

வாரீக வாரீவை
ஆண்டறிக்கை
ANNUAL REPORT
2016



சீ/க ிலாவ ிவீரி கலாவை
சீலாயம் ஸெருந்தோட்ட நிறுவனம்
CHILAW PLANTATIONS LTD



ரூபீ வஸவஸா கஸவீரீவ ஈலாவஸாஸை
தெருகு அபிவீருத்தி மற்றும் மக்கள் தோட்ட அபிவீருத்தி அமைக்க
Ministry of Public Enterprise Development

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VISION

To be the best scientifically and profitably managed coconut based plantation company in Sri Lanka

MISSION

To achieve sustainable high profit and potential productivity
Through scientific and commercial development of
Coconut plantation assets and resources
by highly competent, empowered, motivated and committed
professional staff to benefit all stakeholders including employees,
public, government, present and future generations, to partnering
with our journey
To attain Sri Lanka as 'The Wonder of Asia'.

FINANCIAL HIGHLIGHTS

	2016	2015	Variance %
Coconut Production Nuts '000	16,522	12,517	32
Summary Results	Rs' 000	Rs' 000	%
Revenue	383,090	399,366	(4.08)
Gross Profit	148,707	148,748	(0.03)
Profit Before Interest and Tax	117,604	119,909	(1.92)
Profit Before Tax	84,817	88,293	(3.94)
Profit After Tax	70,764	81,444	(13.11)
Retained Profits	633,886	598,277	5.95
Timber Reserves	61,841	56,686	9.09
Dividend Paid	-	30,000	-
Dividend Total	426,650	426,650	-
Financial Position			
Non Current Asset	966,343	886,295	9.03
Mature / Immature Plantations	728,533	653,071	11.55
Current Assets	312,333	256,882	21.59
Inventories	104,999	47,613	120.53
Short Term Investment (Fixed Deposits)	140,868	152,646	(7.72)
Total Assets	1,278,676	1,143,177	11.85
Current Liabilities	134,591	54,740	145.87
Non current Liabilities	248,358	233,474	6.38
Stated Capital	200,000	200,000	-
Shareholders' Funds	895,727	854,963	4.77
Key Indicators			
Current Ratio (Times)	2.32	4.69	(50.55)
Quick Ratio (Times)	1.54	3.82	(59.70)
Gross Profit Ratio %	38.82	37.25	1.57
Earning Per Share Rs.	3.48	3.93	(11.45)
Return on Average Equity (ROE) %	8.08	10.19	(2.10)
Return on Capital Employed (ROCE) %	10.28	11.02	(0.74)
Total Asset to Current Liabilities	0.11	0.05	119.82
Shareholders Fund Ratio %	70.05	74.79	(4.74)
Interest Cover - Times	3.59	3.79	(5.43)

REVIEW OF THE CHAIRMAN

I have great pleasure in presenting the Annual report of the year 2016 on behalf of the Board of Directors of the Chilaw Plantations Limited (CPL).

The management of the CPL was acquired by the government in 2008 after a period of 16 years private management since 1992. We would like to mention with pleasure that the Company has achieved a sustainable development by now due to the dedication of all employees since the government acquisition the management in 2008.

The Chilaw Plantations Ltd. owns 85 scattered estates covering the total land extent of 14,161 acres have been grouped into 6 area estates for the purpose of effective management. The Coconut Plantations have been established in an extent of approximately 9,450 acres which is about 67% of the total lands available. The said estates are located in Puttalam, Kurunegala & Gampaha districts. The Coconut Under-plantations have been established in approximately 27% of such plantations amounting to approximately 2,535 acres considering the risk that has to be faced in the future due to the fact that the more palms are over 50 years of age.

Crop Diversification & Animal Husbandry

All the efforts are made to maximally utilize the lands of our estates in our journey to the sustainable development and as a result the inter crops such as Cashew, Rambutan, Pepper, Cinnamon, Dragon Fruit, Budded Mango and Pineapple have been planted in an extent of 2,260 acres. Although most of the Pineapple, Budded Mango, Cinnamon, Dragon Fruit and Pepper plants are in the immature level by now, we were able to earn an income of approximately Rs. 23 Million by the end of 2016.

Further, we were able to earn an income of Rs. 7.06 Million by producing 37,372 liters of fresh buffalo milk and manufacturing Curd and Yoghurt during the year 2016 in the Buffalo Project located at Palugaswewa Estate which estate is perhaps the largest Coconut Estate in the South Asian Region.

Additionally, a Sheep project has been established in Heenmeliyagara estates of Madampe Area Estates in addition to the long time established main sheep project is located at Kiniyama Estate of Bingiriya Area Estates.

Value Added Products

I would like to mention here with great pleasure that, being a government organization, the CPL has been able to introduce value added products to the open market without relying on the raw product of fresh coconuts. The quality copra, bottled pure Coconut Oil and hand pollinated Tall x San Ramon coconut seedlings produced in Palugaswewa Estate are few of such products. Further we have been able to develop a trade name “Thambapanni Cashew” in the market through the Cashew Nut processing unit established at Thambapanni Estate located in Puttalam and a sale mechanism to sell Cashew and Coconut oil.

The arrangements are being made to re-function the Fiber mill located at Palugaswewa Estate in the very near future, which was in a deliberate condition.

Progress Made by the CPL during the financial year

The CPL has been able to achieve the highest crop of 16.5 million nuts after 5 years, which is 32% increase compared to the year 2015 and our policy of undertaking agronomic practices properly and in time has led to this achievement in addition to the conducive climatic conditions.

The Company has earned a profit of Rs. 70.7 million after tax compared to the profit of Rs. 81.4 million made in 2015. The decrease of profit by 13% is mainly due to the declining sale prices of Coconut by 17%.

The CPL has remitted Rs. 426 million dividends to the Government Treasury including Rs. 30 million paid in 2015. Further, Rs. 350 million has been paid as the Annual Lease Rental from 1992.

Agronomic practices and the Development of Estate infrastructure facilities

A special program of supplying adequate agricultural machineries to estates in order to increase the efficiency of the estate agricultural activities was launched in 2015 and as its second phase, agricultural machineries and 4W Tractors to a worth of Rs. 7.6 million was procured in 2016.

More attention has been paid to repair the Staff quarters and Worker cottages, construction of new quarters, and the

supply of water with a view of uplifting the employee performance and progress has been achieved on the provision made on the welfare activities in 2016.

Since the future of the CPL depends on the agronomic practices undertaken in plantations, regular attention has been paid attending agronomic practices such as the Coconut new Planting, upkeep of under-plantations, soil moisture conservation, application of fertilizer and irrigation during the drought etc.

Since the most of our estates are scattered in the dry zone and experiencing a drought period every year. Arrangements were made to commence a program of desilting & repairing 12 ponds in 2015 and this activity is continued in 2016 as well. Because of this program, we were able to establish 12 such water sources newly and the additional gain generated by disposing silt was Rs. 24 million.

Our Achievements

Our achievements and contributions towards the society have been recognized and rewarded during the year. An award granted by the Employees' Trust Fund Board in recognition of our commitment and care to safeguard the best interest of our own employees by discharging our statutory obligations through the facilitation of payments thereby enabling them to take advantage of the many benefits offered by the ETF Board is one of them.

Being a government owned entity under the Ministry of Public Enterprise Development, our expectation is to achieve sustainable growth in all aspects and share with the people of this country.

Acknowledgment

On behalf of the Board of Directors and all categories of employees, I extend my heartfelt gratitude to the Hon. Minister of Public Enterprise Development, Deputy Minister of Public Enterprise Development, Secretary to the Ministry of Public Enterprise Development for the guidance given to manage the public assets of the CPL in a more beneficial way and the members of board of Directors, all categories of staff and workers for the support extended in achieving the above said performances.



V.K.C. Herath
Chairman / CEO

BOARD OF DIRECTORS

Mr .V.K.C. Herath

(Chairman / CEO)

No 86, Bauddhaloka Road, Kurunegala.

Mr. M.K.B. Senevirathne

(Executive Director)

LLB./ Attorney - At - Law

No 14,Lady Gorden's Drive, Kandy

Mr. P.B.S.C. Nonis

(Director / Treasury Representative)

Director Procurement Monitoring Unit - Ministry of Finance

Mr. A. Lakkathas

(Director)

Additional Secretary - (Plantation & Industries) Ministry of Public Enterprise Development

Mr. K.G. Ananda Pushpakumara

(Director)

"Pushpawila," Ambawa, Kuliyaipitiya

Mr. H.M.N.C. Herath

(Director)

Ediwenne Watta, Welpalle (North West)

SENIOR MANAGEMENT TEAM

Head Office

01.	Mr. V.K.C. Herath	-	Chairman / CEO
02.	Mr. M.K.B. Senevirathne	-	Executive Director
03.	Mr. K.G.Ananda Pushpakumara	-	Working Director
04.	Mr. D.G.A.R. De Silva	-	DGM - Plantations
05.	Mr. W.L.D. Fernando	-	AGM - Plant. Engineer
06.	Mr. B. Hettiarachchi	-	AGM - Plantations
07.	Mr. R.M.R.B. Rathnayake	-	Senior Accountant
08.	Mr. H.P.M.W. Hemachandra	-	Chief Internal Auditor
09.	Mr. M.M. Merly	-	Manager - Estate
10.	Mr. A.A. Asoka Ananda	-	Manager - Estate
11.	Mr. W.K. Pradeep	-	Manager - Tech. & Development
12.	Mr. A.M.T.H.B. Athapattu	-	Manager - HR/Admin
13.	Mr. M.K.N. Abeydeera	-	Manager - Finance
14.	Mr. A.N.A.S. Karunathunga	-	Manager - Marketing
15.	Miss. P.N.N. Gunaseela	-	Manager - Planning & Monitoring

Estate Superintendents

16.	Mr. J. H. Fernando	-	Superintendent, Palugaswewa Estate
17.	Mr. G.M.A. Karunathilaka	-	Superintendent, Chilaw Area Estates
18.	Mr. D.M.G.A.Dissanayake	-	Superintendent, Bingiriya Area Estates
19.	Mr. M.G.C. Dias	-	Superintendent, Diulapitiya Area Estates
20.	Mr. B.M.U.B.Basnayake	-	Superintendent, Madampe Area Estate
21.	Mr. A.M.D. Gunathilake	-	Superintendent, Thambapanni Area Estates

MANAGEMENT REVIEW

Brief Introduction - CPL

Chilaw Plantations Limited is a fully government owned entity managed under Public Enterprise Development Ministry and the Company has been performing as a profitable organization throughout. The Coconut Plantations of Chilaw Plantations Limited are located in Kurunegala, Gampaha and Puttalam districts and the total land area belongs to Chilaw Plantations Limited is 14,161 acres out of the same 9,450 acres of Coconut Plantations and the balance area has been diversified into various agricultural and environmental purposes. Palugaswewa, Chilaw, Thambapanni, Madampe, Divulapitiya & Bingiriya are the six Area estates in which there are 85 estate units are managed. These Plantations are spreaded in low country wet intermediate and the dry zones and arrangements have been made to grow suitable crops in the above areas according to the soil and climatic conditions. In addition to the main crop, the inter crops grown are Cashew, Rambutan, Dragon fruits and Pineapple. Further Pepper and Cinnamon have been planted as spices.

Animal husbandry is also plays a significant role in our diversification programme under which Cattle farming, Sheep farming Projects are included to maximize the land productivity. Further as value added products white copra, pure white coconut oil and processed cashew and dairy products such as curd and yoghurt is being produced.

During the sixteen years of Private management, insufficient under plantations have been established and from 2008 to 2016 an area of 2,619 acres have been established with under plantations and new plantations. Changes in the climatic conditions have made a negative influence for the crop production and sustainable management practices are adopted to mitigate these unforeseen effects and the good agricultural practices adopted to enhance the productivity and the land use. Any way the new plantations established will be in bearing in field by another ten to fifteen years and the contribution to the National Coconut Production then would be much higher from Chilaw Plantations Limited in time to come is our goal.

Highest Level of Dividends to Treasury

CPL is recognized as one of the best Regional Plantations Companies (RPC) that declared the highest record level Dividend of Rs. 426 Mn to the treasury, with further Rs. 350

Mn as Land Lease Payment, while ful-filling all statutory payments (EPF/ETF/Gratuity) to staff with rewards and incentives, indicating that State Enterprises also could be managed, without 'Privatization', by honest and effective /efficient scientific management processes for sustainable production and profit to benefit the Government, Treasury, Employees and General Public.

Coconut land diversification and Value added products

Manufacturing of white copra which is considered as the number one and good copra is also being undertaken presently. Copra manufactured at Palugaswewa estate is turned out into quality oil at the oil mill established at Palugaswewa estate itself, and marketed through our sales outlets and the marketing division of the company commenced introducing CPL products to the general public specially through our sales center in Colombo in 2016 and the demand for the products are increasing rapidly due to the quality and as they are direct from the producer.

As there is a demand for processed cashew, we have started processing cashew nuts at the Thambapanni Cashew Processing Centre products of which are being marketed through our sales outlets. Whilst the total produce of cashew nuts harvested from our own plantations had been sold out totally and without processing hitherto, now a part of the total crop is used as the raw material for the processing at the cashew processing centre. Our annual cashew crop amounts to about 60,000 to 70,000 kgs. from more than 800 hectares of cashew plantation owned and managed by the CPL.

The livestock project at Palugaswewa estate continues to be a success Palugaswewa curd has attracted a huge demand among the customers and the daily produce is sold within few hours at palugaswewa sales outlet and the a venues are sought to increase the production in coming years. Buffalow milk yoghurt also has created a demand which cannot be met.

On the other side, we have also looked in to the possibilities of utilizing the available land to the best and maximum advantage, by undertaking inter cropping, by which exercise we have undertaken planting of dragon fruit, pepper, cinnamon, rambutan and pineapple.

The coconut seed garden established in kiniyama estate in collaboration with coconut research institute is expected to produce high quality seedlings, which would also increase the productivity and sustainability.

Labour shortage and mechanization

The labour scarcity was tackled by out sourcing on contract, as done during the previous years, whilst plans are underway to mechanize a few field operations such as fertilizing.

Risk in large scale coconut plantations

One of the major and unforeseen risks that the plantations industry is being affected is the drought, in order to mitigate the effects by prolonged dry conditions, measures have been taken to collect and store maximum possible amount of rain water in our lands that would otherwise go in to the sea without having made use of, which would be used as a resource to preserve the soil moisture contents, whilst the water thus saved could also be used to irrigate the vegetation, such as the young seedlings in the UPs and NPs and the mature palms where necessary.

In this regard, we have been able to establish / develop 12 water tanks in our estates, such as, four in Galwagara and Heemmeliyagara; two in Sembukatiya and Madampe; two water tanks in Divulapitya Katukenda estate; two in Sirilanda estate and two in Bingiriya Athurumanda estate.

In addition, cover crops such as Pureria which spreads on the ground and gilircidia which are bushes to provide shade and mulch as organic manure also facilitates soil moisture conservation and also legumes which fixes nitrogen in the soil.

The other risk that the coconut based industries in Sri Lanka faced currently is the threat in the market caused by the substitutes, such as palm oil and vegetable oil imported in large scale, which also cause closure of many oil mills and DC mills whilst the substitutes like nylon and plastic are replacing the coir products thus causing closure of the coir industries, consequent to which the demand for coconut based industries is on the decline, except for the curry nuts required by the local consumer.

Policy on Human Resource (HR) Advancement

CPL HR Policy considered its Human Resource as the most important resource and asset that manages and develops plantations with relevant value additions to achieve high agricultural production and profit in a sustainable way. All levels of field staff, including Superintendents, Assistant Superintendent, Field Officers, Estate Clerical and support Staff, Watchers, Labours, etc. are provided with relevant knowledge and skills development training programmes and workshops, While facilitated with estate Field Bungalows and Quarters with relevant infrastructure facilities to reside within the estates.



(An award granted by the Employees' Trust Fund Board in recognition of our commitment and care to safeguard the best interest of our own employees - Year 2016)

Coconut Productivity

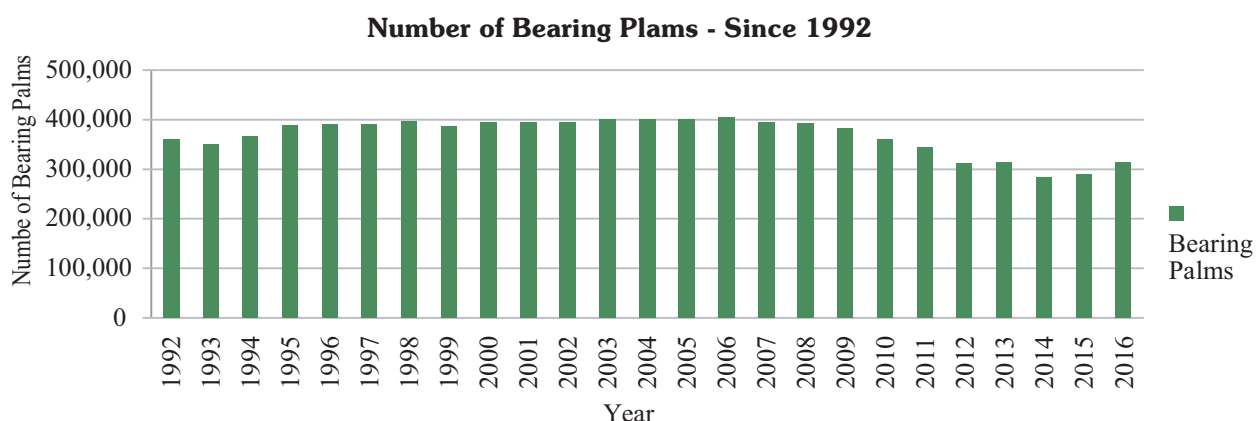
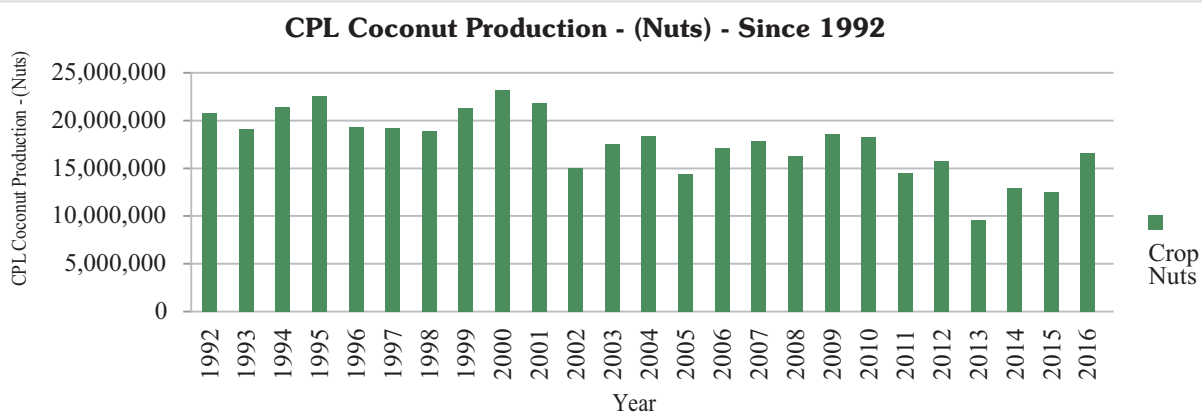
The total extent of 5733.23 hectares, of which 3,825.94 hectares in coconut, situated from Puttlam to Katunayaka on the coastal line and Nikaweratiya to Divulapitiya on the land line, managed by the CHILAW PLANTATIONS LTD.,

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 Area Estate	1,825.43	Dry

National Level Coconut Nuts Production

Year	Cocount Yield (Nuts)	Variance %	Bearing Palms (Nos)	Variance %	Productivity (Nuts Per Palm)	Sri Lanka 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
2015	12,517,083	-3	288,951	2	43	3,026	+5
2016	16,522,290	32	304,043	5	54	2,845	-7

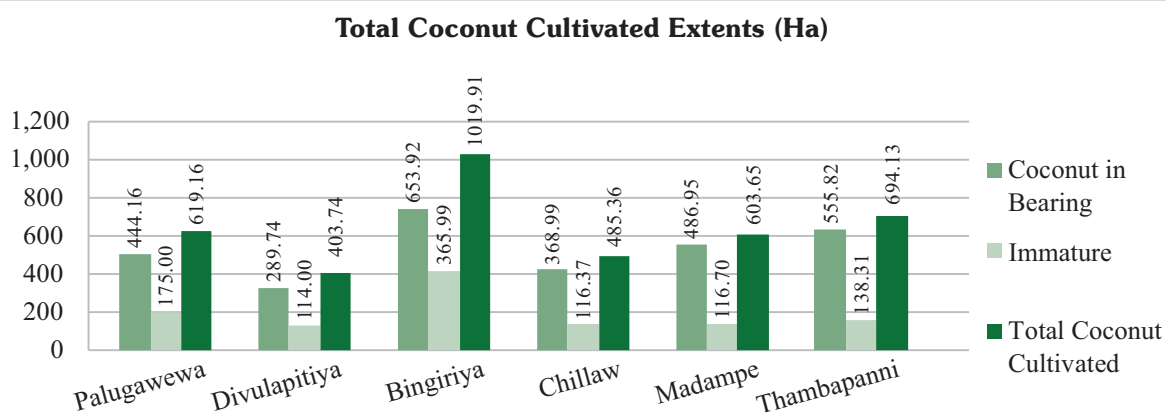


Total Coconut Cultivated Extents (Ha)

End 31st December 2016

Area	Palugaswewa	Divulapitiya	Bingiriya	Chilaw	Madampe	Thambapanni	Total
Coconut in Bearing (Ha)	444.16	289.74	653.92	368.99	486.95	555.82	2,797.58
Immature (Ha)	175.00	114.00	365.99	116.37	116.70	138.31	1,026.37
Total Coconut Cultivated (Ha)	619.16	403.74	1,019.91	485.36	603.65	694.13*	3,825.94

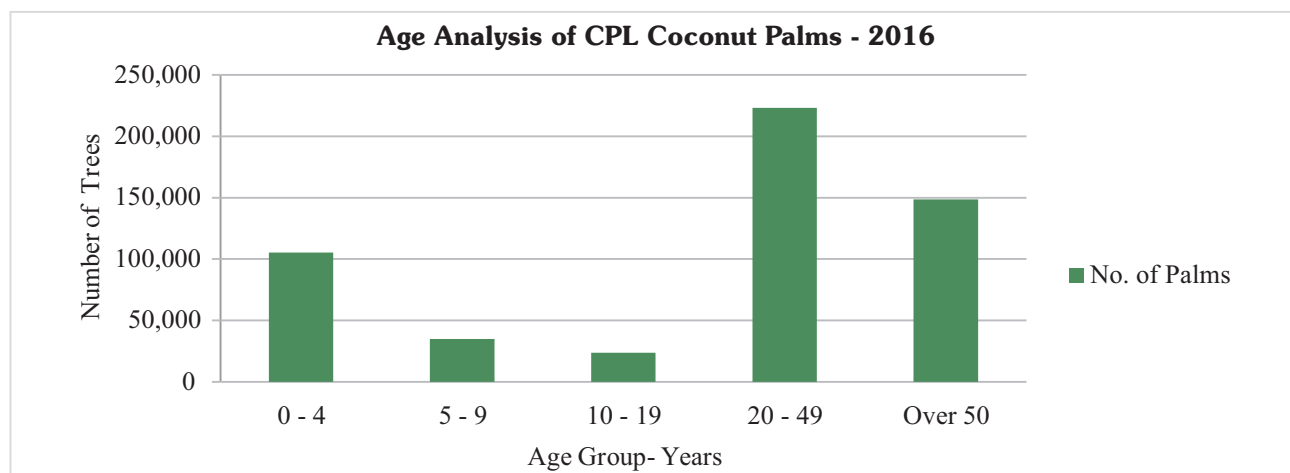
*N B: Adjusted in 2016 due to the exclusive of a cashew extent of 590.35 ha.



Age Analysis of CPL Coconut Palms 2016

Age Category	Over 50	20 - 49	10 - 19	5 - 9	0 - 4	Total
No. of Palms	157,956	219,957	23,532	39,948	112,071	553,464*
% - Total	29%	40%	4%	7%	20%	

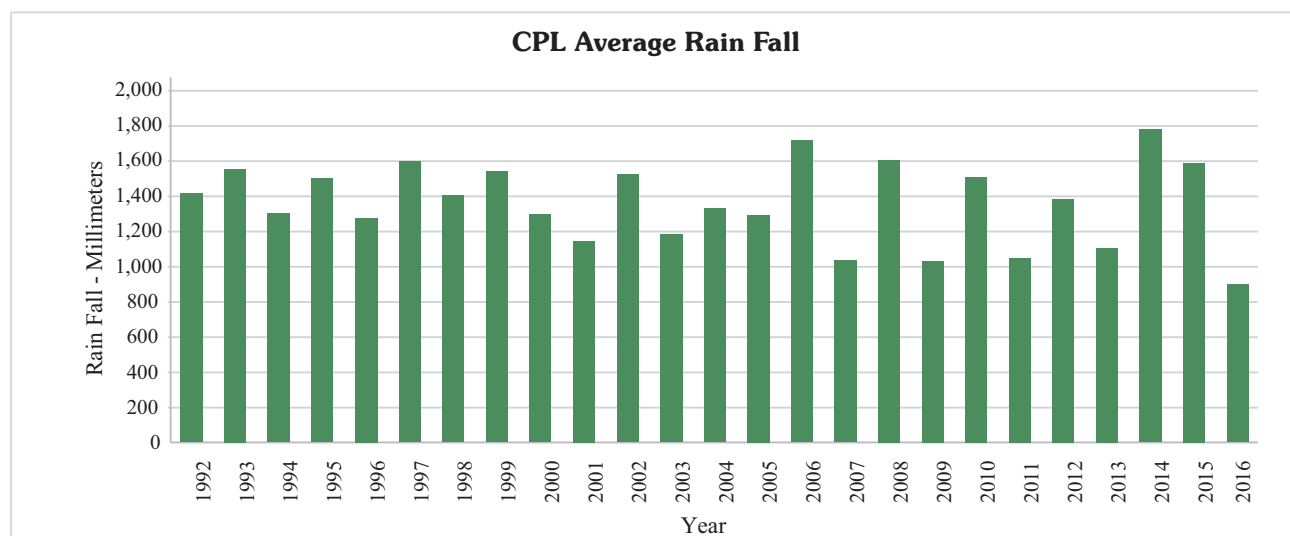
*Bearing, Immature, Senile, Tapering Palms,

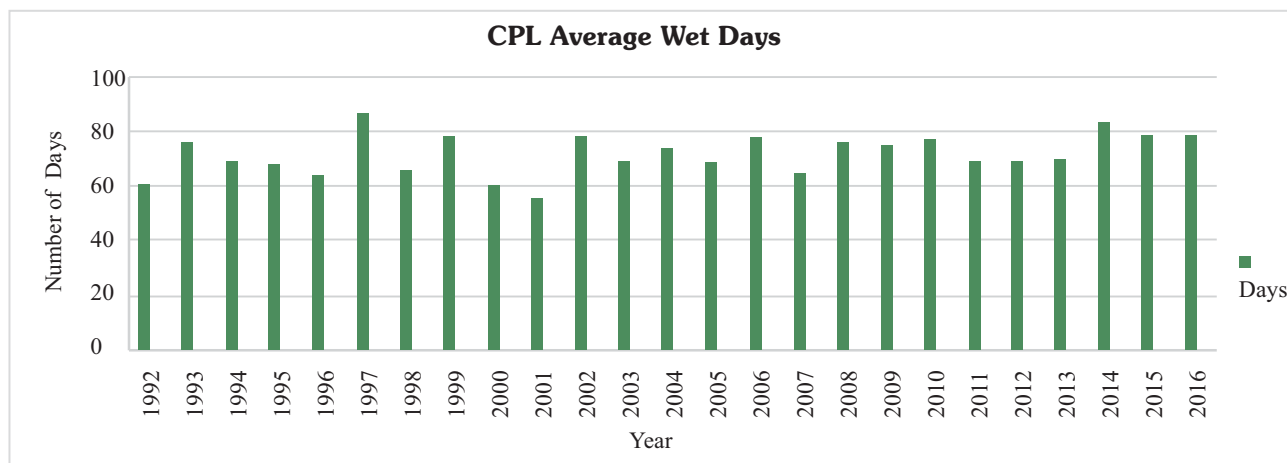


Wet Days and Rain Fall

Annual rainfall received within CPL estates clearly show that the total rainfall during the year 2016 was about 29 % - 48 % lower than last year.

Estate	2016 Jan - Dec Rain Fall (mm)	2016 Jan - Dec Wet Days (Nos.)	Variance Between Last Year (Rain Fall - mm)
Bingiriya	849	44	-35%
Chilaw	883	38	-48%
Divulapitiya	1,205	53	-29%
Madampe	925	29	-37%
Palugswewa	1,220	55	-29%
Thambapanni	910	34	-43%





Genetically Superior Coconut Seedlings - Hand Pollination

Coconut palm is a "cross pollinating" plant. Hence a Seed nut from a high yielding "healthy mother palm" may not have the same high genetic potential, as it may have been fertilized from 'weak' pollens from neighboring low yielding coconut palms.

Therefore with scientific assistance from CRI Scientists, CPL initiated a Hand Pollination Programme for specially selected Mother Palms at Palugaswawa Estate, where emasculated flowers closed with polythene bags are being 'brushed' with 'Sanraman' pollens to produce Tall x Sanraman cultivar seed nuts with traits such as high yielding, drought resistant, high copra and oil, etc..

At the nursery, all non-germinated seedlings at 5 months stage are removed (about 15 %) and burned. Again at 7 months stage, seedlings are further selected for healthy growth and vigor, where 'inferior' seedlings are removed (about 10 %) and burned. Only the final selected high

quality seedlings are being planted within the Palugaswawa Estate and other CPL estates to produce large number of Genetically Superior Coconut Seedlings to achieve the higher coconut productivity and profit on the long run.

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 raise healthy, high yielding and drought resistant seedlings (TSR 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
2012	2,556	4,847	Not laid
2013	4,098	16,121	20,968
2014	1,976	17,452	17,112
2015	1,956	13,446	11,634
2016	1,816	11,273	10,017
Total	12,402	63,139	59,731

Seed Garden (Kiniyama "KAPRUWANA" Seed Garden)

Production of Hybrid "Kapruwana" Cultivar of Coconut Seed nuts/ Seedlings (Hand-pollinated genetically screened / selected green Dwarf + San Ramon) Seed Garden at Kiniyama 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

When the population is senile with low nut production, that would indicate the need for replanting and rejuvenate the plantation without delay. An aggregate of several factors mainly, age, yield, height, shade, competition, and number of palms per acre need to be considered when rejuvenation is undertaken.

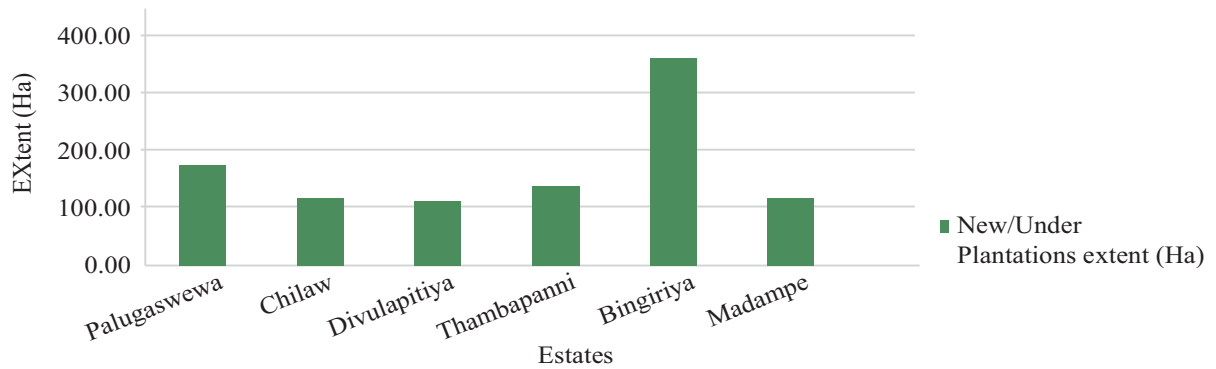
Hence the CPL management is implementing new Under Plantations based on the age of palm population in the field, canopy cover and shade factors, landscape and soil, etc., as age is not the only deciding factor to undertake new under plantation programmes.

New plantations and under plantations are the main investment for Chilaw Plantation Limited. Large scale New and Under Plantation were given priority as this aspect as not given due attention previously. Most of the coconut palms are over 50 years and more than 157,956 palms from the total plantation, which is nearly 29% from total palms. Therefore productivity is very low at the moment and we have maintained more than 1026.37 ha new and under plantations to end year 2016. These new plantings and under plantings will come to bearing in another five, six years time.

Accumulated Investment on New/Under Plantation (Immature Plantation) as at 31/12/2016

Estate	New/Under Plantation Extent (Ha)	Total Investment to end December 2016 (Rs.) Mn
Palugaswewa	175.00	70.1
Chilaw Area	116.37	52.7
Divulapitiya Area	114.00	52.3
Thambapanni Area	138.31	67.8
Bingiriya Area	365.99	154.6
Madampe Area	116.70	56.4
Total	1,026.37	453.9

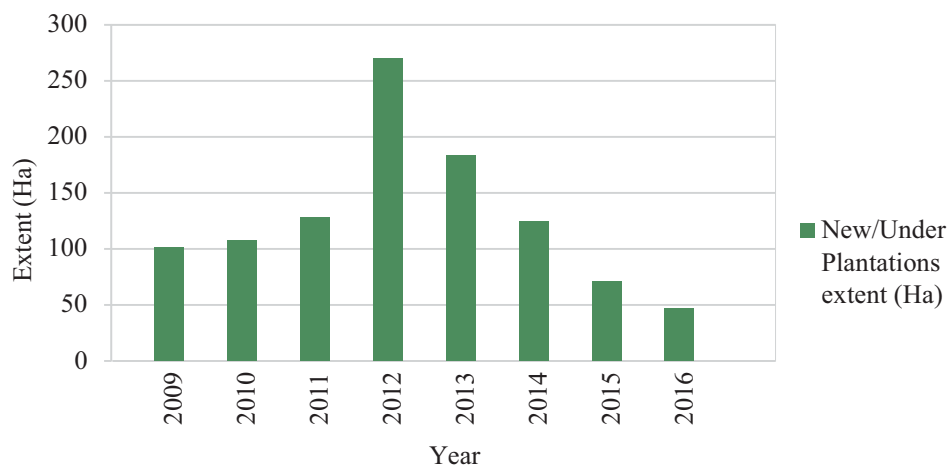
New/Under Plantations Extent from 2009 to 2016



Immature Plantations as at 31st December, 2016 - Year Wise

Year	New/Under Plantations Extent (Ha)
2009	101.10
2010	107.93
2011	128.17
2012	266.84
2013	183.76
2014	124.57
2015	68.00
2016	46.00
Total	1,026.37

New/Under Plantations Extent Since - 2009



Intercropping and Livestock Project

Buffalo Project

Situated in the Palugaswewa Estate.

No. of Buffaloes	- 330
No. of Milking cows to end December	- 45
Total Milk yield	- 37,371.58 L

Production Details	Nos. / Units
Curd - 1000 ml	19,580
Curd - 500 ml	6,547
Curd - 175 ml	6,580
Yoghurt - 80 ml	50,266



Buffalo / Sheep Population

Estate	Buffaloes (Nos.)	Sheep (Nos.)
Palugaswewa	330	-
Chilaw	32	-
Madampe	10	115
Bingiriya	-	487
Total	373	602



Planting Perennial Inter Crops

Policy on intercropping is to select the 'best' plant/crop based on the Agro-Climatic and Landscape (Soil, Water, Ecology, etc..) considering prevailing practical issues such as marketability, labour shortages, harvesting, theft, etc. on a sustainable way for stable high Return on Investment (ROI).

Hence the Divulapitiya Area Estates are being developed as coconut plantations with beneficial intercropp. Palugaswawa Estate is to attain potential productivity through coconut and livestock (buffaloes), while establishing most value added industries.

Rambutan Cultivation

Cultivation of Rambutan in Sri Lanka is mainly done in Gampaha district and popular as a high demanding fruit. Generally the cropping season commences in June/July in the year mainly and in first two months of the year also there is a moderate crop that would be harvested.

As an economical crop, Rambutan has been planted in Divulapitiya Area Estates of Chilaw Plantations Limited in an extent of approximately 50 acres as an intercrop during the period of 1996 - 2005. This estate has been identified as one of the most suitable area to grow this crop. The limiting factor of the other divisions of Divulapitiya Area Estates is that the non-suitability of the soil to expansion of the cultivation.



Pepper Cultivation

Pepper can be cultivated as a successful crop in wet and intermediate ecological zones. Although most of the estates are located in the intermediate zones, the cultivation of pepper has been restricted to Divulapitiya Area Estates due to the facts that the non-availability of loam mix soil and rain fall of over 1,750 mm. During the year 1998 and 2014, 74 acres of pepper cultivation as an intercrop under the coconut plantation has been established in a single row basis. Further, every year a suitable amount of income is generated from this cultivation. However due to the low rainfall received in Gampaha districts since recent years there is a threat for the upkeep of this cultivation as well as the extension of same.



Cinnamon Cultivation

There is a big demand for cinnamon in the market. This crop has been cultivated along the coastal belt from Negombo to Matara and inside the country upto Kalutara and Ratnapura. The cinnamon cultivation was started in Chilaw Plantations Limited in 2011 identifying the low potential estates in Divulapitiya Area Estates. The cinnamon cultivation has been established upto now in about 27 acres initially in Dombawinna and Saraswathi estates of Divulapitiya Area Estates and in 23.22 ha. in Kolomunuoya and Siyambalawewa estates of Bingiriya Area Estates and 2.98 ha. in Chilaw Area Estates presently.

The cinnamon cultivation established in Divulapitiya Area Estates have been reached to the maturity level and the other cultivations are in the immature level.



Dragon Fruit Cultivation

Dragon fruit is grown in the dry and intermediate zones and this cultivation was started in Kinyama estate of Bingiriya Area Estates in 2008. Since then to end of 2016 there is a cultivation of 31 acres in Bingiriya, Divulapitiya, Madampe and Palugaswewa estates which plantings are being maintained in a proper way. Although a higher amount of capital invested had to be on the establishment of this cultivation, the maintenance of same is very easy

Although, there was a high demand for this crop during the time that it was introduced to Sri Lanka and by now the price has been gone down upto Rs.200/- to Rs.250/- per kg. which is a limiting factor to extend this cultivation.



Total Inter Crop Income For 2016**Rs.**

Estate	Cashew	Pepper	Rambutan	Dragon Fruit	Cinnamon
Palugaswewa	17,609,101.87	-	-	-	-
Bingiriya	1,061,028.93	-	-	741,635.00	-
Chilaw	1,415,976.07	-	-	7,360.00	-
Madampe	-	-	-	3,750.00	-
Divulapitiya	-	937,260.00	375,000.00	225,420.00	391,975.00
Palugaswewa	686,821.00	-	-	-	-
Total	20,772,927.87	937,260.00	375,000.00	978,165.00	391,975.00

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 2016 was 67,266 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.

Total extent of cashew plantation own by Chilaw Plantations Limited will be approx. 827.63 ha. Specially, the cashew plantation has been expanding around the estates situated in the Puttalam District namely Thambapanni Area Estates, Palugaswewa Estate and Chilaw Area Estates. Locating the cashew plantation in the Puttalam district will be a major advantage for us as a company since the Puttalam District is an exclusive for the cashew plantation in Sri Lanka.

Presently, the cashew has an incomparable demand with in the country. Presently annual production is around 10,000 metric tons and our company contribution will be around



0.8% out of it. The company has planned to increase the share of the contribution up to 1.5% in 2020.

Before the year 2012, the cashew harvest of Chilaw Plantations Limited has given to the external sellers and in 2012 we have enter to the local market by processing our harvest by our own. The cashew processing center of Thambapanni Area has been established in 2012 and the management decided to maintain in under productive and beneficial manner.

The objectives of the cashew processing project.

1. Getting a higher price for the raw cashew of Chilaw Plantations Limited
2. Introduce of value added products
3. Discover the International market to the production
4. Getting the SLS/GMP/ISO certification for the products of Chilaw Plantations Limited

Future company expectations through Cashew Processing project are as follows

1. Increase the bulk production of processed cashew from 5,000Kg to 30,000Kg
2. Get the contribution of the company level and external parties
3. Sell products for the export network
4. Expand the market network
5. Provide a good quality and satisfied production for customers

COCONUT OIL PROJECT (PRODUCTION DETAILS)

CPL Innovation Policy pursues, value addition and related products from coconut and intercrops, based on the market conditions, Return on Investment, risk analysis, labour availability, etc..

During the year 2012, CPL ventured into the manufacture of Coconut Oil utilizing our own Palugaswawa best copra. Our mission is to provide Natural and High Quality pure Coconut Oil at affordable and competitive prices to enhance health of our Sri Lankans, without resorting to Refined-Bleached-Deodorized, RBM processes as common with most so-called 'Coconut Oils' in the market, often mixed with imported cheap vegetable oils for reduced selling prices that resulted in increase in 'Boiling Point' of the oil mixture.



CPL Coconut Oil Manufacturing Details - end 2016

Bottle Size	Nos. Bottles
1,000 ml	2,739
750 ml	352
500 ml	1,352
250 ml	360

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.

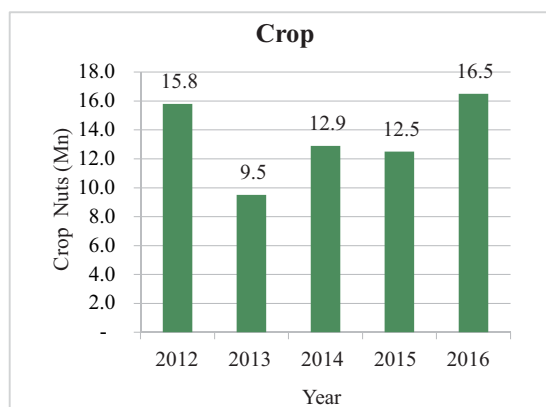
FINANCIAL REVIEW

Company Financial Performance at a Glance

Item	2016 Rs.Mn	2015 Rs.Mn	Variance (2015 - 2016)		
			Rs.Mn	%	Key Factor
Revenue	383	399	(16)	(4)	Decrease of NSA and high closing stock
Cost of Sales	234	250	(16)	(6)	Due to low opening stock and high closing stock
Other Income	66	80	(14)	(18)	Income on sales of valuable timber not received
Administrative Expenses	103	106	(3)	(3)	Decrease of provision for depreciation
Other operating Exp	9	13	(4)	(30)	Decrease of other Expenses
Finance Income	14	11	3	27	Increase of FD interest rates
Finance Expenses	33	32	1	3	Lease interest on JEDB Asset has increased due to increase in annual GDP Deflator

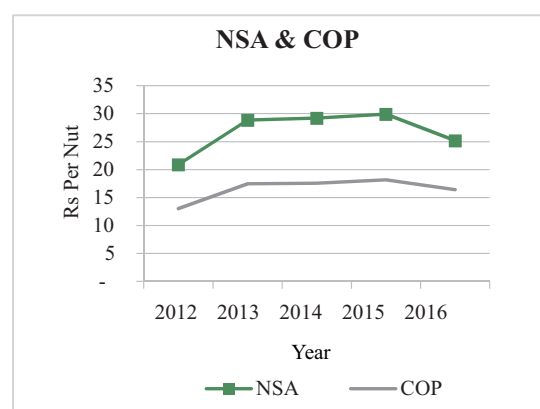
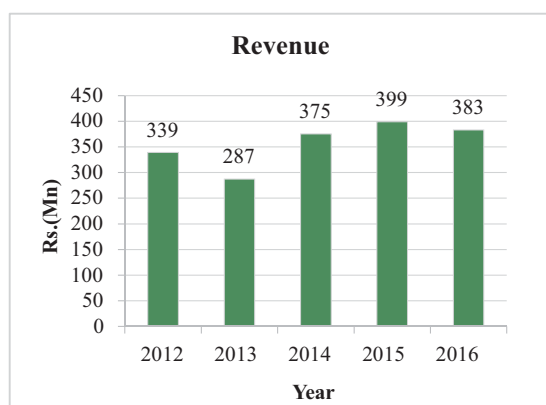
Coconut Crop

Company produced 16.5 Mn nuts for the year 2016 compared to 12.5 Mn nuts in 2015, which is an increase of 32% compared with the crop harvested during the previous year. However, the Net sale Average (NSA) during the year was Rs.25/=, which is 17% decreased compared to previous year NSA.



Revenue

Revenue has decreased from Rs. 399 Mn to Rs. 383 Mn, mainly due to the decrease in Net Sale Average (NSA) and high closing stock during the year.



Cost of Sales

The Cost of Sales for the year under review was Rs. 234Mn compared to Rs. 250Mn during the previous year.

	2016	2015
Production Cost Rs. Mn	268	227
+ Opening Stock Rs. Mn	22	45
- Closing stock Rs.Mn	(56)	(22)
Cost of Sales Rs.Mn	234	250

The Production Cost, for the year 2016 was Rs 268 Mn against Rs 227 Mn in 2015, reflecting an increase of Rs 41Mn. The main reasons for this cost increase can be outlined as follows:

- ◆ Increased Labour wages by 22% as per the act No. 4/2016 (Budget proposal 2016). Labour wages for the year 2016 - Rs. 106 Mn and in the year 2015 - Rs.87 Mn.

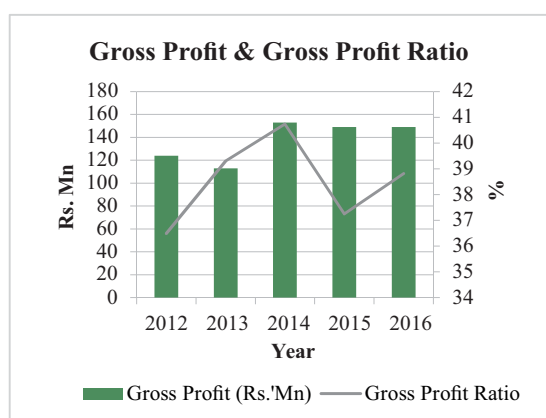
Wages arrears of Rs 8 Mn was paid in 2016 to Estates labourers for the period from 01.05.2015 to 31.12.2015, as per the Act No. 4/2016.

- ◆ The company had spent an additional sum of Rs.13Mn on Civil Defense Security service, during the year 2016.
- ◆ Cost of harvesting had increased from Rs.28 Mn to Rs. 48 Mn due to monthly picking introduced since January 2016. (additional five picks per year)
- ◆ The cost on Fertilizer application to mature plantations has decreased from Rs.30 Mn to Rs.19 Mn from 2015 to 2016 since the fertilizer application was carried out only in a limited area due to the unfavorable weather condition prevailed during the last quarter of year 2016.
- ◆ However, cost of sale had decreased from Rs. 250Mn to Rs.234Mn due to low opening stock and high closing stock.

Gross Profit

Gross profit for the year under review was Rs. 148.7Mn compared to Rs. 148.7 Mn in 2015.

Gross profit margin was 38.8% in the current financial year compared to 37.2% in the previous financial year.



Other Operating Income

Other Operating income that consisted of sales of Cashew, Husks, Timber, Paddy, Livestock, Sale of dead/senile Trees decreased from Rs. 80.3 Mn to Rs 65.9Mn, compared to the previous year, which is a decline of 18%.

During the previous year the company had earned sum of Rs. 24.5Mn from Consumable Biological Assets (Valuable Timber trees). However, in the year 2016 it was only Rs 5.1 Mn. and which was the main reason for decrease in sundry income. (Sale of Valuable Timber Trees declined due to delays/non receipts of approvals from the relevant authorities.)

Details of other income sources are shown in the Note No. 20 for the Financial Statement.

Administrative, Other Operative Expenses

Administrative expenses have decreased from Rs. 106 Mn in 2015 to Rs.102 Mn in 2016, which is a decline of 4%.

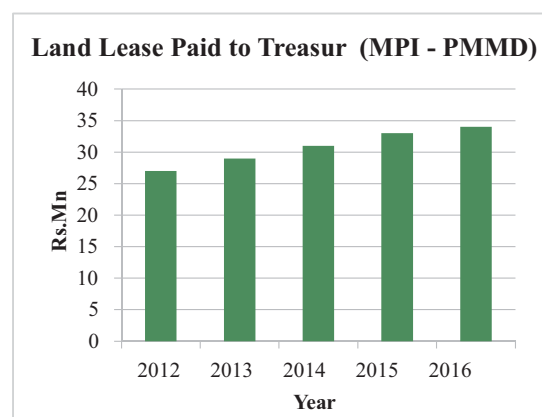
Other operating expenses for the year 2016 is Rs. 8.6 Mn, which was Rs. 13.4 Mn, in the year 2015, reflecting a decrease of Rs.4.8Mn.

Finance Income

Finance income represents the interest income from short term deposits (FD and Treasury bill). When compared to the year 2015, interest income from short term deposits has increased from Rs 10.7 Mn to Rs. 14.1Mn mainly due to the increase of FD interest rates.

Finance Cost

Finance cost mainly reflects the interest & contingent lease rental paid to the Government on JEDB Leasehold Assets. The respective cost for the year 2016 was Rs. 32 Mn, recording a 3% increase compared to the last year, which increase annually based on the GDP deflator.



Net Profit

The Company has earned a Net Profit of Rs 70.7 Mn according to the Financial Statement for the year ended 31st December 2016 as against the previous year's profit of Rs 81.4 Mn. The decrease could be attributed to the low NSA.

Dividend

Whilst many of the Government Organizations depend on state funds, Chilaw Plantations Ltd has paid a total dividend of Rs. 265 Mn 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 2016 this is a significantly high amount. Thus the total dividends paid to the treasury by Chilaw Plantations from 1992 amount to Rs 426 Mn to end year 2016.

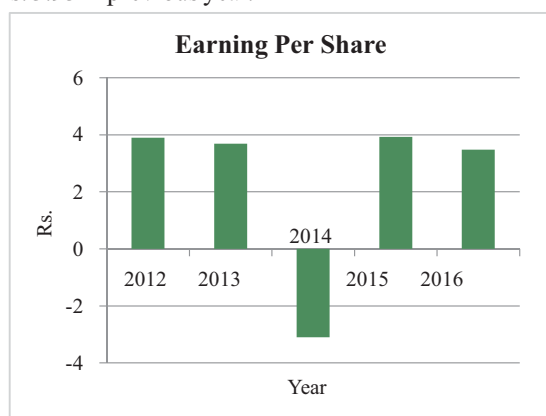
Service Recognition of Human Resource

Being strongly aware that the human resource is the most important asset in an organization, the company paid Rs14.5Mn in the year 2016 as performance incentive to employees compared to the Rs.15.2 Mn in the last year, as a motivation factor.

In addition to that, a sum of Rs 7.8Mn was paid to the employees from the operational profit of the year 2016 as a 10% Employee profit share, in line with the scheme that had been introduced by the company, with the approval of the plantation management monitoring division (PMMD) under the Ministry of Plantations Industry, in the year 1995.

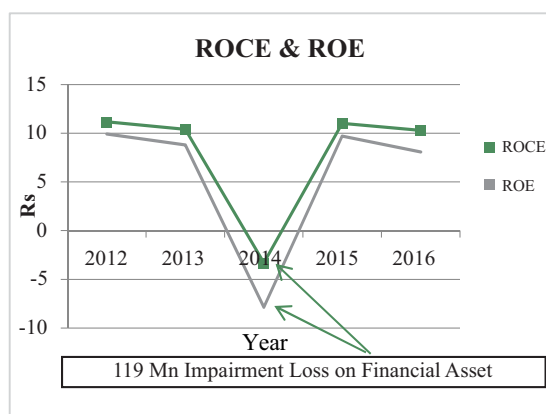
Earnings Per Share

Earnings per Share for the year 2016 were Rs 3.48 compared to Rs. 3.93 in previous year.



Return on Capital Employed (ROCE) and Return on Equity (ROE)

Return On Capital Employed decreased from 11% to 10.3% and the Return On Equity has also decreased from 10% to 8% compared to previous year, which were mainly affected due to reduction in profit compared to previous year.



Asset Base

The Asset Base of the company at the end of the financial year recorded as Rs 1,278Mn, which is a Rs. 135 Mn increase over the previous year.

Asset Base	2016 Rs. Mn	2015 Rs. Mn
Leasehold Right to Bare Land of JEDB/SLSPC Estates	76	79
Leasehold Property Plant & Equipment of JEDB/SLSPC Estates	1	2
Leased Bearer Biological Assets of JEDB/SLSPC Estates	27	31
Biological Assets (Other than Leased Bearer Biological Assets)	723	632
Consumable Biological Assets	42	37
Freehold Property Plant & Equipment	97	105
Current Assets	312	257
Total Assets	1,278	1,143

Company Assets Base is mainly comprised of bearer biological assets. It represents the immature and mature coconut plantation, Cashew plantation and other perennial plantations. Timber trees are represented by Consumable biological assets which is 3% of the total assets.

Non Current Assets

Non Current assets have increased by 9% during the year mainly due to the increase in bearer biological assets. Investment on establishment of new/under plantations and the costs incurred on maintenance of brought forward immature plantations were the main reasons for the increase in bearer Biological Assets. During the year 2016 the company has invested Rs. 86Mn on Coconut New planting/Under planting and management of the immature area, in a total extent of 1036 Hectares. This emphasizes the company ability to generate future profit.

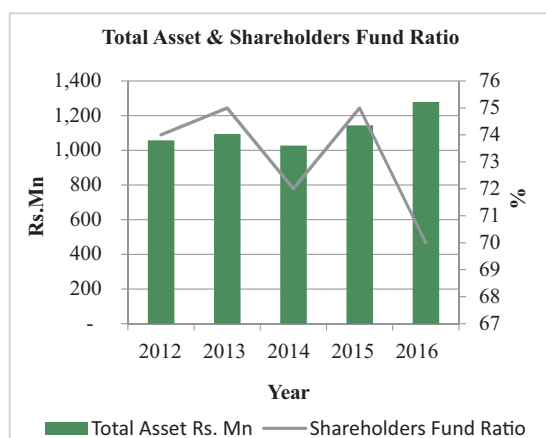
The company has invested Rs. 17 Mn in Property Plant and Equipment.(in 2015 - Rs 18 Mn)

Equity

Equity increased by 5% from Rs 854.9 Mn in 2015 to 895.7 Mn in 2016. Equity Comprised of stated capital of Rs. 200 Mn and reserves of Rs. 695.7 Mn.

Shareholders Fund Ratio

Shareholders' fund is equivalent to 70% of the total assets in the year under review.



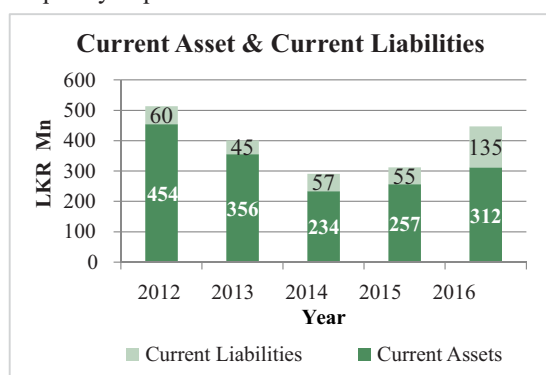
Working Capital

Working capital decreased from Rs.202.1 Mn in 2015 to Rs.177.8 Mn in 2016, mainly due to the increase in other payables and dividends payable to the treasury.

Current Ratio

The Current ratio reflects a downward movement as it has reduced to 2.3 times in the year under review, relatively to 4.7 times in the previous year. This is mainly due to the increase in the current liabilities such as the other payables and the dividends payable to the Treasury.

However, the current ratio of 2.3 for the year is a meaningful level that enables the company to adequately meet the short term liquidity requirements.



Cash flow

The Company generated net cash of Rs 90.6Mn from its operating activities during the year against Rs 146.3Mn in the previous financial year. The decrease is mainly due to the decline in coconut sale proceeds due to the low NSA, which is the major cash generating source of the company.

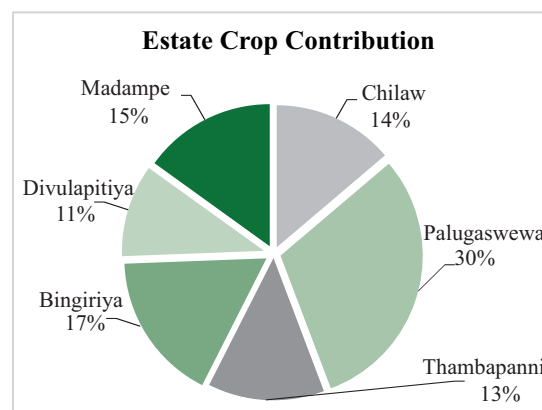
Furthermore, the increased operational expenditure also resulted in decrease in operational cash flows.

Cash flows from investing activities reported a net cash outflow of Rs.102.7Mn in the current year compared to a net cash outflow of Rs. 99.9Mn in the previous year

During the year under review, the company has invested Rs. 86.3Mn on New/Under Plantation and Rs.16.3Mn in Property Plant and Equipment which ultimately resulted in creating a net cash outflow from investing activities.

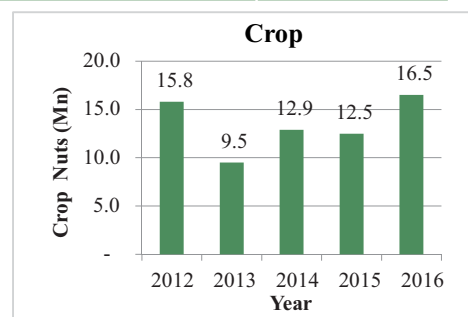
As a result, company's net impact to the Cash & Cash Equivalents during the period was a cash outflow of Rs. 14 Mn in the current financial year.

However, Cash and Cash equivalent at the end of the year under review had been Rs. 145.9Mn which comprised of Fixed Deposits at Bank of Ceylon, Treasury Bills and cash and bank balances.



Estates Crop Contribution - Year 2016

Estate	Crop Nuts
Chilaw	2,279,409
Palugasewewa	5,029,634
Thambapanni	2,186,778
Bingiriya	2,798,682
Divulapitiya	1,735,347
Madampe	2,492,440
Total	16,522,290



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 2016 the Board of Directors comprised Seven Directors including the Chairman and an Executive Director.

BOARD MEETINGS

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

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

The board met 17 times during the year 2016.

AUDIT COMMITTEE

The Audit Committee is comprised of Three Directors, inclusive of two non- Executive Directors.

Mr. P.B.S.C. Nonis, being a non-executive Director functioned as the Chairman of the Audit Committee and conducted four evaluations during the year. Officer of

Auditor Generals' Department participated as Observer of Audit Committee meeting.

The Chairman, Executive Director, DGM Plantations and 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 and comply with the requirements of the companies Act No. 07 of 2007.

RISK MANAGEMENT

The Company is in an evolving environment and exposed to different kind of risks, especially as an entity involved in agree business, which is influenced by changing climatic condition and market fluctuations. Our risk management

processes should ensure that all possible risks factors are addressed and strategies are identified to mitigate the risk, which could arise knowingly and with forethought.

Risk mitigation strategies

Risk Factor	Risk Assessment	Risk Mitigation Strategies
Climate Changes	Yields of Coconut, Cashew & other perennial Crops fluctuate unexpectedly due to adverse weather condition mainly due to the unforeseen and elongated drought that prevails continuously for months.	Undertaking increased soil moisture conservation work by way of husks buried in jumbo drains, more drains to trap rain water within the plantations soil, more low shades such as gliricidia and cover crops such as pureria being planted. More tanks are also renovated to harvest rain water, which could later be used for irrigation whilst such collected water also feed the roots of the palms by maintaining the soil moisture in the vicinity of the tanks.
Impairment to production	The other cause being due to a high percentage of the mature palms of the age of over 50 years turning into senile, dud or tapering. In addition, any unforeseen diseases and natural causes to the palms and plantation.	Undertaking New Plantings and Under Plantations to replace the over aged palms population. Established two mite labs at Palugaswewa estate and Divulapitiya area estates.
Commodity Cycle	Impaired prices and unsteady sales, depending on the consumer's demand, due to the increase in substitutes causing declined demand for coconut edible products, resulting in large quantities of nuts in the estates lying on the ground with a possibility to spoil if not alternative measures taken. Competition from close substitutes such as palm oil etc, to which more consumers are being attracted to, due to low cost, affect demand and prices	The Coconuts unsold at the Colombo CDA auction are sold through a fortnight company level sale named 'Pol Pola' at the Head Office, in addition to the weekly CDACoconut auction. Concentrate to produce value added product The nuts not sold at both these auctions are turned into copra, a part of which is sold through auction and the other or major part turned into pure coconut oil at Palugaswewa oil mill.
Capital Investments Risk	Risk of not meeting with profit expectations and not receiving the desired returns on investment.	Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.

Risk Factor	Risk Assessment	Risk Mitigation Strategies
Credit Risk	The probability of having delays in the buyers settling the dues or failing to abide by the rules and regulations.	Ensuring collection of dues from the buyers, by a closely monitored procedure. Seek the Authorities intervention on the long delayed settlements or on the buyers who don't response. Government lease payment are closely monitored and settled without a delay.
Management Personnel	Lack of motivation and lack of knowledge of the job, resulting in poor productivity and outputs. Employees leaving for other industries or companies for better remunerations and higher positions.	Workshops and training programs undertaken. Improving employee benefits by way of financial incentives and welfare activities. Maintaining healthy relationships with trade unions through regular dialogues. Ensure compliance with all regulatory requirements with regard to the benefits applicable to the employees. Ensuring promotions from within, to senior positions as far as possible and depending on the suitability.
Assets Risk	Risks from fire, theft and breakdown of machinery & equipment. Natural disaster, such as, caused by lightning, floods, insects, animals and elements.	Obtaining comprehensive insurance covers for all tangible assets. Adoption of stringent procedures with regard to the moving of assets from one location to another. Establishing fire gaps to prevent fire spreading in to our lands from outside and other available precautionary measures. Carrying out frequent preventive maintenance programs. Adopting good agriculture practices
Reputation Risk	Insufficient and improper knowledge of principles, procedures, standards, rules and regulations pertaining to employments, tradings and other procedures of an establishment. Produces not meeting with consumer or market demands and standards. Lacking of knowledge pertaining to the performance, targets and standards.	Ensuring effective communication with various stakeholders such as employees, bankers, customers, regulators, Ensure quality in product & manufacturing process and compliance with the standards. Having in place a budgetary process & a budgetary control mechanism on a monthly basis to ensure that the Company's performance is continuously in line with its targets. Customer feedbacks are obtained to ensure the service and product quality.

AUDIT AND MANAGEMENT COMMITTEE

Audit and Management Committee of Chilaw plantation Limited is conducted according to the term of Public Enterprises Guidelines for Good Governance dated 02nd June 2003 and circular no: PED/55 Dated 14th December 2010 of the Department of Public Enterprises.

Four Audit Committee Meetings were held during the year 2016 on following dates and Hundred and Eighty Two audit and Investigation reports Submitted to AMC during the year.

Date of Audit Committee Meeting	Number of Audit & Investigation Reports Submitted to AMC
30 th March 2016	47
17 th May 2016	48
29 th September 2016	72
22 nd December 2016	15

Members of Audit Committee (from 29.09.2016) are as follows

Name of the Officer	Designation
1. Mr.P.B.S.C. Nonis	Chairman - Audit and Management Committee -CPL
2. Mr.A. Lakkadas	Member- Audit and Management Committee -CPL
3. Mr. Ananda Pushpakumara	Member- Audit and Management Committee -CPL
4. Auditor General's Department	Observer of Audit Committee -CPL

Previous Audit Committee (Up to 29.09.2016) Consisted as,

Name of the office	Designation (Up to 28/09/2016)
1.Mr.M.R.V.R. Meepura	Chairman - Audit and Management Committee
2.Mr.H.M.N.C. Herat	Member- Audit and Management Committee
3.M/s Aiyar & Company-External Auditor	Observer of Audit and Management Committee

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors are pleased to present the Annual Report pertaining to the Chilaw Plantation Ltd, together with the Audited Financial Statement for the year ended 31st December 2016.

Legal status

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 J.R Jayawardene Centre, 191, Dharmapala Mawatha, Colombo 07 whilst the Plantations are situated in the planting districts of Puttalam, Kurunegala and Gampaha

Which are organized under the 06 planting Area Estate as described below.

Palugaswewa Estate

Bingiriya Area Estates

Chilaw Area Estates

Madampe Area Estates

Thambapanni Area Estates

Divulapitiya Area Estates

Principal Activities

The principal activities of Chilaw Plantations Ltd are cultivation, Production and sale of Coconuts, cashew, other agriculture produce and livestock.

Financial Statements

The Financial Statements, approved by the Board of Directors of the Company, at the board meeting held on 24th August 2017 are given on Pages from 36 to 65

Auditor's Report

The Auditor General's Report on the Financial Statements of the Company is given on page 33 to 34

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 39 to 49 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

Directors of the Board, who served the Company during the year 2016 are given below:

Board of Directors - year 2016

Mr.V.K.C. Herath (from 14.07.2016)	Chairman / CEO
Mr.M.K.B. Senevirathne (From 08.05.2015)	Executive Director
Mr.P.B.S.C. Nonis (from 05.09.2016)	Director/ Treasury Representative
Mr.A. Lakkathas (from 19.05.2016)	Director
Mr.K.G.A. Pushpakumara (from 14.07.2016)	Director (Served as working Director position up to 14.07.2016)
Mr.H.M.N.C. Herath (From 20.03.2015)	Director

Directors who have been changed during the period from 01st January 2016 to 31st December 2016.

Mr. Ravindra Herat	Chairman / CEO (Up to 25.01.2016)
Mr.M.R.V.R. Meepura	Director/Treasury Representative (up to 05.09.2016)
Mr.D.M.L. Bandaranayake	Director (Up to 26.04.2016)
Mr. S.M.A . Punyakumara	Director (up to 14.07.2016)

Audit Committee

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

Audit Committee - 2016 (From 29/09/2016)

Mr. P.B.S.C. Nonis	Chairman (AMC)
Mr. A. Lakkathas	Member (AMC)
Mr. A. Pushpakumara	Member (AMC)
Auditor General's Department	Observer

Previous Audit Committee (Up to 29/09/2016)

Mr. M.R.V.R.Meepura	Chairman (AMC)
Mr. Ananda Punyakumara	Member (AMC)
Mr. H.M.N.C.Herath	Member (AMC)
M/s Aiyar & Compay (External Auditors)	Observer

Review of Performance

The review of the Company performance during the year and the 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 2016 is Rs.383 Mn (2015 - Rs. 399 Mn). The other operating income for the year is Rs. 66 Mn.

The interest income earned during the year is Rs.14 Mn. details of which are given under the Audited Financial Statements.

Financial Results

The company has recorded a net Profit after Tax of Rs. 70.7Mn in the year 2016 (2015- Rs. 81.4 Mn) for the year under review. Details of the financial results are given in the Statement of Comprehensive Income.

Fixed Assets

During the year 2016 the Company has invested Rs. 86 Mn (2015: Rs. 87Mn) on New/Under Plantations, management of Immature Plantations and Rs.17 Mn Invested on Property Plant and equipment (2015 : Rs.18 Mn).

Net Book value of non-current assets (Property Plant & Equipment, Leasehold Right, Biological Asset etc.) as at the Balance Sheet date in year 2016 is Rs. 966 Mn (2015 : Rs. 886 Mn) and details are given in Notes of the Audited Financial Statements.

Short-term Investments

The Company's Short-term Investments are Rs.140.8 Mn at the end of 2016, compared to Rs.152.6 Mn in year 2015. This investment comprises Rs.112.8 Mn Fixed Deposits at Bank of Ceylon and Rs.28mn in Treasury Bills at Bank of Ceylon.

Reserves

The Company Reserves as at 31st December 2016 are represented by Retained Profit of Rs. 633.8 Mn and Timber Reserves of Rs 61.8Mn.

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 2016 is Rs. 200,000,010 comprising 20,000,001 Ordinary shares, inclusive of one Golden Share. No Share allotments were made during the year.

Capital Commitments & Contingent Liability

Contingent Liabilities and Capital Commitments are disclosed in Note No 27 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 Note 26 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 with the Government Rules and Regulations for sustainable benefit of the Company. The Company also adheres to equal opportunity for all employees irrespective of gender, ethnicity, religion, marital status, political opinion, or physical stature and comply to the 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, 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 2016 have been audited by the Auditor General.

Annual General Meeting

The Annual General Meeting is scheduled to be held at the Grand Oriental Hotel,

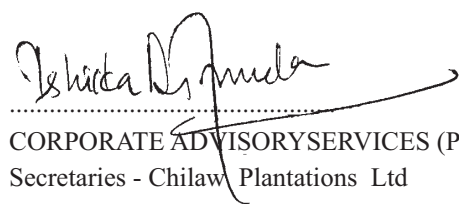
No. 02, York Street, Colombo 01 on 19th December 2017 at 1.30 Pm

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



V.K.C. Herath
Chairman / CEO


M.K.B Senevirathna
Executive Director
CORPORATE ADVISORY SERVICES (PVT) LTD
Secretaries - Chilaw Plantations Ltd
Colombo.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In keeping with provisions under the Companies Act No 7 of 2007, the Directors of Chilaw Plantations Ltd do acknowledge their responsibilities in relation to financial reporting of the Company, while the responsibilities of its Auditors, Auditor General' Department, are given in brief in their report.

The Financial Statements of the Company for the year ended 31st December 2016 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 2016.

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.

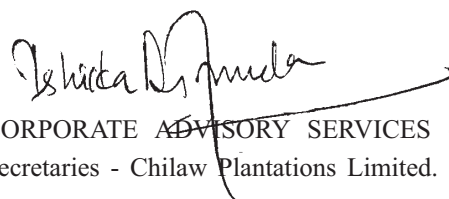
The Directors are of the view that the Company has adequate resources to continue its operations in the foreseeable future and have continued to use the going-concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors General, 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.



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } PLA/A/CPL/01/16//26
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 30th September 2017
திகதி }
Date }

To the Shareholders of the
Chilaw Plantation Limited.

Report of the Auditor General on the Financial Statements of the Chilaw Plantation Limited for the year ended 31 December 2016

The audit of the financial statements of the Chilaw Plantation Limited ("the Company") for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") 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 the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 Company'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 Company'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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.- No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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oaggov@sltnet.lk



www.auditorgeneral.gov.lk



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

- (a) Encroached and released lands and, lease hold lands with an extent of 5,733 hectares valued at Rs.142,502,287 could not be satisfactorily vouched or accepted in audit due to lack of evidence such as list of encroached lands and persons who encroached the lands; purpose for release the lands, plans of lands and confirmations for existence etc.
- (b) Fully depreciated motor vehicles costing Rs.7,302,940 are being used by the Company without reviewing the useful life of them in terms provisions in Section 51 of the Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Chilaw Plantation Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the following:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.M. Gamini Wijesinghe
Auditor General

CHILAW PLANTATIONS LTD**Statement of Comprehensive Income**

For the year ended 31 st December	Notes	2016	2015 Re- stated
		Rs.	Rs.
Revenue	19	383,089,914	399,365,998
Cost of Sales		(234,382,941)	(250,617,694)
Gross Profit		148,706,973	148,748,305
Other Operating Income and Gains	20	65,941,736	80,380,044
Administrative Expenses		(102,545,104)	(106,461,392)
Other Operating Expenses		(8,692,761)	(13,492,529)
Profit from Operations		103,410,843	109,174,428
Finance Income	21	14,193,632	10,734,205
Finance Expenses	21.A	(32,787,852)	(31,616,099)
Profit before Tax	22	84,816,623	88,292,534
Tax Expense (Provisions)	23	(15,144,615)	(9,610,612)
Profit for the Year		69,672,008	78,681,922
Other comprehensive Income			
Defined Benefit Plan Actuarial Gains/ (losses)		1,091,543	2,761,980
Total Comprehensive Income for the year, Net of Tax		70,763,551	81,443,902
Basic Earning Per Share	24	3.48	3.93

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 39 to 65 form an integral part of these Financial Statements.

Chilaw

August 24, 2017

CHILAW PLANTATIONS LTD

Statement of Financial Position

As at 31 st December	Notes	2016 Rs.	2015 Re-stated Rs.
ASSETS			
Non Current Assets			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	04	76,488,705	79,177,427
Leasehold Property Plant & Equipment of JEDB/SLSPC Estates (Other than Right-to-Use-Land and Leased bearer biological assets)	05	1,434,812	2,484,859
Leased Bearer Biological Assets of JEDB/SLSPC Estates	06	26,893,743	30,441,473
Biological Assets (Other than Leased Bearer Biological Assets)	07	722,636,467	632,136,502
Consumable Biological Assets	7.3	42,245,501	37,096,469
Freehold Property Plant & Equipment	08	96,643,719	104,957,876
		<u>966,342,948</u>	<u>886,294,608</u>
Current Assets			
Inventories	09	104,999,422	47,613,234
Trade and Other Receivables	10	48,435,673	36,496,447
Financial facility to State Enterprises	11		
Other Finance Assets	11.1	11,011,936	8,256,427
Other Current Assets		1,929,727	4,453,242
Short Term Investment	12	140,868,261	152,646,142
Cash in Hand and at Bank		5,087,898	7,416,487
		<u>312,332,917</u>	<u>256,881,980</u>
Total Assets		<u>1,278,675,864</u>	<u>1,143,176,587</u>
EQUITY & LIABILITIES			
Capital and Reserves			
Stated Capital	13	200,000,010	200,000,010
Retained Earnings		633,885,863	598,276,777
Timber Reserves		61,840,917	56,686,452
Total equity		<u>895,726,790</u>	<u>854,963,239</u>
Non Current Liabilities & Deferred Income			
Deferred Tax Liability	14	61,850,251	49,092,652
Deferred Grants and Subsidies	15	6,791,464	7,190,426
Retirement Benefit Obligations	16	72,493,267	67,834,120
Liability to Make Lease Payment for the JEDB/SLSPC Estates	17	107,223,139	109,356,591
		<u>248,358,121</u>	<u>233,473,789</u>
Current Liabilities			
Trade and Other Payables	18	135,832,364	54,880,651
Income Tax Payable		(3,374,863)	(2,192,488)
Liability to Make Lease Payment for the JEDB/SLSPC Estates	17	2,133,452	2,051,396
		<u>134,590,953</u>	<u>54,739,559</u>
Total Equity and Liabilities		<u>1,278,675,864</u>	<u>1,143,176,587</u>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 39 to 65 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. V.K.C. Herath
(Chairman)
Chilaw
August 24, 2017



Mr. M.K.B. Seneviratne
(Executive Director)

CHILAW PLANTATIONS LTD

Statement of Changes in Equity

For the Year ended 31st December, 2016

Description	Stated Capital	Timber Reserve	Accumulated Profit	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2015	200,000,010	32,151,932	543,861,623	776,013,565
Prior year Adjustments Note - A			(2,494,228)	(2,494,228)
Profit/(Loss) for the Year Note - B			78,681,922	78,681,922
Other Comprehensive Income	-		2,761,980	2,761,980
Transferred to Timber Reserve	-	24,534,520	(24,534,520)	-
Total Comprehensive Income	-	56,686,452	54,415,154	78,949,674
Balance as at 31st December 2015	200,000,010	56,686,452	598,276,777	854,963,239
Profit for the Year	-		69,672,008	69,672,008
Other Comprehensive Income			1,091,543	1,091,543
Transferred to Timber Reserve		5,154,465	(5,154,465)	-
Total Comprehensive Income	200,000,010	61,840,917	663,885,863	925,726,790
Transferred to Timber Reserve			(30,000,000)	(30,000,000)
Dividends for 2015				
Balance as at 31st December 2016	200,000,010	61,840,917	633,885,863	895,726,790

Note A- Correction of error related to previous years

Pepper Project Expenses from 2012 to 2014 Transferred to immature Plantations	958,918
Book value adjustment of disposed coconut trees from 1992-2014	(3,453,146)
	(2,494,228)

Note B- Profit Reconciliation for the year 2015

Profit for the year 2015 as previously reported	76,171,897
Paper project Expenditure trans to immature plantation	277,588
Mango project Expenditure transfer to immature plantation	202,696
Impact of the consumable biological asset valuation	
Sale value of Timber trees	(22,355,425)
Gain arising from changes in fair value of consumable Biological Assets	24,534,520
Value adjustment disposed biological assets	(149,353)
Restated profit for the year 2015	78,681,922

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 39 to 65 form an integral part of these Financial Statements.

Chilaw

August 24, 2017

CHILAW PLANTATIONS LTD

Statement of Cash Flow

For the year ended 31st December	2016 Rs.	2015 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Tax	84,816,623	88,292,534
Adjustments for;		
- Depreciation/Amortization	39,174,417	40,139,139
- Provision for Employee Profit Share	7,828,181	8,868,397
- Amortization of Grants	(398,962)	(429,158)
- Finance charge on Government Finance Lease	32,115,849	31,090,320
- Bad Debts Provision	(421,258)	546,258
- Finance Income	(14,193,632)	(10,734,205)
- Provision For Defined Benefit Plan Costs	12,983,458	12,432,089
- Profit on Disposal of Property, Plant and Equipment	30,187	(294,015)
- Profit on disposal of Coconut Trees	(17,356,052)	(19,532,788)
	<u>144,578,811</u>	<u>150,378,571</u>
Changes in:		
- Inventories	(57,386,187)	25,818,339
- Dairy Livestock	(11,490,500)	(1,672,000)
- Consumable Biological Asset	(5,149,032)	(2,194,122)
- Trade and other Receivables	(9,994,653)	(2,808,477)
- Other Current Assets	2,523,515	(3,193,463)
- Other Finance Asset	(2,755,509)	
- Trade and other Payables	<u>51,991,929</u>	<u>(5,105,917)</u>
Cash generated from operating activities	<u>112,318,375</u>	<u>161,222,930</u>
- Defined Benefit Plan Costs paid	(7,232,768)	(6,956,474)
- Employee Profit Share Paid	(8,868,397)	(5,713,435)
- Finance costs Paid	(32,115,849)	(31,090,320)
- Finance Income Received	12,670,316	11,488,388
- Income Tax Paid	(3,569,391)	(2,273,223)
- Coconut tree sale income received	<u>17,465,910</u>	<u>19,682,141</u>
Net Cash from Operating Activities	<u>90,668,196</u>	<u>146,360,007</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
- Additions of Property, Plant & Equipment	(16,344,955)	(12,830,427)
- Field Development Expenditure	(86,348,127)	(87,397,326)
- Proceeds from Disposal of Property, Plant and Equipment	<u>(30,187)</u>	<u>294,040</u>
Net Cash used in Investing Activities	<u>(102,723,270)</u>	<u>(99,933,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
- Dividends Paid	-	-
- Capital settlement of Government Finance Lease	(2,051,396)	(1,972,497)
Net Cash Flows used in Financing Activities	<u>(2,051,396)</u>	<u>(1,972,497)</u>
Net Increase / (Decrease) in Cash & Cash Equivalents	<u>(14,106,470)</u>	<u>44,453,797</u>
A. Cash & Cash Equivalents at the Beginning of the Year	<u>160,062,629</u>	<u>115,608,832</u>
B. Cash & Cash Equivalents at the End of the Year	<u>145,956,159</u>	<u>160,062,629</u>
NOTE A		
Cash & Cash Equivalents at the beginning of the Year		
Short term Investments	152,646,142	113,275,930
Cash in Hand and at Bank	<u>7,416,487</u>	<u>2,332,902</u>
	<u>160,062,629</u>	<u>115,608,832</u>
NOTE B		
Cash & Cash Equivalents at the end of the Year		
Short term Investments	140,868,261	152,646,142
Cash in Hand and at Bank	<u>5,087,898</u>	<u>7,416,487</u>
	<u>145,956,159</u>	<u>160,062,629</u>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 39 to 65 form an integral part of these Financial Statements.

Chilaw
August 24, 2017

Notes to the Financial StatementsYear ended 31st December, 2016**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 J.R Jayawardene Centre, 191, Dharmapala Mawatha, Colombo 07 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, 2016 was authorized for issue in accordance with a resolution of the Board of Directors on 24th August 2017

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.

Notes to the Financial StatementsYear ended 31st December, 2016

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.

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 a part 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.

Notes to the Financial StatementsYear ended 31st December, 2016**(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.

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 de-recognized 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 & Fitting	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.

Notes to the Financial StatementsYear ended 31st December, 2016**(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

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 after 8 years), 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

Notes to the Financial Statements

Year ended 31st December, 2016

C) Consumable Biological Assets

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

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises all other assumptions are given in Note 7.3.

The main variables in DCF model concerns.

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

3.1.2.2 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

 Year ended 31st December, 2016

Input Material Consumables & Spares	At actual cost on FIFO basis
Growing Crop – Nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.
Harvested Crop	Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. 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.
Live stocks	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.

Notes to the Financial StatementsYear ended 31st December, 2016

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.

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 additionally 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 have held-to-maturity investments in year 2016 Rs.140,868,261/- (2015 Rs.152,646,142/-) shown under short term Investments.

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 2016 (2015 - 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

Notes to the Financial StatementsYear ended 31st December, 2016

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.

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.

Notes to the Financial StatementsYear ended 31st December, 2016**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 long-term nature of these obligations, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 16.

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

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

Notes to the Financial StatementsYear ended 31st December, 2016**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.

(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.

Notes to the Financial StatementsYear ended 31st December, 2016

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 19 to the Financial Statements and Geographical area of Plantations are as follows,

Group I Estates

Chilaw Area

Palugaswewa Estate

Thambapanni Area

Group II Estates

Bingiriya Area

Divulapitiya 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:

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments:

Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

3.8. Standards Issued But Not yet Effective (Contin...)**(ii) 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 2018.

(iii) 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.

However, this amendment has no impact on Company current accounting treatment on recognition and measurement. Since, currently the Company continued to recognize and measure bearer plant in accordance with LKAS 16.

Notes to the Financial Statements

 For the Year ended 31st December, 2016

4. 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 08th 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 29.5 years.

	Gross Carrying Value	
	as at 31.12.2016 Rs.	as at 31.12.2015 Rs.
Leasehold Right to Bare land	142,502,287	142,502,287

	Amortization		
	as at 31.12.2016 Rs.	for the year Rs.	as at 01.01.2016 Rs.
Leasehold Right to Bare land	66,013,582	2,688,722	63,324,860

	Carrying Value	
	as at 31.12.2016 Rs.	as at 31.12.2015 Rs.
Leasehold Right to Bare land	76,488,705	79,177,427

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

5. 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 08, 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 2016 are as follows.

At Valuation	Improvements to Land Rs.	Other Vested Assets Rs.	Buildings Rs.	Machinery Rs.	Water Supply Rs.	2016 Rs.	2015 Rs.
Capitalized Value	841,193	1,002,944	25,356,498	530	4,026,236	31,227,401	31,227,401
Amortization							
As at 1 January	56,312	786,813	23,872,651	530	4,026,236	28,742,541	27,692,494
Amortization for the Year	2,390	33,397	1,014,260	-	-	1,050,047	1,050,047
As at 31 December	58,702	820,210	24,886,911	530	4,026,236	29,792,588	28,742,541
Carrying Amount	782,491	182,734	469,587	-	-	1,434,812	2,484,859

6. LEASED BEARER BIOLOGICAL ASSETS OF JEDB/SLSPC ESTATES

Revaluation	2016 Rs.	2015 Rs.	2014 Rs.
Mature Plantation	83,676,574	84,487,616	103,239,426
Disposal Adjustment	(596,565)	(811,042)	(18,751,810)
	83,080,009	83,676,574	84,487,616
As at 01 January	53,235,101	50,458,917	62,319,708
Amortization for the Year	3,437,873	3,437,873	3,437,873
Disposal Adjustment	(486,707)	(661,689)	(15,298,664)
As at 31 December	56,186,266	53,235,101	50,458,917
Carrying Amount	26,893,743	30,441,473	34,028,699

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.

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

7. BIOLOGICALASSETS(OTHER THAN LEASED BEARER BIOLOGICALASSETS)

		2016 Rs.	2015 Rs.
Dairy Livestock	07.1	20,997,000	9,506,500.00
Improvements to Leasehold Property (Mature / Immature Plantation)	07.2	701,639,467	622,630,002
		722,636,467	632,136,502

7.1 Dairy Liverstock

	Immature Cows (Calves/ Heirers) Rs.	Mature Cows (Milking and Dry Cows) Rs.	2016 Rs.	2015 Rs.
As at 1 st January	385,500	9,121,000	9,506,500	7,834,500
Additions during the Year	98,000	342,000	440,000	144,000
Gain/(Loss) on fair value for the Year	455,000	10,954,000	11,409,000	2,304,500
Value increase/decrease on physical changes	112,500	173,000	285,500	(24,500)
Death/Sales	(55,000)	(589,000)	(644,000)	(752,000)
As at 31 st December	996,000	20,001,000	20,997,000	9,506,500

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

7.2 Improvements to Leasehold Property (Mature/ Immature Plantation)

Cost	Mature Plantation				2016 Rs.	2015 Rs.
	Immature Plantation (Rs.)	Coconut Rs.	Cashew Rs.	Other Rs.		
At the beginning of the - Year	402,984,051	177,053,145	87,056,399	1,909,484	669,003,078	581,605,750
Additions	86,348,127	-	-	-	86,348,127	87,397,326
Transferred from Immature	-	13,360,151	-	3,883,375	17,243,526	942,388
Transferred to Mature	(17,243,526)	-	-	-	(17,243,526)	(942,388)
Written off	-	-	-	-	-	-
At the end of the Year	472,088,652	190,413,296	87,056,399	5,792,859	755,351,206	669,003,077

Depreciation

At the beginning of the - year		23,076,690	23,055,848	240,539	46,373,076	39,261,172
Charge for the Year		3,541,062	3,530,478	267,122	7,338,662	7,111,902
At the end of the Year		26,617,751	26,586,326	507,661	53,711,738	46,373,075
Carrying Value	472,088,652	163,795,545	60,470,072	5,285,198	701,639,467	622,630,002

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

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.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalized during the year under Immature Plantations (2015/16 - Nil)

7.3 Consumable Biological Assets - Timber Plantations

	Immature	2016 Rs. Mature	Total	Immature	2015 Rs. Mature	Total
Balance as at 1st January	2,765,443	34,331,027	37,096,469	2,750,415	32,151,932	34,902,347
Increase due to development/ Investment	19,108	-	19,108	15,027	-	15,027
Gain / (Loss) Arising from Changes in fair value less cost to sell	-	5,154,465	5,154,465	-	24,534,520	24,534,520
Decrease due to harvest	-	(24,542)	(24,542)	-	(22,355,425)	(22,355,425)
Balance as at 31st December	2,784,551	39,460,950	42,245,501	2,765,443	34,331,027	37,096,469

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

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

Key assumption used in Valuation

1. Based on the price list of the state timber corporation of sawn timber logs
2. The Prices adopted are net of expenditure.
3. Discount rate is 14%
4. Time period of maturity estimated at 30 years

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

Notes to the Financial Statements

For the Year ended 31st December, 2016

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

Regulatory and environmental risks

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

Supply and demand risk

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

Climate and other risks

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

Notes to the Financial Statements

For the Year ended 31st December, 2016

8. FREEHOLD PROPERTY PLANT & EQUIPMENTS

Cost/ Valuation	Buildings Rs.	Plant & Machinery Rs.	Motor Vehicles Rs.	Equipment Rs.	Furniture & Fittings Rs.	Fencing Rs.	Water Supply Rs.	2016 Rs.	2015 Rs.
As at 1 January	40,274,718	7,839,761	145,977,528	39,398,776	9,302,457	4,898,427	8,461,353	256,153,021	239,948,180
Additions	3,591,131	-	5,212,900	2,401,509	426,032	4,441,187	949,577	17,022,335	18,452,969
Transfers/Disposal	-	-	-	533,188	-	-	-	533,188	2,248,128
As at 31 December	43,865,849	7,839,761	151,190,428	42,333,473	9,728,489	9,339,614	9,410,930	273,708,544	256,153,021
Depreciation									
As at 1 January	6,400,601	1,578,568	105,283,209	27,440,865	6,057,190	2,486,424	3,278,859	152,525,715	128,923,224
Charge for the Year	1,009,293	489,667	18,252,506	2,852,683	618,562	1,056,020	380,382	24,659,113	25,850,595
Transfers/Disposal	-	-	-	-	-	-	-	-	2,248,103
As at 31 December	7,409,894	2,068,235	123,535,715	30,293,549	6,675,751	3,542,444	3,659,241	177,184,829	152,525,715
Net Value								96,523,716	103,627,305
Capital Work-in-progress									
As at 1 January								1,330,571	6,953,113
Additions during the Year								156,374	794,494
Capitalized during the year & Transfer out								(1,366,942)	(6,417,036)
As at 31 December								120,003	1,330,571
Carrying amount								96,643,719	104,957,876

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.

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

9. INVENTORIES

	2016 Rs.	2015 Rs.
Input Materials	18,977,528	2,816,452
Growing Crop - Nurseries	2,389,310	4,038,701
Harvested Crop	70,040,667	29,274,915
Consumables and Spares	9,366,747	7,221,568
Livestock	4,240,670	4,277,098
	<u>105,014,922</u>	<u>47,628,734</u>
Impairment allowance for Obsolete Stocks	<u>(15,500)</u>	<u>(15,500)</u>
	<u>104,999,422</u>	<u>47,613,234</u>

10. TRADE AND OTHER RECEIVABLES

	2016 Rs.	2015 Rs.
Produce Debtors	35,913,954	25,815,410
Staff Debtors	1,907,618	2,272,919
Other Debtors	11,179,478	9,394,753
Wair-Coir Project	13,325,233	13,325,233
	<u>62,326,284</u>	<u>50,808,315</u>
Impairment allowances for Wair-Coir Project	<u>(13,325,233)</u>	<u>(13,325,233)</u>
Impairment allowances for Bad Debts	<u>(565,378)</u>	<u>(986,636)</u>
	<u>48,435,673</u>	<u>36,496,447</u>

11. FINANCIAL FACILITY TO STATE ENTERPRISES

	Amount Granted Rs.	2016 Rs.	2015 Rs.
Loan Receivables			
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	<u>40,000,000</u>	<u>47,627,397</u>	<u>47,627,397</u>
	105,000,000	119,757,808	119,757,808
Less:			
Impairment Loss	<u>(105,000,000)</u>	<u>(119,757,808)</u>	<u>(119,757,808)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

The Company has granted temporary financial facility to the government enterprises amounting to LKR 105 Million in the year 2010. However company was 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.

Considering the fact that the company was unable to recover the interest income due from above state organizations, from the year 2010 to 2012, the board of directors of chilaw plantations ltd decided not to recognize the unrecoverable interest income to the accounts of chilaw plantation limited from the year 2013. However, if interest income from 2013 to 2016 is taken in to the 2016 accounts, total loan receivable balance would be Rs. 145,357,808.

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

11.1 Other Financial Assets

	2016 Rs.	2015 Rs.
Non Current		
Loans given to Employees	7,084,015	4,844,575
Pre paid Staff Benefits	514,643	355,582
	7,598,658	5,200,157
Current		
Loan given to Employees	3,465,834	3,034,142
Pre paid Staff Benefits	(52,556)	22,128
	3,413,278	3,056,270
Total	11,011,936	8,256,427

11.1a. Loan Given To Employees

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	8,256,427	7,011,461
Loan Granted During the year	6,528,200	4,558,250
Loan recovered during the year	(3,772,691)	(3,313,284)
	11,011,936	8,256,427
Transfer to prepaid staff benefits	(462,087)	(377,711)
Balance at the end of the year	10,549,849	7,878,716
Non current	7,084,015	4,844,575
Current	3,465,834	3,034,142
	10,549,849	7,878,716
Pre-paid Staff Benefits		
Non Current	514,643	355,582
Current	(52,556)	22,128
	462,087	377,711

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

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

	2016	2015
Distress Loans Interest rate Chilaw Plantations Ltd	5%	5%
Market Rate	11%	11%

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

12. SHORT TERM INVESTMENTS (Held to Maturity Investment)

	2016 Rs.	2015 Rs.
Fixed Deposit - BOC	112,868,261	58,646,142
Treasury Bills and REPO	28,000,000	94,000,000
	140,868,261	152,646,142

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. 72,493,267/-

13. 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

200,000,010	200,000,010
-------------	-------------

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.

14. DEFERRED TAX LIABILITY

At the beginning of the Year	49,092,652	41,266,324
Provision for the Year	12,757,599	7,826,328
At the end of the Year	61,850,251	49,092,652

	Temporary Difference Rs.	Tax Effect Rs.
Temporary difference of,		
-Property, Plant and Equipment	(44,006,319)	(4,840,695)
-Mature and Immature Plantation	(701,639,467)	(70,163,947)
-Consumable Biological Assets	(42,245,501)	(4,647,005)
-Impairment allowance for Obsolete Stocks	15,500	1,705
-Impairment allowances for Bad Debts	28,648,419	3,151,326
-Retirement Benefit Obligation	72,493,267	7,974,259
Carried forward Tax Losses	60,673,687	6,674,106
Carried forward Tax Credit	-	-
Deferred Tax Assets / (Liability)	(626,060,415)	(61,851,251)

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, 2016 is 11% for the Company.

The effective tax rate used to calculate deferred tax liability for Mature and Immature Plantation as at 31 December, 2016 is 10% for the Company.

Notes to the Financial StatementsFor the Year ended 31st December, 2016**15. DIFERRED GRANTS AND SUBSIDIES**

	2016 Rs.	2015 Rs.
At the beginning of the Year	7,190,426	7,619,584
Less : Amortization for the Year	(398,962)	(429,158)
At the end of the Year	6,791,464	7,190,426

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.

16. RETIREMENT BENEFIT OBLIGATION

	2016 Rs.	2015 Rs.
At the beginning of the year	67,834,120	65,120,485
Interest Cost	6,783,412	6,512,049
Current Services Cost	6,200,046	5,920,040
Gratuity Payments for the Year	(7,232,768)	(6,956,474)
Actuarial (Gain) / Loss	(1,091,543)	(2,761,980)
At the end of the Year	72,493,267	67,834,120

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 2016 the actuarial present value of promised retirement benefits amounted to Rs. 72,493,267. 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. 85,190,059/-. Hence, there is a contingent liability of Rs. 12,696,792/-, 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. 555/-

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

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

	Repayable within 1 year Rs.	Repayable after one year		Sub Total Rs.	Total Rs.
		Repayable within two to five years Rs.	Repayable after five years Rs.		
Gross Finance Lease Liability	6,508,000	26,032,000	152,554,651	178,586,651	185,094,651
Less : Future Finance Charges	(4,374,548)	(16,609,987)	(54,753,525)	(71,363,512)	(75,738,060)
Net Finance Lease liability-2016	<u>2,133,452</u>	<u>9,422,013</u>	<u>97,801,126</u>	<u>107,223,139</u>	<u>109,356,591</u>
Net Finance Lease liability-2015	<u>2,051,396</u>	<u>9,059,628</u>	<u>100,296,963</u>	<u>109,356,591</u>	<u>111,407,987</u>

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. 27,616,892/- which is based on GDP deflator of 2.1% (2015 - 26,499,070/- -5.1%)

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	=	1,804,770,000
Finance Charges	=	(1,198,002,007)
Net Liability	=	<u>606,767,994</u>

18. TRADE AND OTHER PAYABLES

	2016 Rs.	2015 Rs.
Trade Creditors (Refund, CDA Marketing Lot fee)	1,893,321	1,967,193
Others (Fertilizer, Contractors etc.)	78,237,600	32,019,132
Holiday Pay	3,462,585	3,068,655
Accrued Expenditure	10,679,021	5,168,818
Audit Fee	869,200	926,000
10% Profit Share Staff (RPC Agreement)	10,690,637	11,730,853
Dividend Payable to Treasury	30,000,000	-
	<u>135,832,364</u>	<u>54,880,651</u>

Notes to the Financial Statements

For the Year ended 31st December, 2016

19. REVENUE

19.1 Summary

Coconut
Copra

2016 Rs.	2015 Rs.
345,721,174	367,424,020
37,368,740	31,941,978
383,089,914	399,365,998

19.2 Segment Information

Geographical Segment Results

	Group 01		Group 02		Unallocated		Total
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.
Revenue	216,735,614	226,281,163	166,354,300	173,084,835	-	-	383,089,914
Revenue Expenditure	(116,156,569)	(131,018,445)	(104,483,034)	(105,242,774)	-	-	(220,639,603)
Depreciation	(9,081,159)	(7,747,901)	(4,662,179)	(6,608,574)	-	-	(13,743,338)
Segment Results	91,497,886	87,514,817	57,209,087	61,233,487	-	-	148,706,973

Other Income and Gain

Unallocated Expenses

Impairment Loss on Financial Assets

Finance Cost

Finance Income

Profit before Income Tax

Income Tax Expenses

Net Profit for the Year

As at 31st December,

65,941,736	80,380,044
(111,237,865)	(119,953,921)
-	-
(32,787,852)	(31,616,099)
14,193,632	10,734,205
84,816,623	88,292,534
(15,144,615)	(9,610,612)
69,672,008	78,681,922

Segment Assets

Non Current Assets

Current Assets

Total Assets

476,338,158	428,999,405	468,594,458	425,080,936	21,410,332	32,214,267	966,342,948	886,294,608
96,333,431	54,969,186	53,839,158	25,875,597	162,160,328	176,037,197	312,332,917	256,881,980
572,671,589	483,968,591	522,433,616	450,956,533	183,570,660	208,251,464	1,278,675,864	1,143,176,587

Segment Liabilities

Non Current Liabilities

Current Liabilities

Total Liabilities

35,472,805	33,173,983	35,332,547	31,144,786	177,552,769	169,155,020	248,358,121	233,473,789
28,154,255	16,434,541	26,982,613	16,818,299	79,454,085	21,486,719	134,590,953	54,739,559
63,627,060	49,608,524	62,315,160	47,963,085	257,006,854	190,641,739	382,949,074	288,213,348

CHILAW PLANTATIONS LTD**Notes to the Financial Statements**For the Year ended 31st December, 2016**20. OTHER INCOME AND GAINS**

	2016 Rs.	2015 Rs.
Amortization of Grant	398,962	429,158
Profit from Livestock Project	9,434,603	1,512,581
Gain (Loss) arising from changes in fair value less cost to sell consumable Biological assets	5,154,465	24,534,520
Profit on Disposal of unusable vehicles & Scrap sales		294,015
Coconut Palms	17,356,052	19,532,788
Coconut Husks & Shells	7,617,682	7,030,610
Penalty	5,346,819	3,332,878
Seedlings & nursery plant	178,959	3,004,008
Paddy	2,246,473	2,406,640
Fire wood	2,228,857	1,475,821
Cashew	(924,385)	135,336
Desalting Tank (sale of Mud soil)	11,160,170	12,644,387
Other	5,743,078	4,047,302
	65,941,736	80,380,044

20.1 Cashew

Cashew Sale	14,046,760	20,166,427
Cost of Sale	(14,971,144)	(20,031,091)
Profit/(Loss)	(924,385)	135,336

21. FINANCE INCOME

Interest on Fixed Deposits	6,932,319	6,499,873
Interest on Treasury bill/REPO	5,855,542	3,199,614
Interest income on Savings Account	214,888	104,273
Interest on Loan given to Staff	518,880	404,666
Unwinding of Pre-paid Staff Benefits	672,003	525,779
	14,193,632	10,734,205

21.A Financial Cost

Land & Buildings (JEDB) Variable Lease Rental to PMD(MPI) Treasury	27,616,892	26,499,070
Lands & Buildings (JEDB) Lease Rental Interests to PMD(MPI) Treasury	4,456,604	4,535,503
Bank Charges	42,353	55,747
Amortization of Staff Cost	672,003	525,779
	32,787,852	31,616,099

22 PROFIT BEFORE TAX IS STATED AFTER CHARGING**Depreciation**

- 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	24,659,113	25,850,595
- Biological Assets	10,776,535	10,549,775
Directors Remuneration	3,377,160	3,405,223
Auditors Remuneration	869,200	926,000
Defined Benefit Plan Costs	11,891,915	9,670,109
Defined Contributions Plan Costs - EPF & ETF	25,582,172	21,456,264
Salaries & Wages	186,349,070	165,495,210
Employees' 10% Profit Share	7,828,181	8,868,397
	275,072,115	249,960,342.12

Notes to the Financial Statements

For the Year ended 31st December, 2016

23. INCOME TAX EXPENSE
23.1 The major components of income tax expenses for the year ended 31 December 2016 are as follows.
Current Tax Expenses

Current Income Tax (Note 24.2)	2,387,016	1,784,284
Over provision of previous year Income Tax	-	-
Deferred taxation Charges / Provision	12,757,599	7,826,328
Income tax expense reported in the Income statement	15,144,615	9,610,612

23.2 Reconciliation between tax expenses and the product of accounting profit

	2016 Rs.	2015 Rs.
Profit before tax	84,816,623	85,782,509
Aggregate disallowable items	60,872,444	65,622,549
Aggregate allowable items	(135,431,119)	(159,333,115)
Adjusted Business profit / (Loss)	10,257,948	(7,928,057)
Interest Income	13,002,749	9,803,760
Statutory Income	23,260,697	9,803,760
Less: Qualifying Payment		
Deductions U.S 32	(8,141,244)	(3,431,316)
Taxable Income	15,119,453	6,372,444
Tax on Taxable Income at Special Rate 10%	1,025,795	-
Standard Rate - 28% (2013 - 28%)	1,361,221	1,784,284
Current Income Tax Expenses	2,387,016	1,784,284

24. EARNINGS PER SHARE

24.1 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.

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

Amounts used as the Numerator :

Net profit applicable to ordinary share holders for basic earnings per share	69,672,008	78,681,922
	<u>69,672,008</u>	<u>78,681,922</u>

Amounts used as the Denominator :

	Number	Number
Weighted average number of ordinary shares in issue	20,000,001	20,000,001
applicable to basis earnings per share	<u>20,000,001</u>	<u>20,000,001</u>

Basic Earning per share	3.48	3.93
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25. 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.

CHILAW PLANTATIONS LTD

Notes to the Financial Statements

For the Year ended 31st December, 2016

26. RELATED PARTY DISCLOSURES

Details of significant Related Party Disclosures are as follows.

26.1 Transactions with the key management personnel of the company.

LKAS 24 "Related party Disclosures", Key Management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non- Executive Directors) as key management personnel of the Company have been classified as Key Management Personnel

	2016 Rs.	2015 Rs.
Salaries and other Employment Benefits	3,377,160	3,405,223

26.2. Related Party Transactions

There are no related party transactions other than those disclosed in Note No 11 to these Financial Statements.

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital Commitments

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

27.2 Contingent Liabilities

There were no contingent liabilities other than disclosed in Note No. 16 and as following as at the reporting date.

Legal case filed

Case No	Description	Present Status
1 350/RE District Court of Marawila	Case filed against Dilan Manufacture Pvt. Ltd. regarding a land matter at Divulapitiya	Matter pending.
2 SPL 2913 District Court of Negombo	Chilaw Plantations ltd Claiming Compensation from Katana Pradesihiya Shaba	Matter pending.
3 DMR 03137/15 District Court Aluthkade	CPL is claiming Rs. 2,963,522.15 the cost for the coconuts from Bee Pee & David Pvt. Ltd.	Matter pending.
4 28/2051/14 Labour Tribunal Chilaw	Mr. W. M. P. Weerasekera a former Superintendent claiming re-employment.	Matter pending.
5 28/2052/14 Labour Tribunal Chilaw	Mr. B.M.S.S.Balasooriya a former Asst. Superintendent claiming re-employment.	Matter pending.
6 28/22183/16/y,d District Court of Chilaw	Mr. P.A. Chandrasna claiming re-employment and arrears.	Matter is pending.
7 28/1852 Labour Tribunal Chilaw	Mr. Arumugam claiming payment of arrears.	Matter pending. (awaiting order)

CHILAW PLANTATIONS LTD**Notes to the Financial Statements**For the Year ended 31st December, 2016

Case No		Description	Present Status
8	A 3536 Industrial Court Colombo	S.C. George and 8 others ex- employees claiming arrears on salary revision.	Matter pending.
9	FR 343/2016 Status Court Colombo	Mr. Anuruddha Dissanayaka – Superintendent claiming damages on his interdiction.	Matter pending.
10	SC/FR/364 Status Court Colombo	M/S. A. A. Ananda, G A Dissanayaka, M.G.C. Dias and W.K. K Pradeep contesting the procedures adopted in interview for AGM Plantations.	Matter pending.
11	IR/22/17/2013 Labour Department Narahenpita	Mrs. K.N.D Rajapaksha claiming payment of arrears for Rs. 1250/=.	Matter pending.
12	IR/07/15/2013 Labour Department Narahenpita	Ceylon Estates staff Union claiming permanency of employment and arrears payment for a few employees of CPL	Matter is pending.
13	IR/com/02/R/2014/102 Labour Department Narahenpita	Ceylon Estates Staff Union claiming arrears for some employees of CPL	Matter is pending.
14	IR/com/01/W/2016/21 Labour Department Narahenpita	Mr. S.L.J Paththinige a former Asst. Superintendent claiming for establishment of prescribed salary scale and relevant arrears.	Matter is pending.
15	IR/com/03/W/2016/133 Labour Department Narahenpita	Mr. S.K.D. Gunawardana a former Superintendent claiming for relief from punishment and for benefits of the assigned post.	Matter is pending.
16	IR/Com/03/W/2016/123 Labour Department Narahenpita	Ceylon Planters Society claiming interdiction was incorrect.	Matter is pending.
17	IR/Com/04/2017/39 Labour Department Narahenpita	Intercompany Employees Union claiming against unfair labour practices.	Matter is pending.
18	IR/com/03/2017/48 Labour Department Narahenpita	Ceylon Estate Service Union claiming proper salary scale.	Matter is pending.
19	CHW/101/C/2016 Chilaw Labour Office	Mr. M. M. Merly a Manager Estates claiming salary increments.	Matter is pending.
20	CHW/131/F/5/2013 Chilaw Labour Office	Mr. S.L.J. Paththinige claiming variance in the gratuity payment.	Matter is pending.
21	HRC/3858/16 Colombo Human Rights Commission	Mr. Anuruddha Dissanayaka a Superintendent claiming against	Matter is pending.

Ten year Summery

	2016	2015 Re-Styled	2014	2013	2012	2011	2010	2009	2008	2007
Coconut Production Nuts '000	16,522	12,517	12,969	9,595	15,808	14,528	18,256	18,632	16,280	17,815
Trading Results	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	383,090	399,366	374,851	287,152	339,051	322,909	422,668	312,687	310,990	291,202
Gross Profit	148,707	148,748	152,726	112,890	123,733	163,228	172,166	115,805	171,458	141,612
Profit Before Interest and Tax	117,604	119,909	(31,966)	108,989	111,209	118,969	136,608	141,201	53,070	122,167
Profit Before Tax	84,817	88,293	(61,273)	81,820	86,225	95,771	114,163	120,693	35,271	106,869
Profit After Tax	70,764	81,444	(61,680)	72,919	77,975	77,670	75,256	98,097	10,509	105,403
Retained Profits	633,886	598,277	543,862	625,542	587,623	584,648	585,895	510,639	442,542	432,033
Timber Reserve	61,841	56,686								
Dividend Paid		30,000		20,000	35,000	75,000	-	75,000	30,000	
Dividend Total	426,650	426,650	396,650	396,650	376,650	341,650	266,650	266,650	191,650	161,650
Financial Position										
Fixed Assets	966,343	886,295	792,832	737,497	602,610	560,326	483,117	436,721	392,322	374,790
Mature / Immature Plantations	728,533	653,072	581,618	502,826	410,033	354,712	326,048	287,333	250,444	237,592
Current Assets	312,333	256,882	233,545	356,230	454,231	519,019	627,829	496,056	476,434	501,906
Inventories	104,999	47,613	73,432	71,398	82,606	94,295	28,526	44,770	50,041	54,799
Short Term Investment - Fixed Deposit	140,868	152,646	113,276	128,996	199,377	244,814	409,727	387,174	373,501	395,195
Total Asset	1,278,676	1,143,177	1,026,376	1,093,727	1,056,841	1,084,615	1,110,946	932,777	868,756	876,696
Current Liabilities	134,591	54,740	57,100	45,452	60,149	90,605	127,215	60,125	61,675	84,699
Long Term Liabilities	248,358	233,474	225,414	222,734	209,070	204,092	197,836	162,012	164,539	159,964
Stated Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Shareholders Funds	895,727	854,963	743,861	825,542	787,623	784,648	785,895	710,639	642,542	632,033
Current Ratio (Times)	2.32	4.69	4.09	7.83	7.55	5.77	4.94	8.25	7.72	5.93
Quick Ratio (Times)	1.54	3.82	2.80	6.27	6.18	4.69	4.71	7.51	6.91	5.28
Gross Profit Ratio %	38.82	37.25	40.74	39.31	36.49	44.71	40.73	37.04	55.13	48.63
Earning Per Share Rs.	3.48	3.93	(3.10)	3.69	3.90	3.88	3.76	4.90	0.53	5.27
Return on Average Equity (ROE)%	8.08	10.19	(7.86)	8.80	9.92	9.86	10.06	14.50	1.65	18.19
Return on Capital Employed (ROCE)%	10.28	11.02	(3.30)	10.40	11.16	11.97	13.89	16.18	6.58	15.43
Total Asset to Current Libities	0.11	0.05	0.06	0.04	0.06	0.08	0.11	0.06	0.07	0.10
Shareholders Fund Ratio	70.05	74.79	72.47	75.48	74.53	72.34	70.74	76.19	73.96	72.09
Interest Cover - (Times)	3.59	3.79	(1.09)	3.98	4.45	5.13	6.09	6.89	2.98	7.99
Debt Ratio	0.30	0.25	0.28	0.25	0.25	0.27	0.29	0.24	0.26	0.28
Long Term Debts To Total Assets	0.19	0.21	0.22	0.20	0.20	0.19	0.18	0.17	0.19	0.18

CHILAW PLANTATIONS LTD

NOTICE OF ANNUAL GENERAL MEETING

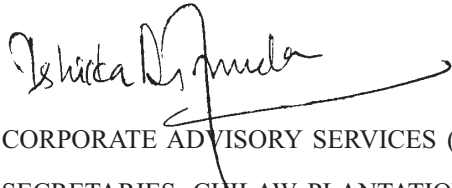
NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chilaw Plantations Limited will be held at Grand Oriental Hotel, No 2, York Street, Colombo 01 on 19th December 2017 at 1.30 p.m. For the following Purposes.

AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31st December 2016 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditor of the company for year 2017.
3. Deciding the final Dividend for the year 2016.

BY ORDER OF THE BOARD

CHILAW PLANTATIONS LIMITED



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

Date: 27th November 2017

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 LTD

FORM OF PROXY

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

- | | |
|--|----------------|
| 1. Mr. Victor Kumara Charles Herath | or falling him |
| 2. Mr. Maneesha Kithsiri Bandara Seneviratne | or falling him |
| 3. Mr. Ananda PushpaKumara Kuliypiti Gamlathge | or falling him |
| 4. Mr. Asai Lakkathas | or falling him |
| 5. Mr. Herath Mudiyansele Nilantha Chandimal Herath | or falling him |
| 6. Mr. Paththinikuttige Bernard Sarath Christopher Nonis | or falling him |
| 7. Mr. Pathirana Chandrapriya Wijewardene | 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 19th December 2017 at 1.30 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

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

	FOR	AGAINST
1. To receive and consider the Statement of Accounts for the year ended 31st December 2016 with the Report of the Directors and Auditors thereon.	☐	☐
2. To appoint Auditor General's Department as Auditor of the company for year 2017.	☐	☐
3. Deciding the final Dividend for the year 2016	☐	☐

Signature of Shareholder's:.....

Shareholders NIC No:.....

Signed this day of2017

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.

CORPORATE INFORMATION

Name of the Company	:	Chilaw Plantations Limited (CPL)
Head Office	:	'Kapruka Sewana', No 165, Puttalam Road, CHILAW. 61000.
Colombo City Office:	:	J.R.Jayawardana Center 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'- Ministry of Finance, 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 General Treasury with special rights.

Board of Directors As At 31st December 2016

Mr.V.K.C. Herath	-	Chairman / CEO
Mr.M.K.B.Senevirathne	-	Executive Director
Mr.P.B.S.C. Nonis	-	Director/ (Treasury Representative)
Mr.A. Lakkathas	-	Director/(Additional Secretary -Ministry of public Enterprise Development)
Mr.K.G. Ananda Pushpakumara	-	Director
Mr.H.M.N.C. Herath	-	Director
Auditors	:	Auditor General's Department No. 306/72, Polduwa Road, Battaramulla.
Bankers	:	Bank of Ceylon
Secretaries	:	Corporate Advisory Services (Pvt) Ltd No. 47, Alexandra Place, Colombo 07



Head Office
CHILAW PLANTATIONS LIMITED
Company Reg:No. PB-703

"Kapruk Sewana", No. 165, Puttalam Road, Chilaw, 61000.
Tel: 032 5741273, 032 5741260 Fax 032 2222162
Email: cplmkt@sltnet.lk, cpl2@mobitlnet.lk