                           |
| Staff Debtors   | 9,238,953                | 9,713,419                |                           |
| Other Debtors   | 10,469,473               | 7,175,915                |                           |
| Wair-Coir Project                                       | 13,325,233               | 13,325,233               |                           |
|   | <u>57,010,448</u>        | <u>42,556,284</u>        |                           |
| Impairment allowances for Way Coir Project              | (13,325,233)             | (13,325,233)             |                           |
| Impairment allowances for Bad Debts                     | (440,378)                | (440,378)                |                           |
|   | <b><u>43,244,837</u></b> | <b><u>28,790,674</u></b> |                           |
| <b>12. FINANCIAL FACILITY TO STATE ENTERPRISES</b>      |                          |                          |                           |
|   | <b>Amount</b>            | <b>2014</b>              | <b>2013</b>               |
|   | <b>Granted</b>           | Rs.                      | Rs.                       |
|   | Rs.                      | Rs.                      | Rs.                       |
| <b>Loan Receivables</b>                                 |                          |                          |                           |
| Elkaduwa Plantations Ltd                                | 20,000,000               | 23,519,452               | 23,519,452                |
| Sri Lanka Rubber Manufacturing & Export Corporation Ltd | 10,000,000               | 10,000,000               | 10,000,000                |
| Sri lanka State Plantations Corporation                 | 20,000,000               | 23,610,959               | 23,610,959                |
| Ministry of Estate Resources & Enterprise Development   | 15,000,000               | 15,000,000               | 15,000,000                |
| Janatha Estate Development Board                        | 40,000,000               | 47,627,397               | 47,627,397                |
|   | <u>105,000,000</u>       | <u>119,757,808</u>       | <u>119,757,808</u>        |
| Less:   |                          |                          |                           |
| Impairment Loss   | (105,000,000)            | (119,757,808)            | -                         |
|   | <u>-</u>                 | <u>-</u>                 | <b><u>119,757,808</u></b> |

The Company has granted temporary financial facility to the government enterprises amounting to LKR 105 Million in the year 2010. However company has unable to recover these dues up to the 31 December 2014 from the respective parties and the amount with accumulated interest totalling to LKR 119,757,808/-. The Board of Directors of Chilaw Plantation Limited resolved to make a full provision for impairment for the year ended 2014.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

|  | 2014<br>Rs.        | 2013<br>Rs.        |
|--|--------------------|--------------------|
| <b>13. SHORT TERM INVESTMENTS</b>      |                    |                    |
| Fixed Deposit - BOC                    | 107,275,930        | 88,225,881         |
| Fund Management - BOC Savings Deposits | -                  | 7,770,092          |
| Treasury Bills and REPO                | 6,000,000          | 33,000,000         |
|  | <b>113,275,930</b> | <b>128,995,973</b> |

Short-term deposits are made for varying periods of between six month and twelve months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The above fixed deposits with Bank of Ceylon represent ,Plan assets in respect of gratuity liability amounting to Rs. 65,120,485/-

## 14. STATED CAPITAL

### Issued and Fully Paid Number of Shares

Ordinary shares including one golden

Shares held by the Treasury which

have Special rights

|            |            |
|------------|------------|
| 20,000,001 | 20,000,001 |
|------------|------------|

### Value of Issued and Fully Paid Shares

Ordinary shares including one golden

Shares held by the Treasury which

have Special rights

|                    |                    |
|--------------------|--------------------|
| <b>200,000,010</b> | <b>200,000,010</b> |
|--------------------|--------------------|

Stated Capital represents the amount paid to the company in respect of issuing 20,000,001 ordinary shares including one Golden share which has special rights. With the enactment of the Companies Act No. 07 of 2007 which is applicable with effective from 03 May 2007, the concept of authorized share capital and par value is no longer applicable.

## 15. DEFERRED TAX LIABILITY

At the beginning of the year

42,524,772

32,669,159

Provision for the year

(1,258,448)

9,855,613

At the end of the year

**41,266,324**

**42,524,772**

|   | Temporary<br>Difference<br>Rs. | Tax Effect<br>Rs.   |
|---|--------------------------------|---------------------|
| Temporary difference of,                  |                                |                     |
| -Property, Plant and Equipment            | (37,661,876)                   | (4,142,806)         |
| -Mature and Immature Plantation           | (544,136,075)                  | (54,413,608)        |
| -Impairment allowance for Obsolete Stocks | 15,500                         | 1,705               |
| -Impairment allowances for Bad Debts      | 28,523,418                     | 3,137,576           |
| -Retirement Benefit Obligation            | 65,120,486                     | 7,163,253           |
| Carried forward Tax Losses                | 63,523,234                     | 6,987,556           |
| Carried forward Tax Credit                | -                              | -                   |
| <b>Deferred Tax Assets / (Liability)</b>  | <b>(424,615,313)</b>           | <b>(41,266,324)</b> |

The effective tax rate used to calculate deferred tax liability for all the temporary differences other than Mature and Immature Plantation as at 31 December, 2014 is 11% for the company.

The effective tax rate used to calculate deferred tax liability for Mature and Immature Plantation as at 31 December, 2014 is 10% for the company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

|  | 2014<br>Rs.      | 2013<br>Rs.      |
|--|------------------|------------------|
| <b>16. DIFERRED GRANTS AND SUBSIDIES</b> |                  |                  |
| At the beginning of the year             | 8,048,742        | 8,477,900        |
| Less : Amortization for the year         | (429,158)        | (429,158)        |
| At the end of the year                   | <b>7,619,584</b> | <b>8,048,742</b> |

Grants were received from the Plantation Housing and Social Welfare Trust for the development of workers facilities such as re-roofing of Line rooms, Latrines, Water supply and Sanitation etc.

The amount spent is capitalised under relevant classification of Property, Plant & Equipment. Corresponding grant component is reflected under Deferred Grants and Subsidies and amortised over the useful life span of the asset.

|   | 2014<br>Rs.       | 2013<br>Rs.       |
|---|-------------------|-------------------|
| <b>17. RETIREMENT BENEFIT OBLIGATIONS</b> |                   |                   |
| At the beginning of the year              | 58,780,004        | 52,645,432        |
| Interest Cost                             | 6,171,900         | 5,527,770         |
| Current Services Cost                     | 5,704,734         | 5,399,649         |
| Gratuity Payments for the year            | (5,144,442)       | (5,621,469)       |
| Actuarial (Gain) / Loss                   | (391,711)         | 828,622           |
| At the end of the year                    | <b>65,120,485</b> | <b>58,780,004</b> |

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by the actuarial valuer as at 31 December 2014 the actuarial present value of promised retirement benefits amounted to **Rs. 65,120,485**. If the company had provided for gratuity on the basis of 14 days wages and half months salary for each completed year of service, the liability would have been **Rs. 73,954,676.24**. Hence, there is a contingent liability of **Rs. 8,834,191.24**, which would crystallise only if the company ceases to be a going concern.

The key assumptions used by Messrs Actuarial & Management Consultants (Pvt) Ltd. include the following;

- (i) Rate of Interest 10.5% p.a.
- (ii) Rate of Salary Increase
  - Monthly paid Staff 8.0% p.a.
  - Daily Paid Staff 9.0% p.a.
- (iii) Retirement Age
  - Monthly paid Staff 60 years
  - Daily Paid Staff 60 years
- (iv) Daily Wage Rate Rs. 400/-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 18. LIABILITY TO MAKE LEASE PAYMENT FOR THE JEDB/SLSPC ESTATES

|                                  | Repayable<br>within<br>1 year | Repayable after one year                    |                                  | Sub Total    | Total        |
|----------------------------------|-------------------------------|---|----------------------------------|--------------|--------------|
|                                  |                               | Repayable<br>within<br>two to<br>five years | Repayable<br>after<br>five years |              |              |
|                                  | Rs.                           | Rs.   | Rs.                              | Rs.          | Rs.          |
| Gross Finance Lease Liability    | 6,508,000                     | 26,032,000                                  | 165,570,651                      | 191,602,651  | 198,110,651  |
| Less : Future Finance Charges    | (4,535,503)                   | (17,320,820)                                | (62,873,844)                     | (80,194,664) | (84,730,167) |
| Net Finance Lease liability-2014 | 1,972,497                     | 8,711,180                                   | 102,696,807                      | 111,407,987  | 113,380,484  |
| Net Finance Lease liability-2013 | 1,896,631                     | 8,376,135                                   | 105,004,349                      | 113,380,484  | 115,277,115  |

The leases of the estates have been amended, with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The rental payable under the revised basis is Rs. 6.508 million per year. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The contingent rental during the current year charged to the Income Statement amounted to Rs. 24,695,425/- which is based on GDP deflator of 6.7% (2013 - 22,484,880/- 8.9%)

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13%, liability would be as follows.

|                 |   |                    |
|-----------------|---|--------------------|
| Gross           | = | 1,886,046,685      |
| Finance Charges | = | (1,272,721,990)    |
| Net Liability   | = | <u>613,324,695</u> |

The above reassessed liability is not reflected in these Financial Statements.

## 19. TRADE AND OTHER PAYABLES

|   | 2014<br>Rs.       | 2013<br>Rs.       |
|---|-------------------|-------------------|
| Trade Creditors (Refund, CDA Marketing Lot fee) | 1,798,485         | 2,474,123         |
| Others (Fertilizer, Contractors etc.)           | 38,766,471        | 25,531,479        |
| Holiday Pay                                     | 3,071,535         | 2,571,281         |
| Accrued Expenditure                             | 3,748,316         | 5,893,364         |
| Audit Fee                                       | 870,908           | 875,796           |
| 10% Profit Share Staff (RPC Agreement)          | 8,575,891         | 8,213,701         |
|   | <u>56,831,606</u> | <u>45,559,744</u> |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

|   | 2014<br>Rs.        | 2013<br>Rs.        |
|---|--------------------|--------------------|
| <b>21. OTHER INCOME AND GAINS</b>   |                    |                    |
| Amortization of Grant   | 429,158            | 429,158            |
| Profit from Livestock Project   | (888,243)          | 5,223,294          |
| Profit on Disposal of vehicles & Scrap sales  | -                  | 15,640,607         |
| Valuable Trees  | (48,286)           | 18,594,834         |
| Coconut Palms   | 8,645,408          | 11,115,937         |
| Coconut Husks & Shells  | 7,716,752          | 10,793,221         |
| Penalty   | 3,961,313          | 4,436,322          |
| Seedlings & nursery plant   | 779,086            | 373,271            |
| Paddy   | 2,346,910          | 1,595,574          |
| Fire wood   | 2,161,795          | 1,887,223          |
| Cashew  | 5,924,466          | 2,493,261          |
| Other   | 6,343,348          | 3,623,471          |
|   | <b>37,371,708</b>  | <b>76,206,174</b>  |
| <b>22. FINANCE COST</b>   |                    |                    |
| Land & Buildings (JEDB) Variable Lease Rental to PMD(MPI) Treasury  | 24,695,425         | 22,484,880         |
| Lands & Buildings (JEDB) Lease Rental Interests to PMD(MPI) Treasury  | 4,611,369          | 4,684,316          |
|   | <b>29,306,794</b>  | <b>27,169,196</b>  |
| <b>23. PROFIT BEFORE TAX IS STATED AFTER CHARGING</b>   |                    |                    |
| <b>Depreciation</b>   |                    |                    |
| - Leasehold Right to bare land  | 2,688,722          | 2,688,722          |
| - Immovable Leased Assets   | 1,050,047          | 1,050,047          |
| - Freehold Property, Plant and Equipments   | 25,831,448         | 22,032,553         |
| - Biological Assets   | 9,842,659          | 9,527,603          |
| Directors Remuneration  | 3,625,534          | 3,267,900          |
| Auditors Remuneration   | 862,521            | 875,796            |
| Defined Benefit Plan Costs  | 11,484,923         | 11,756,041         |
| Defined Contributions Plan Costs - EPF & ETF  | 21,105,091         | 19,252,920         |
| Salaries & Wages  | 152,940,464        | 139,443,188        |
| Employees' 10% Profit Share   | 5,711,685          | 5,386,761          |
|   | <b>235,143,094</b> | <b>215,281,531</b> |
| <b>24. INCOME TAX EXPENSE</b>   |                    |                    |
| <b>24.1</b> The major components of income tax expenses for the year ended 31 December 2014 are as follows. |                    |                    |
| <b>Current Tax Expenses</b>   |                    |                    |
| Current Income Tax (Note 24.2)  | 2,057,461          | -                  |
| Over provision of previous year Income Tax  | -                  | (1,782,639)        |
| Deferred taxation Charges / Provision   | (1,258,448)        | 9,855,613          |
| <b>Income tax expense reported in the Income statement</b>  | <b>799,013</b>     | <b>8,072,974</b>   |
| <b>24.2 Reconciliation Between Tax Expenses and the Product of Accounting Profit</b>                        |                    |                    |
|   | 2014<br>Rs.        | 2013<br>Rs.        |
| Profit before tax   | (61,272,891)       | 81,820,521         |
| Aggregate disallowable items  | 181,075,826        | 65,235,899         |
| Aggregate allowable items   | (132,789,229)      | (187,477,953)      |
| Adjusted Business profit / (Loss)   | (12,986,294)       | (40,421,533)       |
| Interest Income   | 11,304,731         | 21,167,854         |
| Statutory Income  | 11,304,731         | 21,167,854         |
| Less: Qualifying Payment  | -                  | (13,759,105)       |
| Deductions U.S 32   | (3,956,656)        | (7,408,749)        |
| Taxable Income  | 7,348,075          | -                  |
| Standard Rate - 28% (2013 - 28%)  | 2,057,461          | -                  |
| Current Income Tax Expenses   | 2,057,461          | -                  |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 25. EARNINGS PER SHARE

**25.1** The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

**25.2** The following reflects the income and share data used in the computation of basic earnings per share.

| <b>Amounts used as the Numerator :</b>   | <b>2014</b>         | <b>2013</b>       |
|--|---------------------|-------------------|
| Net profit applicable to ordinary share holders for basic earnings per share               | (62,071,904)        | 73,747,547        |
|  | <u>(62,071,904)</u> | <u>73,747,547</u> |
| <br><b>Amounts used as the Denominator :</b>   | <br><b>Number</b>   | <br><b>Number</b> |
| Weighted average number of ordinary shares in issue applicable to basis earnings per share | 20,000,001          | 20,000,001        |
|  | <u>20,000,001</u>   | <u>20,000,001</u> |
| <br><b>Basic Earning per share</b>   | <br><b>(3.10)</b>   | <br><b>3.69</b>   |
|  | <u>(3.10)</u>       | <u>3.69</u>       |

## 26. COMMITMENTS AND CONTINGENCIES

### 26.1 Capital Commitments

There have been no significant Capital Commitment as at the reporting date.

### 26.2 Contingent Liabilities

There were no contingent liabilities other than disclosed in Note No. 17 as at the reporting date.

## 27. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments or disclosures in the Financial Statements.

## 28. RELATED PARTY DISCLOSURES

Details of significant Related Party Disclosures are as follows.

### 28.1 Transactions with the key management personnel of the company and parent

There were no material transactions with the key management personnel of the company other than those disclosed in Note 23 to these Financial Statements.

### 28.2. Related Party Transactions

There are no related party transactions other than those disclosed in Note No 12 to these Financial Statements.

## Five Year Summery

|                                | 2014           | 2013           | 2012           | 2011           | 2010           |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Coconut Production Nuts '000   | 12,969         | 9,595          | 15,808         | 14,528         | 18,256         |
| <b>Trading Results</b>         | <b>Rs' 000</b> |
| Revenue                        | 374,851        | 287,152        | 339,051        | 322,909        | 422,668        |
| Gross Profit                   | 152,726        | 112,890        | 123,733        | 163,228        | 172,166        |
| Profit Before Interest and Tax | (31,966)       | 108,989        | 111,209        | 118,969        | 136,608        |
| Profit Before Tax              | (61,273)       | 81,820         | 86,225         | 95,771         | 114,163        |
| Profit After Tax               | (61,680)       | 72,919         | 77,975         | 77,670         | 75,256         |
| Retained Profits               | 543,862        | 625,542        | 587,623        | 584,648        | 585,895        |
| Dividend Paid                  |                | 20,000         | 35,000         | 75,000         | -              |
| Dividends TOTAL                | 396,650        | 396,650        | 376,650        | 341,650        | 266,650        |

### Financial Position

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Fixed Assets                           | 792,832   | 737,497   | 602,610   | 560,326   | 483,117   |
| Mature / Immature Plantations          | 581,618   | 502,826   | 410,033   | 354,712   | 326,048   |
| Current Assets                         | 233,545   | 356,230   | 454,231   | 519,019   | 627,829   |
| Inventories                            | 73,432    | 71,398    | 82,606    | 94,295    | 28,526    |
| Short Term Investment - Fixed Deposits | 113,276   | 128,996   | 199,377   | 244,814   | 409,727   |
| Total Asset                            | 1,026,376 | 1,093,727 | 1,056,841 | 1,084,615 | 1,110,946 |
| Current Liabilities                    | 57,100    | 45,452    | 60,149    | 90,605    | 127,215   |
| Long term Liabilities                  | 225,414   | 222,734   | 209,070   | 204,092   | 197,836   |
| Stated Capital                         | 200,000   | 200,000   | 200,000   | 200,000   | 200,000   |
| Shareholders' Funds                    | 743,861   | 825,542   | 787,623   | 784,648   | 785,895   |
|  |           |           |           |           |           |
| Current Ratio (Times)                  | 4.09      | 7.84      | 7.55      | 5.77      | 4.94      |
| Quick Ratio (Times)                    | 2.80      | 6.27      | 6.18      | 4.69      | 4.71      |
| Gross Profit Ratio %                   | 40.74     | 39.31     | 36.49     | 44.71     | 40.73     |
| Earning Per Share Rs.                  | (3.10)    | 3.69      | 3.90      | 3.88      | 3.76      |
| Return on Average Equity (ROE) - %     | (7.86)    | 8.80      | 9.92      | 9.86      | 10.06     |
| Return on Capital Employed (ROCE) - %  | (3.30)    | 10.40     | 11.16     | 11.97     | 13.89     |
| Total Asset to Current Liabilities     | 0.06      | 0.04      | 0.06      | 0.08      | 0.11      |
| Shareholders fund ratio                | 72.47     | 75.48     | 74.53     | 72.34     | 70.74     |
| Interest Cover - (times)               | (1.09)    | 3.98      | 4.45      | 5.13      | 6.09      |

# CHILAW PLANTATIONS LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chilaw Plantations Limited will be held at Grand Oriental Hotel, No 2, York Street, Colombo 01 on 20<sup>th</sup> October 2015 at 1.30 Pm For the following Purposes.

### AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31<sup>st</sup> December 2014 with the Report of the Directors and Auditors thereon.
2. To re-appoint M/s, Aiyar & Company, Chartered Accountants and to authorize the Directors to determine the remuneration of M/s. Aiyar & Company.
3. Any other business.

BY ORDER OF THE BOARD

CHILAW PLANTATIONS LIMITED



CORPORATE ADVISORY SERVICES (PVT) LTD  
SECRETARIES - CHILAW PLANTATIONS LTD

Date: 29<sup>th</sup> September 2015

### NOTES:

1. A shareholder/member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.

# CHILAW PLANTATIONS LIMITED

## FORM OF PROXY

I/We the undersigned .....

of .....

being a member/members of Chilaw Plantations Limited hereby appoint :

- |                             |                |
|-----------------------------|----------------|
| 1. Mr. Ravindra Herat       | or falling him |
| 2. Mr. Manisha Senevirathna | or falling him |
| 3. Mr. Ananda Pushpakumara  | or falling him |
| 4. Mr. D.M.L.Bandaranayake  | or falling him |
| 5. Mr. M.R.V.R. Meepura     | or falling him |
| 6. Mr. H.M.N.C. Herath      | or falling him |
| 7. Mr. Ananda Punyakumara   | or falling him |

As my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20<sup>th</sup> October 2015 at 1.30 pm and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

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

- |   | FOR                      | AGAINST                  |
|---|--------------------------|--------------------------|
| 1. To receive and consider the Statement of Accounts for the year ended 31 <sup>st</sup> December 2014 with the Report of the Directors and Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-appoint M/s, Aiyar& Company, Chartered Accountants and to authorize the directors to determine the remuneration of M/s. Aiyar& Company.              | <input type="checkbox"/> | <input type="checkbox"/> |

Signature of Shareholder's:.....

Shareholders NIC No:.....

Signed this ..... day of .....2015

### **INSTRUCTIONS AS TO COMPLETION**

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

Head Office:

**Chilaw Plantations Limited**

Company Reg. No. - PB 703

'Kapruka Sewana', No 165, Puttalam Road, Chilaw. 61000.

Tel: 0325741273, 032 5741260 Fax: 032 2222162

E-mail: [cplfin5@gmail.com](mailto:cplfin5@gmail.com) / [cpl2@mobitelnet.lk](mailto:cpl2@mobitelnet.lk)