



2012

Annual Report



Chilaw Plantations Ltd



Ministry of Coconut Development & Janatha Estate Development

Contents

Page No

Our CPL : Vision, Mission & Values	01
Corporate Information	02
Development Phases of CPL	03
Financial Highlights - 2012	04
Special CPL Numbers	05
Highlights - 2012	06
Chairman's Review	11
Board of Directors	16
Senior Management Team	17
Management Review	18
• Highest Level of Dividends Paid To Treasury By CP	18
• High Coconut Productivity & Production	18
• Drought Damages - 2012	20
• Lowest Rainfall & Rainy Days	21
• CPL Estates with Dry Zone Agro-Climatic Landscapes.....	22
Scientific Policies : Management & Development of Plantations	24
• Fertilizer Policy : CRI Recommended DFR Package	24
• Planting Policy : Genetically Superior Coconut Seedlings : UPs/NPs	25
• Agronomic Policy : CRI Recommended Agronomic Practices	27
• Policy on Pest-Diseases Management : <i>Aceria guerreronis</i> Mite	27
• Policy on Value-addition Industries & Innovations	28
• Policy on Human Resource (HR) Advancements	29
Annual Report of the Board of Directors (CPL : 2012)	30
• Summarized Amalgamated Financial Statement	30
• CPL Activities, Directors, Audit Committee, Auditors, Statutory Payments	31
• Assets, Investments, Annual Report, Annual General Meeting	31-32
Financial Review.....	33
Statement of Corporate Governance	36
Statement of Director's Responsibilities	37
Independent Auditor's Report & Financial Statements	
• Auditors Opinion	38
• Statement of Comprehensive Income	39
• Statement of Financial Position	40
• Statement of Changes in Equity	41
• Cash Flow Statement	42
• Accounting Policies & Notes to Financial Statements	43-74
CPL : Financial & Statistical Summary (1993 - 2012).....	75
CPL : Twenty Points Scientific Coconut Based Plantation Assets Development	76-77
Notice of Annual General Meeting (AGM)	78
Form of Proxy	79

Our CPL VISION

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

Our CPL MISSION

To Achieve Sustainable High Profit & Potential Productivity
Through Scientific & Commercial Development of
Coconut Plantation Assets & Resources

By Highly Competent, Empowered, Motivated & Committed Professional Staff
To Benefit All Stakeholders Including Employees, Public, Government,
Present & Future Generations, To Partnering With Our Journey
To Attain Sri Lanka as 'THE WONDER of ASIA'

Our CPL VALUES

WE Value	Honesty, Integrity, Sincerity, Commitment, Loyalty, Discipline, and Punctuality
WE Respect	Confidentiality, Independency, Transparency, and Spirituality
WE Treasure	Innovative, Qualified, and Skilled Professionalism
WE Achieve	Our Winning Goals Through Leadership, Empowerment & Motivation of Our Staff
WE Strengthen	Our Teams with Human Resource Advancements
WE Treat	Threats and Problems as Challenges and Opportunities
WE Aspire	To Be Accepted and Respected
WE Pursue	To Be Wanted and Demanded
WE Enjoy	Life Holistically, Developing Our Coconut Industry & Serving Our Motherland.



Coporate Information

Name of the Company	: Chilaw Plantations Limited (CPL)
Head Office	: 'Kapruka Sewana', No 165, Puttalam Road, CHILAW. 61000.
Colombo City Office	: Ground Floor, CDA Building, No 01, Duke Street, Colombo 01.
Date of Incorporation	: 11th June 1992
Company Registration No.	: PB 703 (New No: new Company Act 07 of 2007) N(PBS/CGB)122 (Old No : Company Act 17 of 1982)
Legal Status	: Government Owned Company, established under the Company Act No 17 of 1982 by the Gazette No 719/15 on 18 June 1992, as per the provisions of the 'Conversion of Public Corporations or Government Own Business Undertakings into Public Companies' Act No 23 of 1987. All plantations assets, including all estates owned and managed by the JEDB (IV) within the Puttalam District were vested with the CPL as per the Gazette 1992.06.11 and subsequently signed Lease Agreements between JEDB and CPL for 53-99 years as per the registered Lease Agreements.
Share Holdings	: Full Shares (100%) and the 'Golden Shareholder' Status are allotted to the 'Secretary to the Treasury', on- behalf of the State of the Democratic Socialist Republic of Sri Lanka.
Share Capital	: 20,000,001 Shares of Rs Ten (Rs 10/=) including 'One Golden Share' held by the Treasury with special rights.
Board of Directors as at 31st December 2012	: Dr K. Sunil Jayasekara - Chairman & CEO - Member Mr A. M. Chandrapala - Executive Director - Member Mr K A Shantha R Dias - Working Director - Member Mrs Priyangani Liyanage - Member (Treasury Representative) Mr S Chandra S Fernando - Member (Former IGP) Mr I Mahesh R Widanagamage - Member Mr D A D Ruwan Danansooriya - Member Mr M S M Sakulla - Member
External Auditors	: M/s Aiyar & Co (Appointed by The Treasury & Auditor General) Chartered Accountants 'Charter House', No 65/2, Sir Chittampalam A. Gardiner Mawatha, Colombo 02
Bankers	: Bank of Ceylon & Peoples Bank
Secretaries	: Corporate Advisory Services (Pvt) Ltd No. 47, Alexandra Place, Colombo 07.

Development Phases - Coconut Plantations & CPL

Coconut (*Cocos nucifera* L., **Arecaceae - Palmae**) : Originated within Central America or South Asia.

Sri Lanka : King Rawana Era, King Vijaya drank King Coconut water from Queni, King Dutugamunu (161- 137 BC) Coconut Toddy, Mahavamsa King Agbo II - (589 AD) coconut planted Weligama to Dondra, etc..

1658 Dutch Canal : Transport Copra: Chilaw-Puttalam to Colombo for Export. Coconut Oil : Main Oil Source.

1898 Palugaswewa Estate (~1,800 acres. Largest One Estate Unit): Coconut Planted & Established.

1974 LRC (Land Reform Commission). Nationalized Large Plantations (> 50 ac) & Vested with LRC. (Land Reform Law No 1 of 1972)

1976 JEDB (Janatha Estates Development Board: JEDB). Vested all Plantations with JEDB & SL SPC. (The State Agricultural Corporations Act 11 of 1972; Gazette No 199/1M on 06 Feb 1976). JEDB IV (Chilaw - Puttalam Coconut Estates). JEDB V (Kurunegala - Colombo Estates)

1992 June 11 Established CPL (Chilaw Plantations Ltd : N(PBS/CGB) 122). Companies Act 1982 (Government established 23 Regional Plantation Companies, including CPL and KPL, under the Conversion of Public Corporations or Government Own Business Undertakings into Public Companies Act 23 of 1987 and listed categorized estates owned and managed by JEDB and SLSPC for long term as per the relevant Gazette notifications 1992.06.11)

All plantations assets, including all estates owned and managed by the JEDB (IV) within the Puttalam District were vested with the CPL as per the Gazette 1992.06.11 and subsequently signed Lease Agreements between JEDB and CPL for 53-99 years as per the registered Lease Agreements.

CPL : Coconut Estates (14,706 acres) in Chilaw-Puttalam. KPL (13,476 ac) in Kurunegala-Gampaha.

1992 June 11 CPL Management 'Privatized': Managing Agent: Wayamba Plantations (Pvt) Ltd (WPPL)

Private Managing Agent's Management Fee based on ' % Profit Share Basis'.

WPPL (1992 June 18 - 2008 May 31) : Chairman - WPPL : Mr Berty Silva
Managing Director - WPPL & CPL : Mr W L Bogtstra

2008 May 31 Terminated WPPL Private Management Agreement (Paid Compensation of Rs 124 Mn from CPL Savings to WPPL for 'Early Termination of Management Agreement').

2008 May 31 Government Management: CPL as a Strategic State Owned Enterprise (SSOE).

Chairmen : JEDB (Janatha Estates Development Board - Central Board : 1976)

1976 - 1977 Mr K H J Wijedasa Chairman - JEDB

1978 - 1988 Mr P R Seneviratne Chairman - JEDB

1988 - 1993 Mr M A L Perera Chairman - JEDB

Chairmen : JEDB Board IV (CHILAW: 1977)

1977 - 1983 Mr G Amerasinghe Chairman - JEDB Board IV (CHILAW) & V (Kurunegala)

1983 - 1990 Mr Laxman Ratnaweera Chairman - JEDB Board IV & V

1990 - 1992 Mr Feroze de Alwis Chairman - JEDB Board IV (CHILAW)

1992 June 11: Established Chilaw Plantations Ltd: N(PBS/CGB)122, Regd under Companies Act 1982.

Chairmen : CPL (Chilaw Plantations Ltd : Established 1992 June 11)

1992 June 11 to 2008 May 31: Private Management by Wayamba Plantations Pvt Ltd

From 2008 May 31: Back to Government Management with Chairman / CEO - CPL Positions

1992 - 1997 Mr R S Jayaratne Chairman - CPL & Secretary - Ministry of Plantation Industries (MPI)

1997 - 1998 Mr Dixon Nilaweera Chairman - CPL & Secretary - MPI

1998 - 2000 Mr M F Mohideen Chairman - CPL & Presidential Secretariat

2000 - 2003 Mr K A S Gunasekara Chairman - CPL & Secretary - MPI

2003 - 2004 Mr Y G Wijeratne Chairman - CPL & Additional Secretary - MPI

2004 - 2006 Mr S Abeywickrama Chairman - CPL & Secretary - MPI

2006 July 23 - 2008 May 31 Mr P Jayasinghe Chairman - CPL

2008 May 31 - 2010 May 17 Mr P Jayasinghe Chairman & CEO - CPL

2010 May 18 - To Date Dr Sunil Jayasekara Chairman & CEO - CPL

Financial Highlights

	2012 Rs' 000	2011 Rs' 000	Variance %
Summary Results			
Coconut Production (Nuts)	15,807,770	14,527,770	9
Net Sale Average (Rs per nut)	21.26	25.33	(16)
Revenue	339,051	322,909	5
Gross Profit	123,733	163,228	(24)
Profit Before Interest and Tax	111,209	118,969	(7)
Profit Before Tax	86,225	95,771	(10)
Profit After Tax	77,975	77,670	0
Retained Profit	587,623	584,648	1
Dividend Paid	75,000	75,000	0
Dividends Paid TOTAL (up to 2012)	341,650		

Financial Position

Non Current Assets	602,610	560,326	8
Mature / Immature Plantations	410,033	354,712	16
Current Assets	454,231	519,019	(12)
Inventories	82,606	94,295	(12)
Total Assets	1,056,841	1,079,345	(19)
Current Liabilities	60,149	90,605	(34)
Long term Liabilities	209,070	204,092	2
Stated Capital	200,000	200,000	-
Shareholders' Funds	787,623	784,648	-

Financial Indicators

Current Ratio (Times)	7.55	5.77	31
Quick Ratio (Times)	6.18	4.69	32
Gross Profit Ratio %	36.49	44.71	(18)
Earnings Per Share Rs.	3.90	3.88	0
Return on Average Equity (ROE) - %	9.92	9.86	1
Return on Capital Employed (ROCE) - %	11.16	11.97	(7)
Total Asset to Current Liabilities	0.06	0.08	(32)
Interest Cover - (times)	4.45	5.13	(13)

SPECIAL CPL NUMBERS

1,524	CPL Palugaswewa Estate, Rajakadaluwa, Chilaw is recognized as the largest single unit of coconut estate with a present extent of 1,524 acres in the World, consisting of Genetically Superior Coconut Palm Population, established in the year 1898.
341,650,000	Paid Rs 341,650,000 as Dividends to the Treasury by CPL to-date and being appreciated as the Highest Dividends Paid Plantation Company, among the Twenty Three (23) Regional Plantation Companies (RPC) in Sri Lanka.
51	CPL achieved a high Coconut Productivity of 51 Nuts per Palm in the year 2012, even under severe drought during 2012 and noted to be the highest among plantation companies.
253,932,800	Paid to the Treasury Rs 253,932,800 as Land lease Rentals, related to the lands leased to CPL by the JEDB when RPCs were established in 1992.
308,878,915	Paid Rs 308,878,915 as Taxes to the Government by CPL to-date, being a responsible plantation enterprise.
23,881,866	CPL paid Rs 23,881,866 as Staff Statutory Payments (EPF, ETF, Gratuity) during the year 2012 and noted to be one of Plantation Companies that always fulfill its responsibilities, without any arrears.
50,970	Total of 50,970 coconut seedlings were planted during 2012, within CPL estates as New Plantings, Under Plantings, and vacancies as block/patch planting.
1,106,750	CPL provided total of 1,106,750 quality Seed-nuts to the Coconut Cultivation Board (CCB) during year 2012 assisting the National Coconut Development Programme of the Ministry.
491,086	CPL provided 491,086 quality Coconut Seedlings to CCB during 2012.
38,140	Total of 38,140 coconut palms were lost during the severe drought that prevailed throughout year 2012 (worst drought since 1986), but Our Company was able to attained a higher coconut production in 2012 compared to that of 2011 (15.807 Mn nuts in 2012 & 14.527 Mn nuts in 2011), due to continuous implementation of Scientific Inputs and effective/efficient Field Management Programmes to collect all fallen nuts.
2011.04.29	CPL established the World First Aceria Mite Management Predator Breeding Field Laboratory at the Palugaswewa Estate, Chilaw on 2011.04.29 with the Scientific assistance of Coconut Research Institute to breed and release Neoseiulus braaki predator that feeds Aceria guerreronis Coconut Mite. Based on its success, subsequently fifteen similar laboratories are established, as advised by the Ministry, by CRI and other coconut related organizations and functioning with benefits.
2012.02.23	First Seed Garden to produce 'Kapruwana' (SanRamon x Dwarf Green) high yielding and drought resistant coconut cultivar was established on 23 February 2012 at the Kinyama Estate, Bingiriya being the first ever CRI-CPL Joint Project (PPP: Public-Private Partnership).

Highlights - 2012

The year 2012 began with much of expectations and hopes towards new developments in Chilaw Plantations Limited (CPL) in different prospects. Being an agricultural venture CPL has been in the lime light in respect of its efficiency, productivity and profitability. Aim of the company as well as the Board of Directors and the entire management was to uplift this position to a much more benefitted position among the competitors for the wellbeing of itself and prosperity of the country.

While CPL being a commercial enterprise that was established under the Companies Act, the sole ownership of the company is remaining with the Government, so that the company is bound to work within the policy framework of the Government's Development Programmes.

After formation of a new ministry for the coconut sector and progress of Janatha Estate Development, (CPL is one of the Institutions under the shade of it) Hon Minister, Jagath Pushpakumara has introduced the '**Kapruka Navodawa**' National Coconut Sector Development Plan (2011-2016) to achieve eight goals to accelerate the progress of the whole industry, as well as to strengthen the country's economy.

Of the eight of goals in the National Plan the followings have direct links with the mission of CPL

1. Increase coconut production up to 3,650 million nuts at the end of 2016,
2. Increase the palm population in order to achieve above goal,
3. Increase productivity and income through diversification,
4. Develop eco-friendly and economically viable coconut based industries,
5. Improve quality and marketability of coconut products which could earn foreign exchange at competitive global markets,
6. Update technology to meet changing needs of the coconut industry.

Thus, in 2012 main concentration of CPL is focused on above goals of the National Plan to which CPL is a binding partner. Accordingly the CPL's development programmes are set in the year in order to achieve its share.

Even though the company has been engaging in commercial plantation activities for decades under the rule of different managements, it has hardly made attempts to take its productions beyond the position of the raw material provider in the industry. This resulted the present management to put innovations into its agenda in 2012 and look forward to be a value added producer at where it is possible and lucrative. Along with that it pours more scientific and technical inputs in to the plantation management to achieve set targets within the year. This is included to introduce the systems, methodologies and new management tools to enhance planning, implementation, monitoring and reviewing process in the agriculture management of CPL, while restructuring entire machinery of administration and enlarging the marketing intervention and opportunities.

Thus following steps have been taken to achieve above mentioned aspirations during the year.

I. Restructuring of the managerial setup in the CPL.

- Marketing division has been expanded naming as, "Marketing Development Division", imbibing marketing promotion too.
- Creation of a "Planning and Monitoring Division"
- Strengthening of existing Internal Audit Division based on the 'Development Audit Concept',
- Creation of a Legal and Investigation Unit to redeem the superintendents/estate officials from non-agricultural - external involvements, so that they would be able to pay their full time on assigned task. This helps to enhance efficiency as well as to maintain discipline and good governance in the organization.

Highlights - 2012...

II. Pol-Pola (Coconut Fair)

CPL has been in difficulty in selling its coconut at the auction conducted by the Coconut Development Authority (CDA). This situation is caused to accumulate stocks of nuts and copra in the estates without a way of favourable disposal that affects the company's cash flow. To overcome this problem as an alternative, Pol-Pola was established at Chilaw Head Office following with a transparent sealed competitive open bidding process.

The Coconut Fair (Pol-Pola) at Chilaw also caters small and medium level local buyers who do not have access to the Colombo CDA coconut auction. The first sale took place in Chilaw Head Office on 20th February, 2012 with the participation of 34 buyers. The turnover of the first day was well over Rs 6 million and whole income was collected within 7 days, instead of 45 days generally received through the CDA auctions. Besides that CPL was able to save a sum of Rs 75, 000.00 of due commission to CDA, if the transactions would have been done at the CDA auction.

At the end of year 2012, CPL was able to sell 4 million nuts through the Pol-Pola, gathering revenue of Rs 75.8 million and saving Rs 1.3 million from the lot fee payable to CDA.

III. Introduction of an Action Plan and an Agricultural Activity Calendar

Introduction of an Action Plan together with the Agricultural Activity Calendar for each individual estate in terms of common parameters to reach the targets of the corporate plan was put in to practice. The responsibility and the accountability of each activity in the plan and the calendar are assigned at different implementation levels from the watcher onward, with clear demarcations of responsibilities and accountability.

Apart from that, the action has been taken during the year to do the performance evaluation of all employees, from the rank of Management Assistant to DGM, in estates as well as in the Head Office. At the end of 2012, the CPL has completed the performance evaluation of Officers in Charge (OICs) and Assistant Superintendents (SDs) of the estates. Outcome of the completed evaluation reveals the need to enhance of training and supervision to uplift their capacities and efficiency up to the required level to make the organization more effective.

IV. Shifting from raw material production towards to value added products

- Establishment of a Coconut Oil Mill in Palugaswewa Estate.
Installation of a coconut oil extraction mill that was imported from India at the cost of Rs 6 million with the milling capacity of 200 kg of copra per hour has been established and is now ready for trial extraction of pure quality coconut oil.
- Establishment of a cashew processing unit at Thambapanni Estate in Puttalam.
Highest annual single yield of cashew nuts (68 metric tons), was harvested in 2012 from 39, 417 bearing cashew trees planted in 812 ha of the cashew plantations, unparalleled to recent past. Out of the total cashew population, 35,660 bearing trees and 726.55 ha of cashew cultivation are in the Thambapanni Estate.

CPL used to sell raw dry cashew nuts at a prevailing market price, as a raw material, to satisfy the needs of confectioners as there was no alternative. Because of low prices at the market, this trade does not bring much benefit to CPL. As a remedial measure to overcome this situation and to expand marketing opportunities, a new project to produce a value added products of cashew is started in 2012.

Highlights - 2012...

Installation of machines for peeling, roasting and packing are in progress. Commissioning the production activities is completed with the next year harvest, generating extra employment and increasing revenue of the company.

- Experimental production of Sweet Wine from Cashew Apple.
Even though cashew apple comes with cashew nuts and enjoy by many people as a fruit and a drink, cashew apple is commonly left to rot under the trees without putting to any economical use, due to its quick perishability and un-palatability.

In Brazil, Thailand and India, they make sweet wine from cashew apple as alcoholic and non-alcoholic drink, with medicinal value that attracts many tourists.

CPL has launched an experimental trial to make sweet wine in Thambapanni Area Estate by using 50 kgs of cashew apple, following a traditional recipe, in 2012. In the process of this trial production, it was revealed that wine makers were successfully able to find a way to detach the unpalatable taste of cashew apple from the wine and preserve the original aroma and taste in the wine.

Further experiments are being carried out with the research and technical assistance of the Coconut Research institute (CRI) to overcome some problems related to filtration and the lifespan in shelves, without deteriorating the quality. This production would be able to cater tourists and also generate additional employment and income to CPL, if this experiment becomes a success.

V. Revival of mechanical workshop at Palugaswewa Estate to cater the needs of estates.

Mechanical workshop in Palugaswewa Area Estate that served mechanical needs of cluster estates has been remained underutilized. This workshop was kept under the charge of a technical supervisor, who was assigned to do repairs and rehabilitation of land vehicles and agricultural equipment's, those were idling for some time untouched. This arrangement helps to reduce the repairing expenditure on machineries, water bowsers, tractors and make the organization more efficient.

In addition to that, this workshop and the technician are currently attending installation of coconut mill and test runs.

VI. Shifting of Colombo City Office to Duke Street CDA building, saving Rs 800,000/= per month.

CPL City Office in Colombo was housed in a building that belongs to JANAWASAMA (JEDB) in T.B. Jayah Mawatha, Maradana at a monthly rental of Rs 1.2 million, where even basic facilities and comforts are remote. High rental of city office building has accrued a heavy weight in to the cost of production of nuts.

CPL has relocated its city office on 05/04/2012 at the Coconut Development Authority building in Duke Street, which has more comforts and facilities at a monthly rent of Rs 360,000/= by saving Rs 800,000/=monthly to CPL, with the timely intervention of the Hon Minister.

VII. Amalgamation of Estates into Cluster Estates for better managerial and economic benefits.

CPL estates which run with low profit and within the dry zone estates situated geographically adjacent are considered to be amalgamated in to a Cluster Estates, to reduce overhead expenditure and to maximize individual focus and attention on development.

Highlights - 2012...

It was proposed to bring the overall management of such units under the supervision of a Cluster Manager (Superintendent), who is responsible and accountable for overall management. The scattered divisions and units are to be functioned as profit centres, within the cluster directly under the managerial control of a second tier matured Asst Superintendents / Officer in Charge, those who are directly accountable to the Cluster Manager.

With the intention of promoting cashew base products and to pay more attention on diversification of crops, first amalgamation was done in June 2012, merging Puttalam and MangalaEliya Area Estates, as those two had both coconut and cashew, but gave marginal profit and are situated within close proximity in the dry-zone.

A tangible outcome of this amalgamation is reflected in the earned profit at the end of 2012 as shown below.

2011			2012		
Estate	Total nut production	Profit/Loss Rs.	Estate	Total nut production	Profit/Loss Rs.
Puttalama	779,667	1.2 million	Thambapanni	2.6 million	15.0 million
Mangala Eliya	1.5 million	(2.3 million)			

VIII. Human Resource Advancement.

SWOT analysis done in 2010 has revealed that one of the weaknesses of the CPL that hurdles potentials are, non-availability of proper cadre system and human resource advancement scheme. Trained and professional staff is the back bone of any organization. As a remedy, a priority was given to train people in 2012 with the assistance of the resource persons from the University of Colombo and the National Institute of Plantation Management (NIPM).

With the collaboration of the Ministry of Coconut Development and Janatha Estate Development, the arrangement has been already made to explore the possibilities for training of middle and senior level staff in relevant overseas countries with the assistance of the Department of External Resources.

The first in house training programme on "Estate Accounts and Finance" was held for all Management Assistants and other relevant grades, in the Head Office and of the estates. The second of the series was held on 18th May 2012 on "Project Management and Achievement of Targets" for the senior and middle level managers.

IX. New approved cadre and Scheme of Recruitment (SOR) for CPL.

There was a long outstanding requirement for the review of existing cadre, in terms of the changing needs of the company. Several proposals submitted to the Salaries and Cadre Committee for this purpose was end up without favourable results in past.

However, on 04.05.2012, CPL Management and Board was able to obtain the approval of the Salaries and Cadre Committee, as well as the approval of the Department of Management Services of the Treasury to the revised cadre and SOR, which was designed to match the restructuring arrangements.

Necessary steps have been taken during the year, to fill the vacancies including the post of Assistant General Manager (Plantation), as a priority.

Highlights - 2012...

After the post became vacant, the functions and responsibilities of the post of General Manager were shared by the Chairman/Chief Executive Officer and Executive Director throughout the year squeezing administrative expenses up to a certain level.

X. Coconut Plantation Management Network Monitoring System.

With the implementation of National Coconut Sector Development Plan by the Ministry of Coconut Development and Janatha Estate Development, Hon Minister Jagath Pushpakumara has initiated and launched the novel On Line Network Monitoring System, covering all the institutions under the purview of the Ministry. This was the first such network monitoring system in the country that introduces to plantation sector to collect data and relevant information daily, direct from the original source for estates. The basic information about all estates and daily labour attendance and collection of coconut yield etc. are included, among the gathering of information.

CPL being an institution under the purview of the Ministry, now enjoys all facilities provided under the Monitoring System, to update information, those are directly related to activities of the estates, coconut plantation management and coordination.

Information and data that are collected through the system has been using by the monitoring unit and others, for decision making to enhance CPL's productivity and efficiency. After commissioning of the information monitoring system, CPL has proved that same system could be used, even to minimize the theft and abuses that takes place in the company.

XI. CPL's contribution to the National Coconut Planting Programme.

Under the personal supervision and monitoring of the Hon Minister, Coconut Cultivation Board (CCB) has launched a planting programme of coconut, throughout the country, to compensate and rehabilitate coconut plantations that were destroyed by deceases and droughts in the recent past. Prevailed dry weather during 2012 has devastated 38,140 bearing palms within the CPL estates in dry zone.

Being a partner of this National Programme, CPL has supplied about one million seed nuts and 300,000 seedlings to CCB during the year, as its obligation.

Chairman's Review

On-behalf of the Board of Directors of Our Company, Chilaw Plantations Ltd (CPL), it is a great pleasure and privilege to present the Annual Report together with the Audited Financial Statements for the year 2012, within the stipulated time, for the first time of the history of Our Company.

Overall profitability of Our Company increased slightly during the year compared to last year, while a higher coconut production was also achieved, even under the severe drought that prevailed during January to December period of the year 2012, although most of our coconut estates are located within the Dry Zone Agro-Climatic region in Puttalam District.

Management & Ministry

During the year 2012, Our Company continued to functioned under the new Ministry of Coconut Development and Janatha Estate Development (MCDJED), established since 26 November 2010 by grouping all coconut related organizations including CPL, together with the Coconut Research Institute (CRI), Coconut Cultivation Board (CCB), Coconut Development Authority (CDA), and Kurunegala Plantations Ltd (KPL), with many synergistic benefits within the coconut sector.

Our Company with the guidance of the new Ministry together with the relevant technical and field staff of the CPL, continued with coconut plantation asset development programme, as per the Strategic Corporate Plan (2010/2011-2015), which is aligned with the 'Kapraka Navodawa' National Coconut Sector Development Plan 2011 – 2016, of the Ministry CDJED.

During the year 2012, management participated in the regular Parliament Consultative Committee Meetings and there were no issues raised related to CPL. Our Company actively involved at the Dayata Kirula' National Development Exhibition held in Oyamaduwa, Anuradhapura during February 2012 with the Ministry, by demonstrating efficient technologies and equipment utilized in our coconut estates and attracted wide-spread recognition and interests by many coconut growers and public.

I as the Chairman, together with the senior management, actively participated the Ministry Progress Reviews and it is a pleasure to record the appreciations and recognition with many references about the effective and efficient management steps that are being implemented by Our Company.

Coconut Production

Harvested coconut production during the year 2012 was 15.807 Million coconuts, when compared to 14.527 Million coconuts in 2011, even under severe drought conditions prevailed during the year 2012, where most CPL estates are within the Dry Zone (about 32% in DL3, 59% in IL3, and only 9% in Intermediate IL1 agro-climatic zones), and the results could be attributed to scientific management inputs (fertilizer, mulching, agronomic technologies) and effective/efficient field management supervision related to collection of all Fallen Nuts, picking, etc..

The Board at its Monthly Progress Review Meetings with the senior field staff, evaluated the variation in coconut production and effects due to drought, temperature, wind, relative humidity, pollination and fertilization process, nut setting, button nut fall, immature nut fall, empty nut formation, etc. as well as possible loss of fallen nuts due to theft and other issues.

Supplementary irrigation was also provided to save seedlings and young coconut palms from wilting and dying, but it was not possible to irrigate adult coconut palms due to unavailability of water in the most dry zone estates, where even the drinking water was a scarce resource during the height of droughts.

Coconut production achieved during the year 2012 would have been further increased, if there was no drought that affected coconut palm population with staggering loss of 38,140 mature adult palms during the year, due to wilting, wind, age, etc. which is perennial environmental hazards in dry zone mature coconut plantations (year 2011 had total of 353,113 bearing palms, while end of 2012 the total of bearing palms were reduced to 312,456).

However, the adverse affects were mitigated to some extent due to implementation of recommended several agricultural management technologies such as mulching, scientifically providing required nutrition through DFR-CRI package, etc..

Further, the supervision of estate management was also strengthened with dedicated & efficient collection of 'all' fallen nuts with reduction of 'theft' while strengthening the perimeter fences with barb wires, live thorny plants (cactus), glass pieces, etc, specially along the areas prone to pilferages, close to housing colonies and public roads.

Chairman's Review...

Profit

Profit After Tax (PAT) for the year 2012 was slightly increased to Rs 77.974 Mn compared to that of Rs 77.669 Mn in 2011, although the coconut market prices fluctuated at low levels with an average Net Sale Average (NSA) of Rs 21 per nut during the year 2012, as against the high NSA of Rs 25 per nut prevailed in year 2011, after utilizing for essential agricultural work and other maintenance and new development programmes.

Cost of Sale was strategically managed, by focusing mainly on critical and beneficial agricultural practices with high Return on Investment (ROI), which is a commendable management achievement.

Even after implementing above beneficial programmes, CPL invested Rs 199 Mn in Treasury Bonds and fixed deposits as short-term investment, to be utilized for the future agricultural and value addition projects as planned in the Strategic Corporate Plan, indicating the effective/efficient financial management, while achieving high Return on Investment (ROI) related to coconut based asset development projects, adhering to core businesses related to coconut.

During the year 2012, Our Company provided Rs 75 Mn as Dividends to the Treasury, as approved by the Board and ratified at the Annual General Meeting with the consent of the Ministry, to facilitate the funding requirement of the Treasury, which was highly commended by the Treasury and other higher authorities. Our Company – CPL is proudly recognized as the only Regional Plantation Company (RPC) that provided the highest record level Dividend of Rs 341.6 Mn to the Treasury, with further Rs 253 Mn as Land Lease Payments and Rs 308 Mn as Income Tax also to the Treasury, while fulfilling all statutory payments (EPF/ETF/Gratuity) to staff with rewards and incentives.

Achievements & Contributions

'Science for Coconut Development'

During the year 2012, Our Company continued with the implementation of Scientific Management and Development Programmes that were commenced since June 2010 under the guidance of the new Board adhering to the approved Scientific Policies as detailed in this Annual Report 2012.

During the year 2012, two Aceria Mite Management Predator Breeding Laboratories named as 'Kapruka

Surakuma' Laboratories were established at our Palugaswewa Estate, Chilaw and Katukenda Estate, Divulapitiya. Both are being managed efficiently by releasing predators under the scientific guidance of CRI Scientists, resulting a significant reduction in damaged coconuts, indicating benefits of the programme and is being considered as a major landmark scientific achievement attained through Private - Public Partnerships (PPP).

Fallen Nuts Collection

Management emphasized the benefits and importance of collecting 'ALL' fallen nuts, on daily basis and to avoid/stop 'theft', specially under high coconut prices.

To improve the field management and supervision for collection of fallen nuts, management was able to keep the field staff, specially Superintendent, SDs, OICs, and Watchers during weekends and holidays to safeguard the valuable coconut heaps through enhanced motivation and commitment, while providing essential requirement and facilities for the estate field official quarters that were neglected for a long period during the Private Managing Agents (1992 - 2008) e.g., electricity, repairs to roofs, water and toilet facilities, beds, tables, etc..

Increase Fallen Nuts collection during the year was also due to Effective & Efficient Scientific Field Management Programmes implemented, such as Field Checks & Audits (Routine, Surprise, and 'Information-Intelligence') related to Coconut Heaps & Field Nut Collection by Auditors, AGMs, Supt, and SDs that 'stopped/avoided/minimized' the possible 'thefts' of fallen nut that would otherwise stay in the large extents of fields of estates.

Planting Timber Trees

Large scale timber planting programmes are being implemented, specially since 2010 and continued during 2012, along the estate boundaries, along fences and some lands/soils that are not suitable for coconut and other intercrops, as per the CRI Land Suitability Classifications in S5 to S6 soils with many benefits such as extra high income, providing 'oasis' type good micro-climate within the estates, provide fruits and fire wood for the estate workers and its staff, provide ecologically beneficial environment with bees, butterfly with enhance pollination, etc. and available tree species as at present are Teak (9,722), Margosa (2,225), Jak (1,196), Kumbuk (356), Mahogany (338), Turpentine (319), Burutha (89), Glyricidia (~ 50,000).

Chairman's Review...

Livestock Project

The livestock integration with coconut farming increase productivity with benefits related to extra income/profit for the CPL, while providing employment opportunities and consists of 355 Buffalos and 680 Sheep. During the year, CPL produced 36,296 liters of Fresh Buffaloes milk with value-addition milk products (Yoghurts – 33,997, Curd pots 21,054).

Estate - Village Integration Through Grazing

As traditionally allowed in coconut plantations under Estate-Village Integration programmes, CPL also continues to allow free grazing of neat cattle belongs to resident field staff and adjacent villagers that also help the weed management, while getting organic fertilizer and nutrients from dung and urine.

Buffaloes & Bullock Carts for Transport

There are 37 cart bulls used for bullock carts, which reduces the high transport cost of 4W Tractors.

Further, Buffaloes are also being used with specially design heavy strong Carts to transport coconuts in sandy and undulating terrains within the Palugaswewa Estate and is known to be the only such estates that utilizes Buffaloes in transport programmes in Sri Lanka.

Value-Added Processing Industries

New coconut oil extraction machines imported from India have been installed at the Palugaswewa Estate to produce quality coconut oil as a Strategic Business Unit (SBU) to generate more income with profit, while providing new employment opportunities (Project cost Rs 1,356.415). Initial trial extractions have produced good quality oil and are being tested at the CRI Laboratories for further quality improvements and to maintain high standard specifications.

CPL would be the first such large plantation to produce coconut oil with backward integration programme with many socio-economic benefits such as benefits to consumer with quality coconut oil at affordable price, deterrent to adulterated oils in the local market, saving of foreign exchange to Government by reduction in imported expensive edible cooking oils, etc..

It is expected to market the products with a new brand name as the trials productions are successful.

Processing of Cashew

Automatic Peeling Machines are being installed at Thambapanni Estate, Puttalam, as most Dry Zone estates are being planted with cashew. Preliminary trials are also in progress to produce a Cashew Wine and Cashew Drink from Cashew Plums that are presently being wasted in all Cashew plantations in Sri Lanka, by overcoming the bitter taste that normally existing due to oxidation process of chemical compounds in plums.

Coconut Sales Through CDA Auctions

For open, transparent, and competitive sale of coconut and other agricultural products, management took a policy decision in June 2010 that all coconut and copra parcels would be sold through the CDA Coconut Auctions, instead of 'private-limited' quotations sales (practiced in the past) and to place paper advertisements regarding all other products including husks, cashew, timber, animals, etc. and the same process continued during the year 2012 also.

The coconut parcels that were not sold due to low prices, were sold at the Chilaw Head Office through an open and competitive tendering process on first and third Mondays (@10 am) of every month, allowing the participation of small scale buyers also to bid, resulting high prices benefitting CPL.

Further, two notice boards were established in front of the gates facing the Chilaw-Puttalam main road at Head Office, Chilaw and Palugaswewa Estate gate to benefit CPL.

All other sales of dead and fallen coconut palms, timber trees, husks, and unused items were also done through open paper advertisements as evaluated through Procurement Committees complying with Notational Procurement guidelines.

Security by Civil Security Department

To enhance the safety and security of assets, resources and products, the management obtained the security services to Palugaswewa Estate, from the Civil Defense Force personnel during the year also, with many benefits to CPL, the private security contract programme was discontinued by the present management since Nov 2010.

Chairman's Review...

Civil Defense Force security officials assist the Palugaswewa Estate and CPL management to maintain the security, which helped to improve the safety of assets at the Palugaswewa Estate with less losses by thefts, while improving the discipline of the estate resident labour population, as CSD security services are often being promptly assisted by the Police, both being two state security entities.

It is beneficial to note about the Government Circular advising all Govt and State Organizations to obtain the services related to security from the Defense Ministry. CPL is evaluating the benefits and would extend their services to other selected estates based on cost benefit analysis and other strategic considerations.

Management & Human Resources

Our Company management programmes are focused on scientific and commercial management to achieve sustainable high yields and profit through honest, dedicated & disciplined management programmes with recognition, rewards, incentives, 'deterrents & punishments', etc..

Superintendents and field staff are advised about the importance and benefits of residing within the estate and utilize the Official Field Quarters/Bungalows that are being provided by Our Company with essential requirements to facilitate them to compulsorily reside within estates by annually allocating significant funds, as per the practice/tradition in plantation sector and hence to stay within the estates most of the time, even on holidays to safe guard crop, because of the responsibilities related to managing large coconut estates with its assets and harvested coconut in heaps spread on ground, worth more than Rs four million, since the total coconut in four heaps would be about two hundred thousand nuts or more.

Management also emphasized that the Superintendents and SD's are the main 'Guardians' of all products/assets (coconuts in heaps, land and palms), which are in 'open' fields for easy 'loss' under poor supervision/presence.

During the year, all estate staff bungalows/quarters/line-rooms were maintained, repaired and provided with electricity, drinking water, toilet facilities, etc. and Our Company records with pleasure the provision of new electricity connections to almost all the houses of workers and staff, which is a basic and essential requirement.

Field Inspections During Weekends & Holidays

Field staff appreciated the field management processes and responded positively by residing within the estate official quarters safeguarding assets (Coconut), as revealed by the Chairman / CEO during routine and random scientific field inspections, especially on weekends and holidays.

Annual Programmed Events Calendar

Since June 2010, all Superintendent Monthly Progress Reviews and Senior Management Evaluations, including the Board Meetings were conducted on specific programmed dates, adhering to the Preplanned Events Calendar and the similar Annual Programmed Events Calendar with specific dates was prepared for the year 2012/13.

By having all important events as preplanned schedules, specially the Board Meetings and Audit Meetings, Chairman and Board showed an exemplary discipline, which all the staff and other relevant stakeholders noted with appreciation as indicated by their subsequent disciplined behaviors.

CPL Annual Reports

CPL Annual Reports were not produced prior to 2010 and the present CPL Management since May 2010 took a special effort to collate data and prepare the Annual Reports for the years 2007, 2008, and 2009 and those were printed and submitted with the required number of copies to the Ministry, Cabinet of Ministers, and to the Parliament.

Annual Report for the year 2010 and 2011 also printed and submitted to the Ministry and would be soon submitted to the Cabinet of Ministers and Parliament.

Hence at present there are no arrears related to the CPL Annual Reports.

To avoid general delays in completing the external Audits, present External Auditors, Ms Aiyar & Co was advised to commence field auditing from December 2011 and it is a pleasure to note that they have completed all field and estates audits by 06 February 2013 and provided the Audited Accounts with Audit Opinion and Management Letter, within the stipulated period complying the statutory requirement, for Our Company to prepare

Chairman's Review...

Annual Report 2012 in time and have the Annual General Meeting before the end of June, well within the stipulated schedule dates, for the first time in the history of CPL. During the year 2012, again for the first time in the history of CPL, Strategic Corporate Plan, Action/Operational Plan and Procurement Plan also prepared and are being utilized effectively.

Present management also was able to develop/prepare the required Staff Cadre and Scheme of Recruitment (SOR) and the National Salaries and Cadre Commission (NSCC) approved the both, with final approval by the Management Services Department of the General Treasury on 25.10.2012. CPL management is in the process of integration of present staff as per the SOR and other vacancies would be filled by calling applications through an open paper advertisement to select the best candidates.

Ministry Web Based Monitoring System

CPL is actively participating with the Ministry Internet Web Based Monitoring System that upload data on daily basis during mornings & afternoons related to fallen nut collection, pick nuts, labour and staff attendance, etc.. This has helped CPL with more effective/efficient management that avoids possible loss of nuts, labour attendance issues, etc. with many administrative and financial benefits. CPL management appreciates the initiatives and assistance provided by Hon Minister, Secretary and Staff of the Ministry in this regard.

Our Company also emphasized the importance of human resource as the most important resource to turnaround plantation assets with value addition to achieve sustainable high production, productivity, income, and profit to benefit our shareholders and stakeholders.

During the year 2012, Management continued to provide relevant human advancement programmes with trainings at the CRI and other organizations, while continued with staff service/contribution recognition and incentive programmes, based on performance evaluation process.

Acknowledgement

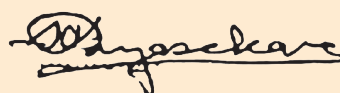
On-behalf of the Board of Directors and all categories of staff of Our Company, we extend our heartfelt gratitude

to His Excellency the President, the Government and Ministers for the foresighted decision to take back the management from the Private Managing Agent (1992 to 2008) in May 2008 and our Company was able to reciprocate with increased Treasury contributions as dividends from the increased profit.

During the year 2012, Our Company was under the purview of Ministry of Coconut Development and Janatha Estate Development and we all appreciate the guidance and assistance given by Our Minister Hon A P Jagath Pushpakumara and to present Secretary of the Ministry, Mr Nihal Somaweera, Additional Secretary Mr AMD Bandaranayake and all Ministry staff for the assistance and kindness rendered to conduct the CPL activities and achieve the expected results. Initial assistance provided by former Secretary of the Ministry, Mr Anura Siriwardena is also gratefully acknowledged.

Management received the corporation and assistance of all Senior Managers, Superintendents, Assistant Superintendents, other Field and Office staff, as well as most importantly from all levels of resident working community in estates and Our Company is proud of the services and contribution by all staff who have worked with honesty and dedication. Understanding and cooperation extended by the Trade Unions, Scio-political authorities, and neighbouring villagers are also appreciated.

Finally as the Chairman and CEO of Our Company, I sincerely express my heartfelt gratitude to my colleagues of the Board, including the Executive Director, for having trust and providing guidance, encouragement, assistance, and kindness extended during the year, working as a united team, to achieve the anticipated results as per the Strategic Corporate Plan, to benefit all our stakeholders.



Dr Sunil Jayasekara

B.Sc (Chemistry Hons, Peradeniya, SL),
Ph.D (Queensland, Australia), C.Chem,

Chairman / CEO

Chilaw Plantations Ltd (CPL)

24 May 2013

Board of Directors - CPL (2012)

01. Dr Sunil Jayasekara

B.Sc (Chemistry Hons, Peradeniya), Ph.D (Queensland, Australia), C.Chem.

Board Member & Chairman / CEO

61/12B, Manel Mawatha, Old Kesbewa Road, Nugegoda.

071 4439944

- | | |
|---|-----------------------------|
| 1a. Chairman / CEO - Chilaw Plantations Ltd (CPL) | Since 18th May 2010 To date |
| 1b. Director Plantations - Strategic Enterprise Management Agency (SEMA), President's Office. | 2006.06.01 - 2010.06.20 |
| 1c. Chairman & Managing Director - ANCL - Lake House | 2005.12.12 - 2006.05.30 |
| 1d. Chairman - Tea Research Board (TRI), Talawakelle | 2004.07.28 - 2005.12.11 |
| 1e. Director Plantations - Chilaw Plantations Ltd | 2002.03.01 - 2004.07.26 |
| 1f. Chairman / CEO - Coconut Cultivation Board (CCB) | 1994.09.27 - 2001.12.07 |
| 1g. Soil Scientist – SPND - Coconut Research Institute (CRI) | 1978 - 1994 |

02. Mr A M Chandrapala

Board Member & Executive Director

301, Kotte Road, Nugegoda.

077 3321551

2a. Former Secretary, Ministry of Provincial Councils, Retired SLAS Special Class Officer

03. Mr K A Shantha R Dias

Board Member & Working Director

3/65, Kotawehera, Paragahakele, Ampara.

077 8462505

04. Mrs Priyangani Liyanage

Board Member & Treasury Representative

4a. Senior Manager, PED, Treasury

0777 898 841

05. Mr Chandra Fernando

Board Member

No 03, Shrubbery Gardens, Colombo 04.

011 2580561 & 011 2553321

5a. Rtd. Inspector General of Police (IGP), Senior Advisor to HE The President

06. Mr I M R Widanagamage

Board Member

'Tharindu', Buddiyagama, Weeraketiya.

077 3088478

07. Mr D A D Ruwan Danansooriya

Board Member

26/4, Embillwatta, Katuwawala Mw, Boralesgamuwa.

0777 593422, 011 2516885

7a. Retired Deputy Director, Mahaweli Authority of Sri Lanka

08. Mr M S M Sakulla

Board Member

54 / 2, Madampella Road, Kochchikade.

0777 555884

Senior Management Team - CPL

as at 31st of December 2012

01. Dr Sunil Jayasekara

B.Sc (Chemistry Hons, Peradeniya), Ph.D (Queensland, Australia), C.Chem.

Chairman / Chief Executive Officer

071 4439944

02. Mr A M Chandrapala

Executive Director

(Appointed with effect from 08th November 2011)

077 3321551

03. Vacant

General Manager

04. Mr A De Silva

AGM - Plantations

05. Mr R M R B Rathnayake

Senior Accountant

071 8478569

06. Mr W L D Fernando

AGM - Plantation Engineering

077 7364907

07. Mr W Hemachandra

Chief Internal Auditor

071 8441536

08. Mr B Hettiarachchi

Superintendent, Thambapanni Area Estates

071 8413943

09. Mr A Dissanayake

Superintendent, Bingiriya Area Estates

077 2249046

10. Mr W M P Weerasekara

Superintendent, Madampe Area Estates

071 8998155

11. Mr A A S W Herath

Superintendent, Chailwa Area Estates

071 8730613

12. Mr J H Fernando

Superintendent, Palugaswewa Estate

071 4244248

13. Mr C Dias

Superintendent, Divulapitiya Area Estates

077 3586974

14. Mr B M U B Basnayake

Superintendent, Nikaweratiya Area Estates

077 3156774

Management Review

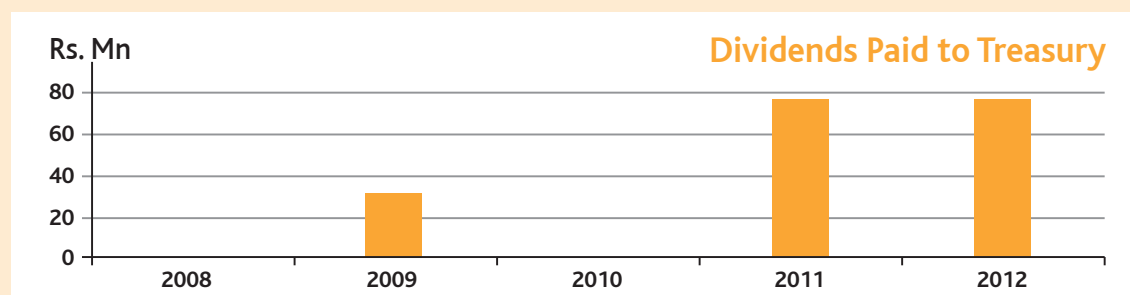
Highest Level of Dividends To Treasury

With the take-back of the management to the Government since May 2008, the CPL paid Rs 30 Mn on 01 April 2009 as Dividends. Subsequently, the new Board appointed on 18th May 2010 took a policy decision to enhance the Dividends to the Treasury and paid Rs 75 Mn on 17th March 2011 and on 24th September 2012 this year Rs 75 Mn to the Treasury.

CPL is recognized as the only Regional Plantation Company (RPC) that provided the highest record level Dividend of Rs 341.6 Mn to the Treasury, with further Rs 253.9 Mn as Land Lease Payments and Rs 308 Mn as Income Tax also to the Treasury, while fulfilling 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 & profit to benefit Government, Treasury, Employees & Public.

Rs Mn

Year	Profit After Tax (PAT)	Land Lease Paid	Income Tax Paid	Dividends Paid To Treasury (Rs Mn)	Dividends Paid Date
2008	10,508,992	19,423,848	24,761,558	0	-
2009	98,097,427	22,589,936	22,595,354	30	01 Apr 2009
2010	75,255,857	23,877,564	38,907,219	0	-
2011	77,669,662	25,620,628	18,101,554	75	17 Mar 2011
2012	77,974,847	27,619,040	8,250,497	75	24 Sept 2012



High Coconut Productivity

(51 nuts per palm), even under 2012 severe drought

Harvested coconut production achieved during the year 2012 was increased to 15,807,753 nuts from 14,527,770 coconuts in 2011, resulting high Productivity of 51 nuts per palm in 2012 compared to that of 41 nuts per palm in 2011, even under severe drought that prevailed during the year 2012 up to November (before floods in December 2012) and previous two years, as most CPL estates are within the Dry Zone (about 32% in DL3, 59% in IL3, and only 9% in Intermediate IL1 agro-climatic zones).

This remarkable achievement of continuous increase in Productivity is a result of the scientific Fertilizer Policy, the Board is implementing, since 2011 under the CRI recommended DFR Package that provides yield limiting nutrients based on leaf-soil analysis together with appropriate agronomic technologies such as mulching, soil-water conservations (husks in contour jumbo pits, NFTs), etc, as well as due to dedicated & efficient picking schedules and collection of 'all' Fallen Nuts due to strict management supervision with reduction in 'theft', while strengthening the perimeter fences with barb wires, live thorny plants (Cactus), glass pieces, etc, specially the areas prone to pilferage close to housing colonies/schemes.

Management Review...

CPL Coconut Production, Productivity, Adult Yielding Palms & Sri Lanka Annual Production

Year	Coconut Yield(Nuts)	Variance YOY %	Bearing C'Palms (Nos.)	Variance YOY %	Productivity Nut/Palm/Y	Sri Lanka Production Mn Nuts	Variance YOY %
1992	20,782,648	-	421,875	-3%	49	2,296	0
1993	19,145,214	-8%	407,512	5%	47	2,164	-6%
1994	21,382,314	12%	426,722	3%	50	2,622	21%
1995	22,603,156	6%	441,379	-4%	51	2,755	5%
1996	19,336,658	-14%	421,760	-4%	46	2,546	-8%
1997	19,235,974	-1%	412,006	-2%	47	2,630	3%
1998	18,921,808	-2%	415,718	1%	46	2,522	-4%
1999	21,348,626	13%	393,360	-5%	54	2,828	12%
2000	23,216,882	9%	399,454	2%	58	3,096	9%
2001	21,829,630	-6%	395,435	-1%	55	2,769	-11%
2002	15,031,795	-31%	413,465	5%	36	2,392	-14%
2003	17,585,652	17%	402,937	-3%	44	2,562	7%
2004	18,354,614	4%	401,602	0%	46	2,591	1%
2005	14,391,265	-22%	408,006	2%	35	2,515	-3%
2006	17,070,324	19%	411,968	1%	41	2,785	11%
2007	17,815,317	4%	395,762	-4%	45	2,869	3%
2008	16,280,051	-9%	378,333	-4%	43	2,908	1%
2009	18,632,247	14%	380,000	0%	49	2,762	-5%
2010	18,256,007	-2%	340,586	-10%	54	2,317	-16%
2011	14,527,770	-20%	353,113	4%	41	2,808	9%
2012	15,807,753	9%	312,456	-12%	51	2,940	5%

Coconut production strongly affected due to conditions of soil and ground water availability, drought, temperature, relative humidity, pest and diseases, pollination and fertilization process, nut setting, button nut fall, immature nut fall, empty nut formation, etc..

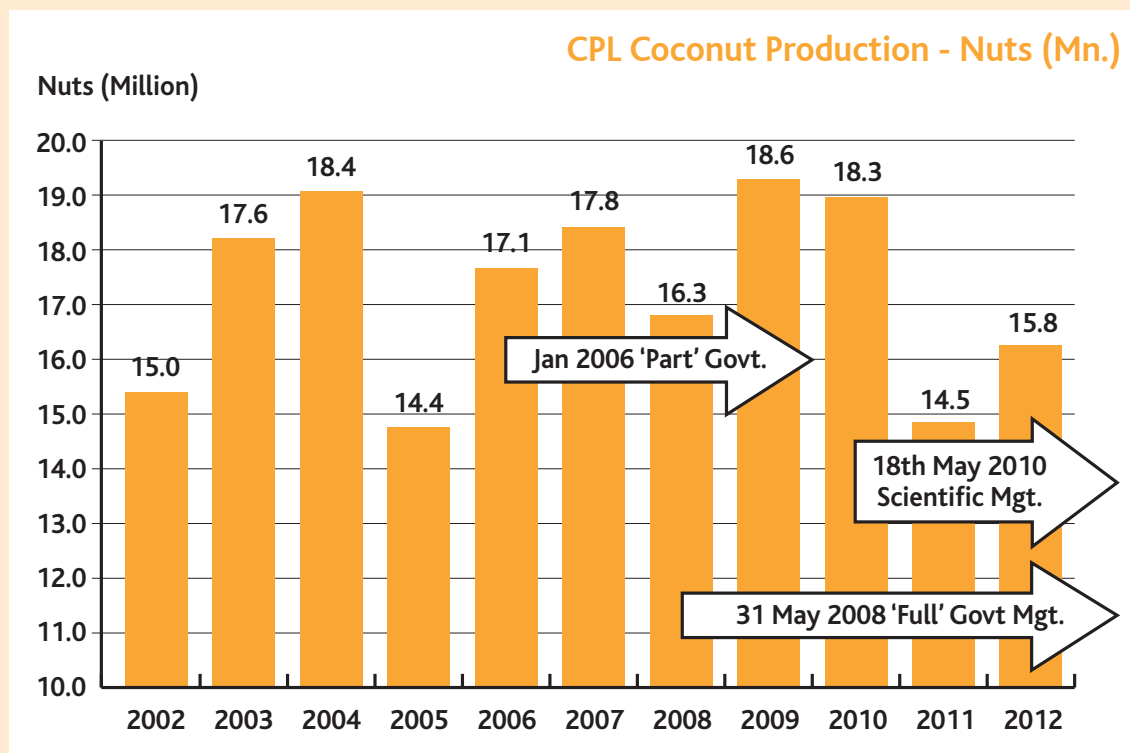
Supplementary irrigation was provided mainly to save seedlings and young coconut palms from wilting and dying, but it is not possible to irrigate adult coconut palms as, supplementary irrigation is not feasible in most estates during drought years due to non-availability of ground water even for drinking, because most CPL estates are within Dry Agro-Climatic Zones.

The Board at its monthly progress review meetings with the senior field staff, evaluated the variation in coconut production and effects due to drought, temperature, wind, relative humidity, pollination and fertilization process, nut setting, button nut fall, immature nut fall, empty nut formation, etc. as well as possible loss of fallen nuts due to theft and other issues.

Research studies by the Coconut Research Institute of Sri Lanka (CRI) and other countries revealed that coconut production is affected by water deficits and other environmental 'stresses' (temperature, humidity, wind, pollination, photosynthetic radiation-sun light, etc.) during its nearly three years of physiological development stages of the nut production from its primordial initiation up to the harvest of nuts.

Management Review...

Hence the coconut yield was affected due to the adverse 'drought' conditions prevailed during the previous three years (i.e., 2010 and 2011), which were beyond control, as common to many rain-fed agriculture.



The yield was further affected by the loss of 19,239 mature adult bearing palms during the year 2012 up to November drought (before December floods), due to wilting, wind, age, etc. which is perennial environmental result in dry zone mature coconut plantations.

Past production data show similar reduction in yields under similar drought conditions and the coconut yield was 14.391 million nuts in year 2005 from 400,218 number of adult palms, indicating the cycles of production in coconut, as a result of droughts.

Drought Damages (2012)



Very poor rainfall & distribution during 2012 January to end November period adversely affected coconut with poor nuts setting, fertilizer application, plantings, agricultural practices, etc. with long-term deleterious effects and at the end of October (before rains/floods in 2012 December), resulting the death of large number of old adult coconut palms

died (falling-off of top canopies), seedlings and young palms totaling 38,140 in number.

The severe drought that prevailed in 2012 (worst drought since 1986), with loss of large number of adult palms would adversely affect the coconut production in next three years from 2013 and hence management is taking steps to increase income through other sources such as value-added processing industries (Coconut Oil, Cashew Processing, Nurseries, Timber harvesting, etc.) to maintain the required profitability.

Management Review...

Further, the loss of productive palms due to old age, drought, lightning, wind, etc. are common in most coconut estates and CPL palm population was reduced from 378,333 palms in 2008 to 312,456 palms at the end of 2012.

However, the productivity (nut/palm/y) was increased from 43 nut/palm/y in 2008 to 51 nut/palm/y in 2012 due to CPL scientific fertilizer (DFR) use as per CRI recommendations.

Adverse affects were mitigated to some extent by implementing several agricultural management technologies such as mulching, providing required nutrition through DFR-CRI package, etc..

Further, the supervision of estate management was also strengthened with dedicated & efficient collection of 'all' fallen Nuts with reduction of 'theft' while strengthening the perimeter fences with barb wires, live thorny plants Cactus), glass pieces, etc, specially the area prone to pilferage close to housing colonies.

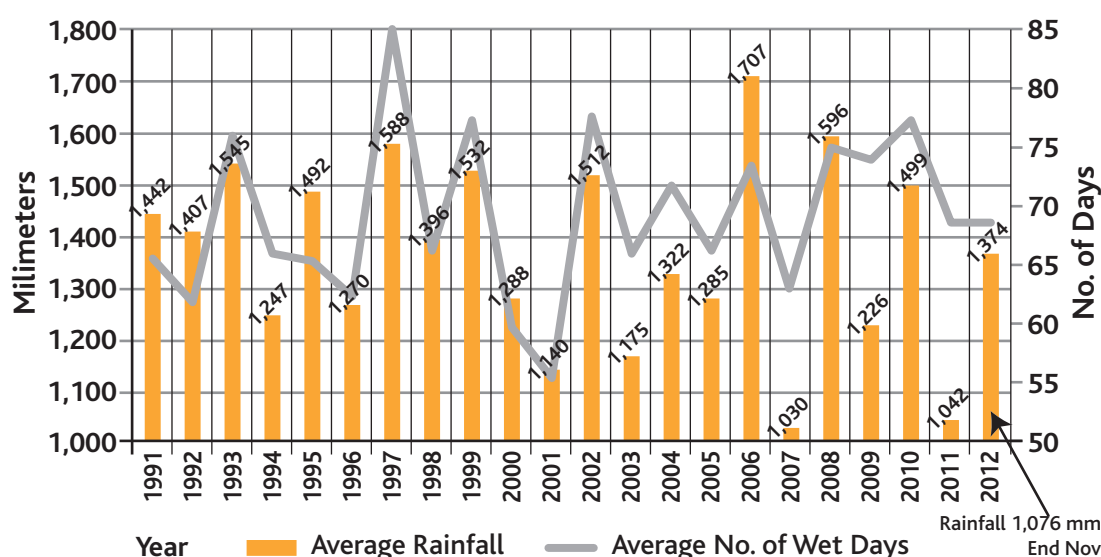
Lowest Rainfall & Rainy Days (2012)

Annual rainfall received within CPL estates clearly show that the total rainfall during the year 2012 was about 20-40 % lower than other past years.

Dead Old Adult Yielding Palms and Young Palms @ 31 December, 2012

Estate	Mature Yielding Palms	Immature Trees	Grand Total
Thambapanni Area Estate	10,898	2,225	13,123
Bingiriya Area Estates	4,714	8,168	12,882
Nikewaratiya	1,107	361	1,468
Palugaswawa	2,111	1,147	3,258
Chilaw	409	4,416	4,825
Madampe		2,501	2,501
Divulapitiya		83	83
Total	19,239	18,901	38,140

CPL : Average Rainfall (Millimeters) 1991/2012



Management Review...

Rainfall & Rainy Days During 2012 (Lowest : Wet - Rainy days)

Estates	2012 Jan - Dec Rainfall mm	2012 Jan - Dec Wet Days	2012 December Rainfall – mm	2012 December Wet Days
Bingiriya	1,689	93	308	11
Chilaw	1,453	82	325	10
Divulapitiya	1,814	110	98	04
Madampe	1,854	69	506	08
Nikewaratiya	1,128	54	112	06
Palugaswawa	1,870	97	454	13
Thambapanni	1,359	60	374	15
Thambapanni	1,275	55	264	09

Coconut production varies due to soil and ground water availability, drought, temperature, relative humidity, pest and diseases, pollination and fertilization process, nut setting, button nut fall, immature nut fall, empty nut formation, etc..

It is essential to note that total 'life' period involves to produce a mature coconut, from its primordial initiation up to harvest is about 48 months, consists of mainly three growth phases.

Phase I (Hidden inside the apical meristem - Primordial Phase) :

About 24 months within the coconut stem from primordial initiation up to visible opening of coconut flower.

Phase II (Partly Visible - Flowering Phase) :

Another ~ 12 months period involves from flower opening to nut setting, through fertilizations of Female nuts with 0 male pollens at the ends of flower stems.

Phase II (Visible - Nut Maturing Phase) :

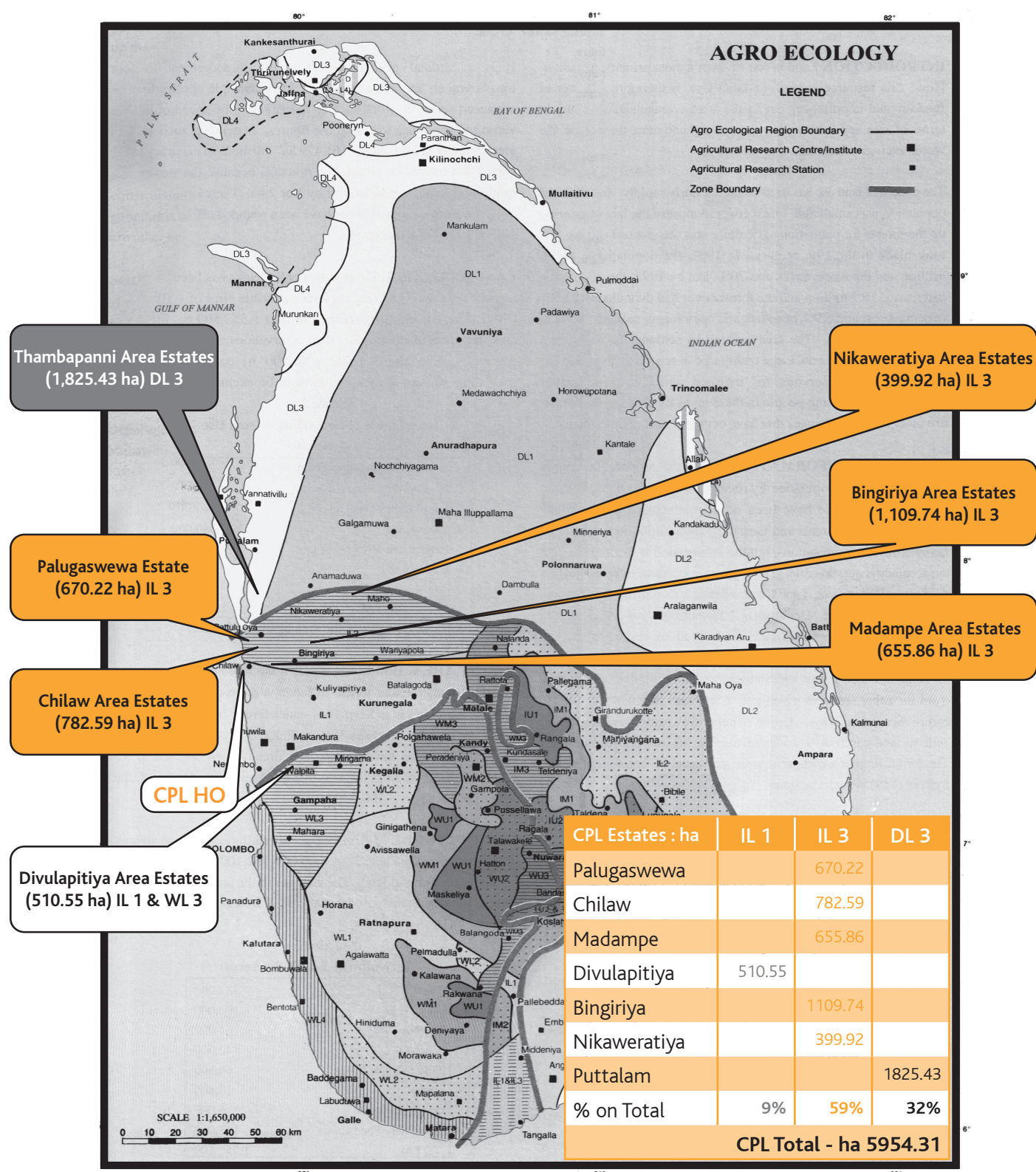
From Nut settings to harvest of mature coconut takes about another 12 months.

Hence, water deficit (drought and/or dry weather) could effect, any one of the above water sensitive growth phases/stages, resulting a drastic reduction in final harvestable mature coconut production. Research studies indicate that the 'drought' effect during each growth phase would be about - 30% loss of yield.

CPL Coconut Estates within Dry Zone Agro - Climatic Landscapes

Most CPL coconut plantations are within Dry Zone Agro-Climatic Zones (32% in DL3 and 59% in IL-3), while only 9% in Intermediate Zone (IL-1), indicating adverse effects under rain-fed agriculture.

Management Review...



'Drought' Water Deficit : Adversely Affects Subsequent 3 Yrs Yield. - Irrigation Expensive ROI.

Limited Perennial Ground water

Coconut Nut : 03 Physio. . Dev Stages... 1 Year 'Inside' Stem. 1 Year 'Out' to Flower Open.

1 Year 'Flowering' to Mature Nut



Un-Controllable :

'Drought' - Environment (T, RH,...), 'Diseases' MLO Phyto - plasma, 'Blocking', !!!.



Controllable :

MULCH, DFR K>Mg>N>P Fertilizer - Husk Pits, N - Cover, Alleviate Drought (Limited Postpone), Pest & Disease Mgt (Hygienic - Biological - Chemical, Predators), Scientific CRI Recommend.

Management Review...

Scientific Policies : Management & Development of Plantations

Fertilizer Policy :

CRI - Differential Fertilizer Recommendation (DFR) Package

CPL as its Fertilizer Policy, commenced applying fertilizer, as per DFR Package since June 2010 and the results are already visible and achieving high yields with healthy green leaf canopies in most coconut palms. Further, as per CRI recommendations, CPL uses Urea (46% N; $\text{CO}[\text{NH}_2]_2$) instead of Ammonium Sulphate (20.6% N; $[\text{NH}_4]_2\text{SO}_4$) and also the appropriate quantities of locally available and cheap Dolomite ($\text{MgCO}_3 \cdot \text{CaCO}_3$; 20% MgO) and Eppawala Rock Phosphate (ERP: 30% P_2O_5) as the P-source instead of the imported and expensive Saphos Phosphate or Triple Super Phosphate in all adult coconut fertilizer mixtures, thus saving meager foreign exchange while achieving superior results.



DFR Package as recommended by the CRI is based on the leaf-soil chemical nutrient analysis to provide only the yield limiting nutrients, to achieve the sustainable high yields and profit, eliminating possible nutrient deficiencies and excesses. Coconut palms should have sufficient nutrients levels to produce sustainable high yields and to withstand any adverse conditions (i.e., 'drought'). Hence, it is essential to supply only the required nutrients for sustainable high growth and productivity for increased profit.

Since the sufficient leaf nutrient levels ('Sufficiency' ranges N 1.9 - 2.1%, P 0.11 - 0.13%, K 1.2-1.4%, Mg 0.25-0.35%, Cl 0.3-0.6%, S 0.15-0.20%, B 8-10 ppm, etc.,) required for optimum growth and production of coconut have established at the CRI, it is possible to determine the specific nutrient/s in short or adequate or excess in supply i.e., when a given nutrient is in excess for the anticipated 'Target' yield, then the relevant fertilizer rate is accordingly reduced or suspended. Similarly a given fertilizer rate is increased, if the relevant nutrient is deficient.



CPL Fertilizer Usage

Year	NPK (mt)	Dolomite + Kieserite (mt)	YPM & Other (mt)	Total Fertilizer (mt)
2006	966	603 + 69	43	1'828
2007	1'004	658 + 106	32	1'891
2008	227	632 + 57	39	970
2009	998	10 + 2	61	1'116
2010	955	690	68	1,713
2011	1,167	1,005	347	2,518
2012	1,065	1,061	194	2,820

Management Review...

Planting Policy :

CRI Guided Genetically Superior Coconut Seedlings - NPs/UPs



Coconut palm is a 'cross pollinating' plant. Hence a Seednut 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 neighbouring low yielding coconut palms.

Therefore with scientific assistance from CRI Scientists, CPL initiated a Hand Pollination programme for specially selected Mother Palms at Palugaswewa Estate, where emasculated flowers closed with polythene bags are being 'brushed' with 'SanRamon' pollens to produce Tall x SanRamon cultivar seednuts 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 Palugaswewa Estate to produce large number of Genetically Superior Coconut Seedlings to achieve the higher coconut productivity and profit with time.

When the plantation 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 present CPL management is implementing new Under Plantations (UPs) based on the age of palm populations in the fields/estates, canopy cover and shade factors, landscape & soil, etc., as age is not the only deciding factor to undertake new Under Plantation Programmes.

Further, weak seedlings and young palms are being removed and replaced with quality seedlings again up to the UP age of 20 years to have a uniform mature coconut plantation. However, single infillings in mature plantations over 30 years are not beneficial due to poor sunlight, competitions for water/nutrients, etc. often resulting 'etiolation' with elongated stems/canopies with no or few nuts.

Coconut - Under & New - Plantations

Year	Extent Planted (acres)	Coconut Seedlings (No)
2000	90	5,773
2001	4	237
2002	76	4,878
2003	43	2,766
2004	71	4,569
2005	134	8,592
2006	110	7,035
2007	0	0
2008 31 May Govt Mgt.	109	6,946
2009	250	15,982
2010	276	17,694
2011	317	20,261
2012	796	50,970
2013 Projected	950	65,000

Age Analysis of CPL Coconut Palms

Age Category	Over 50 yr	20 - 49 yr	10 - 19 yr	5 - 9 yr
No. of Palms	144,952	261,788	24,027	7,586
% - Total	33%	60%	5%	2%

Management Review...



Agronomic Policy is based on CRI guidance on Mulching, Glyricidia Nitrogen Fixing Trees (NFT) N-Fixing Cover Crops, Contour Jumbo Husk Pits, Livestock (Cattle, Buffaloes, Sheep), Bee Keeping, Intercropping

(Cashew, Cinnamon, Dragon Fruit, Rambutan, Pepper, Ginger, Turmeric, Banana, etc.)

Planting Perennial and Short - Term Inter-Crops

Variety of Crop	Extent cultivated (Acres)	No. of plants	Variety of Crop	Extent cultivated (Acres)	No. of plants
Perennial Crops			Short-term Crops		
Cashew	2,020	59,754	Sandriyana	0.12	5,000
Rambutan	76	1,250	Turmeric	8	-
Pepper	22	10,349	Cassava	3	10,500
Dragon Fruit	27	3,750	Sesame	17	-
Cinnamon	17	53,700	Paddy	1,228	-
Teak	50	16,300			

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



Management Review...

Hence the Divulpitiya Area Estate Lands are being developed as coconut based plantations with livestock and beneficial intercrops (annuals and perennials). Palugaswewa Estate is to attain potential productivity through coconut and livestock (Buffaloes), while establishing most value-added industries. Estates in Chilaw, Madam ape, Bingiriya and Nikaweratiya are being developed as coconut plantations with perennial crops such as Cinnamon, Mango, Cashew and multi-purpose Nitrogen Fixing Tree (NFT) Glyricidia for fertility enhancement and for future Dendro Powers Projects.

Since Thambapanni Estates (Puttalam & MangalaEliya) are in Dry one Agro-Climatic landscapes, those lands would developed based on CRI Land Use Classification for Coconut with large scale Cashew and Glyricidia planting for the planned Dendro Power Project that is being earmarked to be established at Thambapanni Estate, Puttalam as the estate is close to already established Coal and Wind Power Projects with close proximity to Notational Electrical Grid Connections.

Planting Timber Trees

Large scale timber planting programmes are being implemented, specially since 2010 and continued during 2012, along the estate boundaries, along fences and some lands/soils that are not suitable for coconut and other intercrops, as per the CRI Land Suitability Classifications in S5 to S6 soils with many benefits such as extra high income, providing 'oasis' type good micro-climate within the estates, provide fruits and fire wood for the estate workers and its staff, provide ecologically beneficial environment with bees, butterfly with enhance pollination, etc. available tree species as at present are Teak (9,722), Margosa (2,225), Jak (1,196), Kumbuk (356), Mahogani (338), Terpentine (319), Burutha (89), Glyricidia (~ 50,000).

The paddy fields are leased to the farmers in the nearby villages on seasonal basis, which act results the strong Estate-Village integration too.

Policy on Pest-Disease Management :

Aceria Gurreronis Mite Management



Pest-Diseases Management Policy of CPL as approved by the Board since 2010 is to work very closely with Scientists of the Coconut Research Institute to mitigate/alleviate all pests/diseases.

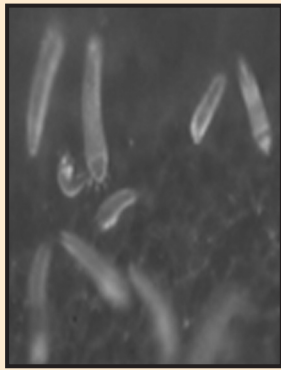
Hence implementing Research Innovations by Our Own CRI Scientists, CPL established the First *Aceria* Mite Management Predator Breeding Laboratory in the World, at its Palugaswewa Estate, Rajakadaluwa, Chilaw as a collaborative project with

CRI and was inaugurated on 26 April 2011 by Hon Minister of Coconut Development & Janatha Estates Development. Second laboratory at the CPL Katukenda Estate, Badalgama, Divulpitiya was also inaugurated on 11 November 2011.

During the year 2012, both *Aceria* Mite Management Predator Breeding Laboratories functioned effectively/efficiently and predators are being released to selected coconut fields under the scientific guidance of CRI Scientists, resulting reduction in number of damaged nuts indicating future benefits.



Management Review...



Aceria mite causes considerable damage to nuts by harboring under the perianth of the nut and sucking the sap, resulting in malformation and small-sized nuts, immature nut fall and drying of the outer skin, often with cracks appearing in patches.

Aceria mite cannot be seen with the naked eye (205-255 micron in length and 36-52 microns wide) and it colonizes and harbours beneath the perianth region of the nut.

After years of coordinated and committed research pursued by Scientists at the CRI, it is now established that the locally found mite species namely *Neoseiulus baraki* predate on *Aceria* coconut mite.

To control the *Aceria* mite infestation, a natural balance between the *Aceria* mite and predator mite *Neoseiulus barakii* has to be established.

Hence to complement and enhance the population of predator mite, breeding large populations in laboratories for subsequent releasing to affected coconut palm at two monthly intervals has been identified as a successful method.

Policy on Value-addition Industries and Innovations :

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 Palugaswewa Estate best Copra and machine system is already established and trial productions are in progress.

Our mission is to provide Natural and High Quality Pure Coconut Oil at affordable & competitive prices to enhance health of our Sri Lankans, without resorting to Refined-Bleached-Deodorized, RBD 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 as experienced by non-expanding of 'Pappadams' during kitchen preparations with many health hazards due to formation of 'Free radicals' when uses most poly-unsaturated oils on repetitive frying as commonly practices in our kitchens.

During the 2012 year , production processes such as curd and yoghurt, cashew, copra, fibre, etc. were also continued.

Further, considering the labour shortages in plucking coconut from tall coconut palms, especially in urban areas, the CPL continues the awareness programmes about the use of 'Coconut Climber' among younger generation and unemployed sector, as a means of earning extra income or as part-time side-work or as a hobby. The modified 'Coconut Climber' was developed by the Coconut Research Institute (CRI: 1995/1996) based on the early Indian model and subsequent awareness programmes in Sri Lanka were conducted by the Coconut Cultivation Board (CCB: 1995-2001) and training courses were also conducted by the Vocational Training Authority (VTA: First Course at Weligama VTA during 12-16 May 1996).



Management Review...

Policy on Human Resource (HR) Advancements

CPL HR Policy considers 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, Labourers, 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

31/05/2012 - CPL HO

Training on data uploading to the Progress Monitoring System



Management as a policy always emphasizes the importance of Personal Values such as honesty, integrity, values-ethics, character, etc. and Professional Traits such as attitude (positive), knowledge, intelligence, skills, competencies, learning mind-set, team work, and hard work, while expected to work with dedication, commitment, and responsibility with accountability as a United TEAM to benefit OUR COMPANY - CPL.

Staff was rewarded with the ten percent profit share uniformly for the staff in individual estates based on related estate level profit levels and provided before the Deepawali festival in November and incentive packages before the Christmas festivals in December.

Hon Minister Jagath Pushpakumara and Secretary of the Ministry Mr Nihal Somaweera awarded the incentive cheques to all staff at a function on 06 December 2012 at the City Chilaw Hotel.



06/12/2012 - Hotel Fair in Chilaw

Employee Performance Appreciation & Get together 2012



Annual Report of the Board of Directors

The Board of Directors are pleased to present the Annual Report of the Company together with the Audited Accounts for the year ended 31st December 2012 and the Summarized Amalgamated Financials are given below for easy reference.

Summarized Amalgamated Financials :

	Year ended 31.12.2012 (Rs)	Year ended 31.12.2011 (Rs)
Coconut Production (Nuts)	15,807,753	14,527,770
Revenue	339,050,649	322,908,950
Cost of Sales	(215,317,782)	(159,680,875)
Gross Profit	123,732,868	163,228,075
Other Operating Income and Gains	56,977,730	30,418,505
Administration Expenses	(94,649,771)	(92,453,554)
Other Operating Expenses*	(12,315,133)	(15,351,844)
Profit from Operations	73,745,695	85,841,182
Finance Income	37,463,655	33,128,217
Finance Expense	(24,984,006)	(23,198,183)
Profit Before Taxation	86,225,344	95,771,216
Tax Expense	(8,250,457)	(18,101,554)
Net Profit/(Loss) For The Year	77,974,847	77,669,662
Basic Earnings Per Share	3.90	3.88
Share Capital		
Stated Capital	200,000,010	200,000,010

*Details of Other Operating Expenses	2012 Rs (Mn.)	2011 Rs (Mn.)
Aceria Mite Management Laboratory (CPL, CRI Joint Dayata Kirula Lab)	1.1	0.4
National Level Coconut Development Programme	2.9	5.1
Bad Debts (Wayamba Plantations Pvt Ltd)	2.1	-
10% Profit Share Provision (RPC Agreement)	4.7	7.6
Previous Year Estate/HO Adjustment (Arrears, Gratuity)	1.4	1.9
TOTAL	12	15

Annual Report of the Board of Directors

Principal Activities

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

Going Concern

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

Directors of the Board

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

Dr K Sunil Jayasekara	Chairman / CEO	& Member
Mr A M Chandrapala	Executive Director	& Member
Mr K A Shantha R Dias	Working Director	& Member
Mrs Priyangani Liyanage	Treasury Representative	& Member
Mr S Chandra S Fernando		Member
Mr I M R Widanagamage		Member
Mr D A D Ruwan Danansooriya		Member
Mr M S M Sakulla		Member

Audit Committee

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

Mrs Priyangani Liyanage	Chairman
Mr A M Chandrapala	Member
Mr I M R Widanagamage	Member
Mr D A D Ruwan Danansooriya	Member

Financial Statements & Auditor's Report

The complete set of Financial Statements duly signed by the Directors and the authorized Auditor's Report are attached.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are attached and there were no changes in the Accounting Policies adopted compared to the previous years.

Review of Performance

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

Revenue

The turnover of the Company for the year was Rs 339 Mn and details are given under the Audited Financial Statements.

Financial Results & Appropriations

The Profit-after Tax of the Company was Rs 77.9 Mn (2011 : Rs 77.6 Mn) and details of the Financial Results are given in the Audited Financial Statements. The Directors recommend a first and final Dividend of Rs 1.50 per Share with a total Dividend payment of Rs 30 Mn to the Treasury, being the only single Share Holder of the Company (2011 : Rs 3.75 per Share with Rs 75 Mn as Total Dividend payment to the Treasury).

Capital & Fixed Assets

During the 2012 year Rs 72 Mn (2011 : Rs 101 Mn) was invested in Fixed Assets of the Company of which, Rs 64 Mn (2011: Rs 41 Mn) was on Immature Plantations, Rs 8 Mn on equipment and infrastructure developments (2011 : Rs 60 Mn). Net Book value of non-current assets (property, crops, equipment, etc.) as at the Balance Sheet date in year 2012 was Rs 602 Mn (2011 : Rs 560 Mn) and details are given in Notes of the Audited Financial Statements.

Short-term Investments

The Company Short-term Investments was Rs 199 Mn at the end of 2012, compared to Rs 245 Mn in year 2011 and the reductions was due to enhanced Capital Investment in year 2012 related to planting and investment on non-current assets, as well as

Annual Report of the Board of Directors

high Dividend payment of Rs 75 Mn to Treasury in 2012. This investments comprises Rs 88 Mn Fixed Deposits at Bank of Ceylon, Rs 108 Mn Fixed Deposit at Peoples Bank, and Rs 2 Mn in Fund Management Account of the Bank of Ceylon.

Reserves

The Company reserves are totally represented by the Retained Profit and were Rs 587 Mn, as at 31 December 2012 (2011 : Rs 584 Mn). The movement and composition of the Reserves are disclosed under the Statement of Changes in Equity of the Audited Financial Statements.

Stated Capital

The Authorized Capital and Par Value concept in relation to Share Capital were abolished by the Companies Act No 07 of 2007. The total amounts received by the Company in respect of the Share Issues are subsequently referred as the Stated Capital. The total Stated Capital of the Company as at 31 December 2012 was Rs 2000,000,010, comprises 20,000,001 Ordinary shares, inclusive of one Golden Share. No Share allotments were made during the year.

Liabilities & Capital Commitments

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

Events After The Balance Sheet Date

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

Director's Interest in Contracts

The Directors have no direct or indirect interest in contracts with the company.

Director's Share Holdings

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

Employment

The Company practices the Equal opportunity Policy in relation to all its activities including employment

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

Statutory Payments

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

Auditors

The Accounts for the year 2012 have been audited by M/s Aiyar & Co, Chartered Accountants.

Annual Report

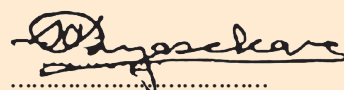
The Board of Directors has approved the Audited Financial Statements for the year 2012 at the Board Meeting on 03 May 2013.

Annual General Meeting

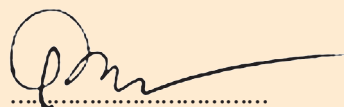
The Annual General Meeting is scheduled to be held at the CPL Colombo Office, CDA Building, No 23, Duke Street, Colombo 01 on Thursday, 27 June 2013 at 02.30 pm.

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



(Dr Sunil Jayasekara)
Chairman & CEO



CORPORATE ADVISORY SERVICES (PVT) LTD
Secretaries - Chilaw Plantations Ltd
05 June 2013, Colombo

Financial Review

The Financial Statement of the Company, which forms a part of this Annual Report, set out the financial performance and the financial position of the Company. The Financial review discusses an overview of the Company's financial performance.

The Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01 January 2012.

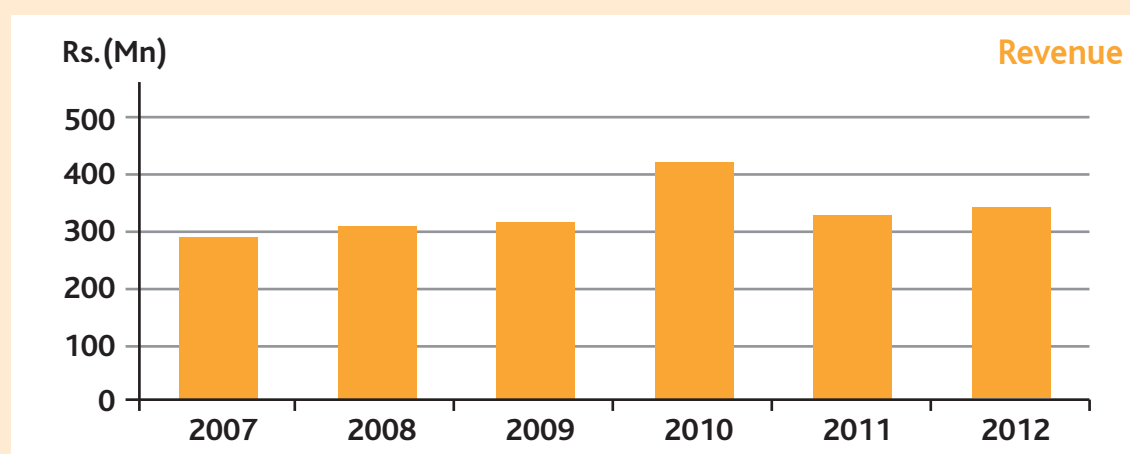
The application of these financial reporting standards are substantially different to the prevailing standards. Financial Statement for the year ended 31st December 2012 was prepared according to the new financial reporting standards Introduced by Institute of Chartered Accountants of Sri Lanka.

Results of Operations

	2012	2011	Difference
Coconut Nuts (millions)	15.8	14.5	1.3
NSA (Rs per nut)	21/=	25/=	(4/=)
Revenue Rs Mn (As per Previous Accounting Standard)	330	368	38
Closing Stock Adjustment (As per New SLFRS) (Rs Mn) (Note 4, E & F)	9	(45)	
Revenue (As per Auditors Account)	339	323	16
Cost of Production (Rs Mn) (As per Previous Accounting Standard)	206	205	1
Closing Stock Adjustment (as per SLFRS: Rs Mn) (Note 4, E&F)	9	(45)	
Cost of Sales (Rs Mn)	215	160	55
Gross Profit (Rs Mn)	124	163	(39)
Net Profit (PAT) (Rs Mn)	77.9	77.6	0.3

Revenue

The Company recorded a turnover of Rs. 339 Million during the year under review compared to Rs. 323 Million during the previous year which shows an increase of Rs. 16 Million in comparison. The coconut Production has increased by 9% When Compared to the previous year. The crop harvested in 2012 is 15,807,753 nuts and in the year 2011 it was 14,527,770 nuts. However Net Sale Average Per 1,000 (NSA), In the year 2012 has decreased from Rs 25,331/= to Rs 20,906/= compared with the previous year.



Financial Review...

Cost of Productions

The Cost of Production for the year 2012 is Rs 206 Million in the year 2011 it was Rs 205 Million which shows an increase of Rs 1million. The Management took special efforts to curtail expenditure, considering the drought related possible reduction in nuts, death of coconut Palms, etc

Administration Expenses

When compared to the Previous year, Administration Expenses has increased from Rs 92 Million to Rs 94 Million due to increase in cost of services and personal cost.

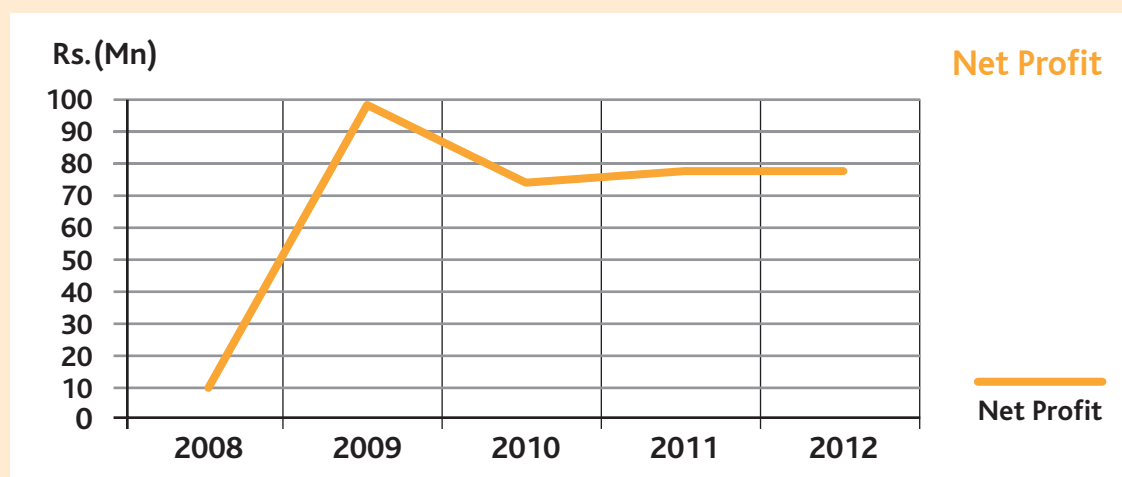
Other Operating Income

The Company earned Rs 57 Million from Other Operating activities consisting sale of cashew, senile coconut trees, timber, lease of paddy fields, Sale of old Vehicle etc which is an increase of 90% Compared to the previous year. Details of other income sources are shown in the Note no 24 to the financial statement.

Finance Income represents the investment income from short- term deposits. Finance income increased by 11% i.e., 37mn in year 2012 from Rs 33 Mn in the previous year.

Net Profit

The company has earned a Net profit of Rs 77.9 Mn for the year under reference. This is as against the previous year profit of Rs 77.6 Mn. It is pertinent to state here that the company has made these achievements when the Net Sale Average for the year was Rs.21 per nut whereas the Net Sale Average for the last year was as high as Rs 25/= Per Nut.



Dividends to The Treasury

Whilst many of the Government Organizations depend on state funds, Chilaw plantations Ltd has paid a total dividend of Rs 180 Mn to the treasury/Golden share holder, after the take-back of the management of CPL to the Government in May 2008. Thus the total dividends paid to the treasury amount to Rs 341.6 Mn to end year 2012.

Dividends to The Treasury

Year	1995	2002	2005	2009	2011	2012	Total
Dividend (Rs. Mn)	11.6	100	50	30	75	75	341.6

Financial Review...

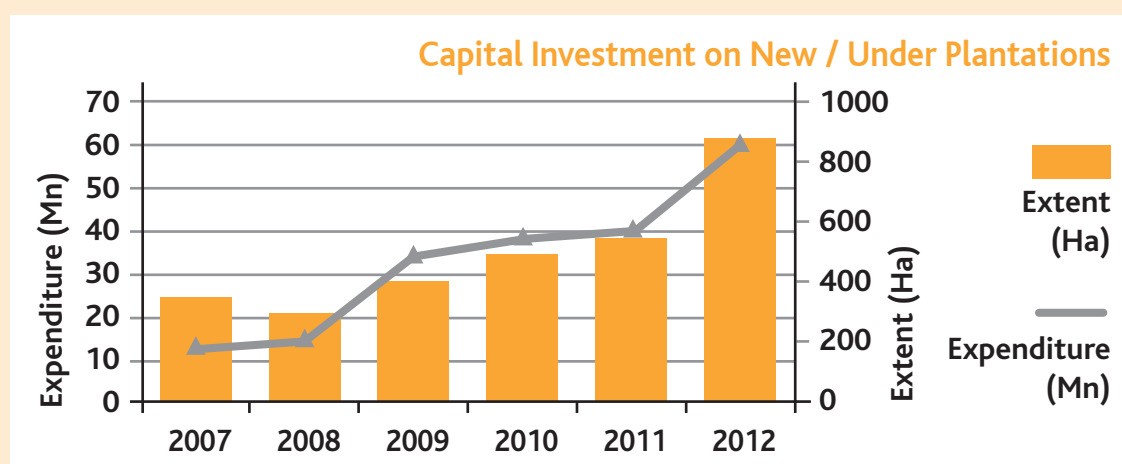
Service Recognition of Human Resource

Being strongly aware that the human resource is the most important asset in an organization, the company paid Rs 13mn in the year 2012 as performance incentive to employees compared to Rs.13mn in the last year, as an gesture to stimulate motivation.

In addition to that a provision of Rs 4.6 Mn also made in the year 2012, for employees' 10% profit share, as per the agreement related to the establishment of regional plantation companies (RPCs) in 1992, including the CPL.

Capital Investment on New / Under Plantations

The total capital investment on coconut increased from Rs 41 Mn to Rs 61 Mn in 2012 compared to previous year which was incurred as investment on New planting /Under Planting and scientific management of immature area, in extent of 2,189 Acres. Chilaw Plantations invested Rs 3Mn on other perennial plantations in 2012.

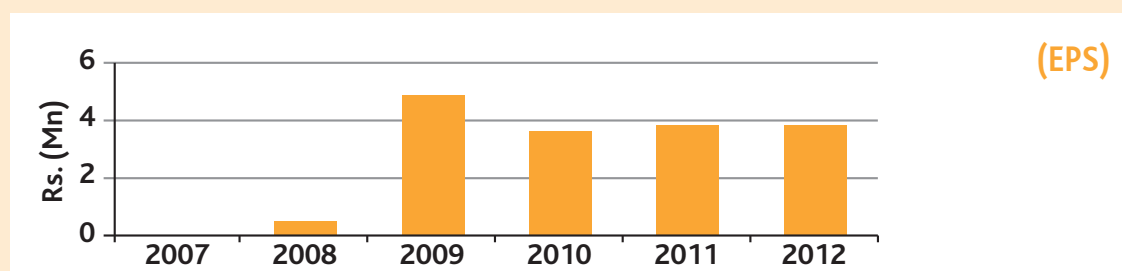


Cash Flow

Net cash generated from Operating activities Increased by Rs 81mn , to Rs 93 Mn from Rs 12 Mn in the previous year. Cash and cash equivalents at the end of the year under review had been Rs 204 Mn which comprised of Fixed Deposits at Bank of Ceylon , people's Bank, Treasury Bills and Cash and Bank Balances.

Earnings Per Share (EPS)

Earnings per Share for the year 2012 was Rs 3.90 compared to Rs 3.88 in the previous year.



Current Ratio

The Ratio between current assets and current liabilities reflects an upward movement after a 2010. The ratio 7.5 in 2012 is a meaning full level that enables the company to adequately meet the short term liquidity requirements.

Statement of Corporate Governance

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

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

Board of Directors

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

Responsibility

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

Composition

In 2012 the Board of Directors comprised eight Directors including the Chairman and an Executive Director.

Board Meetings

The Board Meetings are scheduled on a monthly basis, as per the scheduled dates adhering to the Annual Programmed Events Calendar prepared and approved at the beginning of the year 2012. At these Meetings the Board sets the strategic direction of the Company, reviews the annual budgets, the progress of all activities the recurrent and the capital expenditure programs.

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

Audit Committee

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

Mrs Priyangani Liyanage, Representative of the Treasury, being a non-executive Director functioned as the Chairman of the Audit Committee and conducted six evaluations during the year.

The Chairman of the Audit Committee is The Audit Committee Meetings were scheduled on a Quarterly basis.

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

Compliance With Legal Requirement

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

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

Statement of Director's Responsibilities

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

The Financial Statements of the Company for the year ended 31st December 2012 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 2012.

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

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

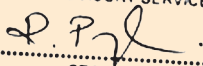
The Directors have provided the Auditors, Messrs Aiyar & Co, Chartered Accountants, with every opportunity to carry out review and tests that they consider appropriate and necessary for the performance of their responsibilities.

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

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

By Order of the Board,

CORPORATE ADVISORY SERVICES (PVT) LTD


.....
SECRETARIES

CORPORATE ADVISORY SERVICES (PVT) LTD

Secretaries - Chilaw Plantations Limited.

05 June 2013

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Financial Statements of **Chilaw Plantations Limited**, which comprise the Statement of Financial Position as at December 31, 2012 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

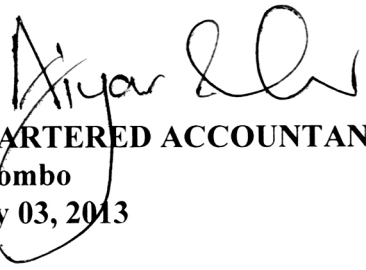
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of **Chilaw Plantations Limited** as at December 31, 2012 and its financial performance and its Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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


CHARTERED ACCOUNTANTS
Colombo
May 03, 2013



Partners : E. Ruwan J. Perera A.C.A., A.C.M.A., A.C.P.M. Joseph Jayaseelan B.B.Mgt., A.C.A., ATII
Consultant : Lal Nanayakkara B.A. (CEY), F.C.A.

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

Statement of Comprehensive Income

For the year ended on 31st December, 2012

	Notes	2012 Rs.	2011 Rs.
Revenue	23	339,050,649	322,908,950
Cost of Sales		(215,317,782)	(159,680,875)
Gross Profit		123,732,868	163,228,075
Other Operating Income and Gains	24	56,977,730	30,418,505
Administrative Expenses		(94,649,771)	(92,453,554)
Other Operating Expenses		(12,315,133)	(15,351,844)
Profit from Operations		73,745,695	85,841,182
Finance Income		37,463,655	33,128,217
Finance Expenses	25	(24,984,006)	(23,198,183)
Profit before Tax	26	86,225,344	95,771,216
Tax Expense	27	(8,250,497)	(18,101,554)
Profit for the Year		77,974,847	77,669,662
Other comprehensive Income		-	-
Total Comprehensive Income for the year, Net of Tax		77,974,847	77,669,662
Basic Earning Per Share	28	3.90	3.88

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 06 to 37 form an integral part of these Financial Statements.

Chilaw
May 03, 2013



Statement of Financial Position

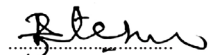
As at 31st December, 2012	Notes	2012 Rs.	2011 Rs.	2011 Rs.
ASSETS				01st January
Non Current Assets				
Leasehold Right to Bare Land of JEDB/SLSPC Estates	05	87,243,593	89,932,315	92,621,037
Leasehold Property Plant & Equipment of JEDB/SLSPC Estates (Other than Right-to-Use-Land and Leased bearer biological assets)	06	5,635,000	6,765,412	8,014,271
Leased Bearer Biological Assets of JEDB/SLSPC Estates	07	44,357,591	47,795,464	51,233,337
Biological Assets (Other than Leased Bearer Biological Assets)	08	369,375,094	310,819,874	274,585,084
Freehold Property Plant & Equipment	09	95,998,453	105,012,777	56,433,152
		602,609,732	560,325,842	482,886,882
Current Assets				
Inventories	10	82,605,641	94,295,259	24,838,720
Assets Held for Sale	11	4	134,707	-
Trade and Other Receivables	12	43,256,800	46,722,748	56,484,308
Amount due from Related parties	13	-	2,157,952	2,157,952
Financial facility to State Enterprises	14	119,757,808	113,357,808	106,957,808
Other Current Assets		4,678,016	12,595,745	19,013,033
Short Term Investment	15	199,377,169	244,813,796	409,727,277
Cash in Hand and at Bank		4,556,010	4,941,327	4,963,190
		454,231,447	519,019,342	624,142,288
Total Assets		1,056,841,179	1,079,345,184	1,107,029,170
EQUITY & LIABILITIES				
Capital and Reserves				
Stated Capital	16	200,000,010	200,000,010	200,000,010
Retained Earnings		587,622,892	584,648,044	581,978,383
Total equity		787,622,902	784,648,054	781,978,393
Non Current Liabilities & Deferred Income				
Deferred Tax Liability	17	32,669,159	27,382,429	22,920,257
Deferred Grants and Subsidies	18	8,477,900	8,877,638	9,215,515
Retirement Benefit Obligations	19	52,645,432	50,730,900	46,845,687
Liability to Make Lease Payment for the JEDB/SLSPC Estates	20	115,277,115	117,100,799	118,854,340
		209,069,607	204,091,766	197,835,799
Current Liabilities				
Trade and Other Payables	21	54,477,057	52,401,434	54,849,907
Advances Received for Seed Nuts Project	22	-	27,203,347	60,550,000
Income Tax Payable		3,847,930	9,247,041	9,449,908
Lease Creditors Payable Within One Year		-	-	679,066
Liability to Make Lease Payment for the JEDB/SLSPC Estates	20	1,823,684	1,753,542	1,686,098
		60,148,671	90,605,364	127,214,979
Total Equity and Liabilities		1,056,841,179	1,079,345,184	1,107,029,170

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 06 to 37 form an integral part of these Financial Statements.

Certification

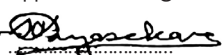
It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



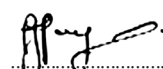
Mr. R.M.R.B. Ratnayake
Senior Accountant



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



Dr. Sunil Jayasekara
(Chairman)



Mrs. Priyangani Liyanage
(Directress)

Statement of Changes in Equity

For the year ended on 31st December, 2012

	Notes	Stated Capital Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st January 2011 as SLAS	35	200,000,010	581,978,383	781,978,393
Effect of transition		-	-	-
Balance as at 01st January 2011 as SLFRS/LKAS		200,000,010	581,978,383	781,978,393
Profit for the year		-	77,669,662	77,669,662
Other comprehensive income		-	-	-
Total comprehensive income		-	77,669,662	77,669,662
Dividend Paid			(75,000,000)	(75,000,000)
Balance as at 31st December 2011		200,000,010	584,648,044	784,648,054
Balance as at 01 January 2012		200,000,010	584,648,044	784,648,054
Profit for the year		-	77,974,847	77,974,847
Other comprehensive income		-	-	-
Total comprehensive income		-	77,974,847	77,974,847
Dividend Paid		-	(75,000,000)	(75,000,000)
Balance as at 31st December 2012		200,000,010	587,622,892	787,622,902

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 06 to 37 form an integral part of these Financial Statements.

Chilaw
May 03, 2013



Statement of Cash Flow

For the year ended 31st December, 2012

	2012 Rs.	2011 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Tax	86,225,344	95,771,216
Adjustments for :		
- Depreciation/Amortization	29,737,646	22,692,714
- Provision for Employee Profit Share	4,659,781	7,692,910
- Amortization of Grants	(399,738)	(455,634)
- Finance charge on Government finance lease	24,984,006	23,198,183
- Finance Income	(37,463,655)	(33,128,217)
- Provision For Defined Benefit Plan Costs	5,035,583	6,137,838
- Profit on Disposal of Property, Plant and Equipment	(9,984,481)	-
- Written off balance of amounts due from related parties	2,157,952	-
- Property, Plant and Equipment written off	263,196	-
	105,215,633	121,909,009
Changes in :		
- Inventories	11,689,618	(69,456,539)
- Dairy Livestock	203,000	(216,000)
- Trade and other Receivables	4,406,261	5,198,655
- Other Current Assets	7,917,729	6,417,289
- Advances Received for Seed Nuts Project	(27,203,347)	(33,346,653)
- Trade and other Payables	(2,030,626)	(3,209,020)
Cash generated from Operating Activities	100,198,268	27,296,741
- Defined Benefit Plan Costs paid	(3,121,051)	(2,252,625)
- Employee Profit Share Paid	(7,576,006)	(8,441,523)
- Finance costs Paid	(17,961,532)	(17,126,117)
- Finance Income Received	30,123,342	26,728,217
- Income Tax Paid	(8,362,878)	(13,842,249)
Net Cash from Operating Activities	93,300,144	12,362,444
CASH FLOWS FROM INVESTING ACTIVITIES		
- Additions of Property, Plant & Equipment	(8,087,807)	(58,662,810)
- Field Development Expenditure	(64,399,924)	(41,387,572)
- Proceeds from Disposal of Property, Plant and Equipment	10,119,184	-
- Grants Received	-	117,756
Net Cash used in Investing Activities	(62,368,547)	(99,932,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Dividends Paid	(75,000,000)	(75,000,000)
- Capital settlement of Lease on Motor Vehicles	-	(679,066)
- Capital settlement of Government Finance Lease	(1,753,542)	(1,686,097)
Net Cash Flows used in Financing Activities	(76,753,542)	(77,365,163)
Net Increase / (Decrease) in Cash & Cash Equivalents	(45,821,946)	(164,935,344)
A. Cash & Cash Equivalents at the Beginning of the Year	249,755,123	414,690,467
B. Cash & Cash Equivalents at the End of the Year	203,933,178	249,755,123
NOTE A		
Cash & Cash Equivalents at the beginning of the year		
Short term Investments	244,813,796	409,727,277
Cash in Hand and at Bank	4,941,327	4,963,190
	249,755,123	414,690,467
NOTE B		
Cash & Cash Equivalents at the end of the year		
Short term Investments	199,377,169	244,813,796
Cash in Hand and at Bank	4,556,010	4,941,327
	203,933,178	249,755,123

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 06 to 37 form an integral part of these Financial Statements.

Notes to the Financial Statements

01. CORPORATE INFORMATION

1.1 Reporting Entity

1.1.1 Domicile and Legal Form

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.

The registered office of the Company is located at No. 165, Puttalam Road, Chilaw and the Colombo office is located at No. 320, T.B Jayah Mawatha, Colombo 10 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 31 December 2012 was authorized for issue in accordance with a resolution of the Board of Directors on May 03, 2013.

Notes to the Financial Statements...

02. 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.

For all periods up to and including the year ended 31 December 2011, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS). These Financial Statements for the year ended 31 December 2012 are the first set of Financial Statements the Company has prepared in accordance with SLFRS/LKAS. Accordingly, the Company has prepared Financial Statements which comply with SLFRS/LKAS applicable for the period, ending 31 December 2012, together with the comparative data as at and for the year ended 31 December 2011. Refer Note 04 for explanations on how the Company adopted SLFRS/LKAS.

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 05, 06 and 07 to the Financial Statements. Where appropriate, specific policies are explained in the succeeding notes and no adjustments have been made for inflationary factors in the Financial Statements.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of the financial statements in conformity with SLFRS/LKAS requires Management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

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.

Notes to the Financial Statements...

03. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Assets and Bases of their Valuation

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

3.1.1 Property, Plant & Equipment

3.1.1.1. Recognition and Measurement

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

(a) Owned Assets

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

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

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

(b) Leased Assets

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

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

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

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.

Notes to the Financial Statements...

3.1.1.3. De-recognition

The carrying amount of an item of Property, Plant & Equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized in profit or loss and gains are not classified as revenue.

3.1.1.4. Depreciation and Amortization

(a) Depreciation

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

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

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

(b) Amortization

Assets held under finance leases are amortized over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in the year 2045.

The leasehold rights of assets taken over from JEDB/SLSPC are amortized in equal amounts over the shorter of the remaining lease periods and the useful lives and the estimated useful lives for the current and comparative periods are as follows :

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

Notes to the Financial Statements...

3.1.2 Biological Asset

3.1.2.1. Immature and Mature Plantations

(a) Immovable Leased Bearer Biological Assets (Immature and Mature Plantations)

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

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

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

(b) Improvements to Leasehold Property (Immature and Mature Plantations)

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

Depreciation on Improvements to Leasehold Property is recognized in Statement of Comprehensive Income on a straight-line basis over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

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

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

3.1.2.1 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.

Notes to the Financial Statements...

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.

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.

Notes to the Financial Statements...

3.1.5.2. Loans and Receivables

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

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

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

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

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 does not have held-to-maturity investments in year 2012 (2011 - Nil).

3.1.5.4. Available-for-Sale Financial Investments

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

The Company does not have Available-for-Sale Financial Investments in year 2012 (2011 - Nil).

Notes to the Financial Statements...

3.1.5.5. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired and if such has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

3.2 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the Statement of Financial Position date. Noncurrent liabilities are those balances that fall due for payment after one year from the Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.2.1. Financial Liabilities

Initial Recognition and Measurement

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

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

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.

Notes to the Financial Statements...

3.2.2.1. Credit Risk

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

3.2.2.2. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

3.2.3. Employees' Benefits

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in profit and loss in the periods during which services are rendered by employees.

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

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and staff turnover. Due to the 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 Statements...

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 good 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 Statements...

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.6. Segment Reporting

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

3.7. First-time adoption of SLFRS/LKAS

These Financial Statements, for the year ended 31 December 2012, are the first the Company has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31 December 2011, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS). Accordingly, the Company has prepared Financial Statements which comply with SLFRS/LKAS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011 as described in the accounting policies. In preparing these Financial Statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2011, the Company's date of transition to SLFRS/LKAS. The note No. 04 explains the principal adjustments made by the Company in restating its SLASs Statement of Financial Position as at 1 January 2011 and its previously published SLASs Financial Statements as at and for the year ended 31 December 2011.

3.7.1. Exemptions and Exceptions on retrospective application

3.7.1.1. Mandatory exceptions from retrospective application

SLFRS 1 First-Time Adoption of Sri Lanka Accounting Standards requires first-time adopters to comply with following mandatory exceptions. However those mandatory exceptions other than use of estimates are not applicable to the Company.

- Use of estimates
- Derecognizing of financial assets and financial liabilities
- Hedge accounting
- Non-controlling interest

• Use of estimates

Estimates made by the Management under previous GAAP should not change as a result of SLFRS implementation, as the Management cannot use hindsight.

Significant estimates include,

- Income tax
- Future obligations under employee benefit plans
- Useful lives of PPE
- Valuation of deferred tax assets

3.7.1.2. Optional exemptions

The Company has applied the following exemption :

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

Notes to the Financial Statements...

The Company has applied the following exemptions :

- Fair Value or Revaluation as Deemed Cost
An entity is given the option to elect to measure an item of property, plant and equipment at the date of transition to SLFRS at its fair value and use that fair value as its deemed cost at that date.
The Company has not elected use the fair value as deemed cost.
- Employee Benefits
Employee benefit was carried at the Statement of Financial Position prepared in accordance with the SLAS. The Company has not elected to use the corridor approach to recognize the employee benefit.

Following exemptions are not applicable to the Company

- Business combinations
- Cumulative translation differences
- Designation of previously recognized financial instruments
- Assets and liabilities of subsidiaries, associates and joint ventures
- Leases
- Decommissioning liabilities included in PPE
- Compound financial instruments
- Insurance contracts
- Service concession arrangements
- Borrowing costs

3.8. Standards Issued But Not yet Effective

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

(i) SLFRS 9 -Financial Instruments:

Classification and Measurement SLFRS 9, as issued reflects the first phase of work on replacement of LKAS39 and applies to classification and measurement of financial assets and liabilities.

(ii)SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS13 provides guidance on all fair value measurements under SLFRS.

SLFRS 9 will be effective for financial periods beginning on or after 01 January 2015 whilst SLFRS 13 will be effective for financial periods beginning on or after 01 January 2014.

Notes to the Financial Statements...

04. EXPLANATIONS FOR TRANSITION TO SLFRS/LKAS

To comply with the SLFRS 1, the Company provides explanations to the transition to SLFRS/LKAS from SLAS. The explanations includes a background and quantification of the change, this also includes reconciliation of Company's equity as at the date of transition 1 January 2011 and end of latest comparative reporting period 31 December 2011. Reconciliation for total comprehensive income includes only for the latest comparative financial year ended 31 December 2011.

4.1 Reconciliation of equity as at 1st January 2011 (date of transition to SLFRS/LKAS)

As at 31st December, 2012

		SLFRS/LKAS		SLAS
		as at	Effect of	as at
	Notes	1st January	Transition	1st January
		2011 Rs.	Rs.	2011 Rs.
ASSETS				
Non Current Assets				
Leasehold Right to Bare Land of JEDB/SLSPC Estates		92,621,037	-	92,621,037
Leasehold Property Plant & Equipment of JEDB/SLSPC Estates (Other than Right-to-Use-Land and Leased bearer biological assets)	A	8,014,271	(51,233,337)	59,247,609
Leased Bearer Biological Assets of JEDB/SLSPC Estates	A	51,233,337	51,233,337	-
Biological Assets (Other than Leased Bearer Biological Assets)	B / 35	274,585,084.02	3,687,000	270,898,084.02
Freehold Property Plant & Equipment		56,433,152	-	56,433,152
		482,886,882	3,687,000	479,199,882
Current Assets				
Inventories	C	24,838,720	(3,687,000)	28,525,720
Trade and Other Receivables	D	56,484,308	(19,013,033)	75,497,341
Amount due from Related parties		2,157,952	-	2,157,952
Financial facility to State Enterprises		106,957,808	-	106,957,808
Other Current Assets	D	19,013,033	19,013,033	
Short Term Investment		409,727,277	-	409,727,277
Cash in Hand and at Bank		4,963,190	-	4,963,190
		624,142,288	(3,687,000)	627,829,288
Total Assets		1,107,029,170	-	1,107,029,170
EQUITY & LIABILITIES				
Capital and Reserves				
Stated Capital		200,000,010	-	200,000,010
Retained Earnings	35	581,978,383	-	581,978,383
Total equity		781,978,393	-	781,978,393
Non Current Liabilities & Deferred Income				
Deferred Tax Liability		22,920,257	-	22,920,257
Deferred Grants and Subsidies		9,215,515	-	9,215,515
Retirement Benefit Obligations		46,845,687	-	46,845,687
Liability to Make Lease Payment for the JEDB/SLSPC Estates		118,854,340	-	118,854,340
		197,835,799	-	197,835,799
Current Liabilities				
Trade and Other Payables		54,849,907	-	54,849,907
Advances Received for Seed Nuts Project		60,550,000	-	60,550,000
Income Tax Payable		9,449,908	-	9,449,908
Lease Creditors Payable Within One Year		679,066	-	679,066
Liability to Make Lease Payment for the JEDB/SLSPC Estates		1,686,098	-	1,686,098
		127,214,979	-	127,214,979
Total Equity and Liabilities		1,107,029,170	-	1,107,029,170

Notes to the Financial Statements...

04. EXPLANATIONS TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

4.2 Reconciliation of equity as at 31st December 2011

As at 31st December, 2012

	Notes	SLFRS/LKAS as at 31 st December 2011 Rs.	Effect of Transition Rs.	SLAS as at 31 st December 2011 Rs.
ASSETS				
Non Current Assets				
Leasehold Right to Bare Land of JEDB/SLSPC Estates		89,932,315	-	89,932,315
Leasehold Property Plant & Equipment of JEDB/SLSPC Estates (Other than Right-to-Use-Land and Leased bearer biological assets)	A	6,765,412	(47,795,464)	54,560,876
Leased Bearer Biological Assets of JEDB/SLSPC Estates	A	47,795,464	47,795,464	-
Biological Assets (Other than Leased Bearer Biological Assets)	B / 35	310,819,874	3,903,000	306,916,874
Freehold Property Plant & Equipment		105,012,777	-	105,012,777
		560,325,842	3,903,000	556,422,842
Current Assets				
Inventories	C	94,295,259	(3,903,000)	98,198,259
Assets Held for Sale		134,707	-	134,707
Trade and Other Receivables	D	46,722,748	(12,595,745)	59,318,493
Amount due from Related parties		2,157,952	-	2,157,952
Financial facility to State Enterprises		113,357,808	-	113,357,808
Other Current Assets	D	12,595,745	12,595,745	-
Short Term Investment		244,813,796	-	244,813,796
Cash in Hand and at Bank		4,941,327	-	4,941,327
		519,019,342	(3,903,000)	522,922,342
Total Assets		1,079,345,184	-	1,079,345,184
EQUITY & LIABILITIES				
Capital and Reserves				
Stated Capital		200,000,010	-	200,000,010
Retained Earnings	35	584,648,044	-	584,648,044
Total equity		784,648,054	-	784,648,054
Non Current Liabilities & Deferred Income				
Deferred Tax Liability		27,382,429	-	27,382,429
Deferred Grants and Subsidies		8,877,638	-	8,877,638
Retirement Benefit Obligations		50,730,900	-	50,730,900
Liability to Make Lease Payment for the JEDB/SLSPC Estates		117,100,799	-	117,100,799
		204,091,766	-	204,091,766
Current Liabilities				
Trade and Other Payables		52,401,434	-	52,401,434
Advances Received for Seed Nuts Project		27,203,347	-	27,203,347
Income Tax Payable		9,247,041	-	9,247,041
Liability to Make Lease Payment for the JEDB/SLSPC Estates		1,753,542	-	1,753,542
		90,605,364	-	90,605,364
Total Equity and Liabilities		1,079,345,184	-	1,079,345,184

Notes to the Financial Statements...

04. EXPLANATIONS TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

4.3 Reconciliation of total Comprehensive Income

For the year ended 31st December 2011

	Notes	SLFRS/LKAS for year ended 31 st December 2011 Rs.	Effect of Transition Rs.	SLAS for year ended 31 st December 2011 Rs.
Revenue	E	322,908,950	(45,105,294)	368,014,243
Cost of Sales	F	(159,680,875)	45,141,473	(204,822,348)
Gross Profit		163,228,075	36,179	163,191,895
Other Income and Gains	G	30,418,505	(33,128,217)	63,546,722
Administrative Expenses		(92,453,554)	-	(92,453,554)
Other Expenses	H	(15,351,844)	(36,179)	(15,315,664)
Profit from operations		85,841,182	(33,128,217)	118,969,399
Finance Income	G	33,128,217	33,128,217	
Finance expenses		(23,198,183)	-	(23,198,183)
Profit before Income Tax Expense		95,771,216	-	95,771,216
Income Tax Expense (Provision)		(18,101,554)	-	(18,101,554)
Profit for the Year		77,669,662	-	77,669,662

Notes to the Financial Statements...

04. EXPLANATIONS TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

A. Leasehold Property Plant & Equipment (Other than Right-to-Use-Land and Leased bearer biological assets) and Leased Bearer Biological Assets of JEDB/SLSPC Estates

Change in Classifications

The value of the Mature / Immature Plantations were acquired under the lease agreement with the JEDB/SLSPC which were classified as Immovable Leased Assets of JEDB/SLSPC Estates was reclassified as Lease bearer biological assets. These assets include the Investment on Mature / Immature Plantations at the time of handing over to the Company by way of estate leases.

Reclassification from - Leasehold Property Plant & Equipment (Immovable Leased Assets) of JEDB/SLSPC Estates (Other than Bare Land and Leased bearer biological assets)

Reclassification to - Leased Bearer Biological Assets of JEDB/SLSPC Estates

	31-Dec-2011 Rs.	01-Jan-2011 Rs.
Immovable Leased Assets of JEDB/SLSPC Estates (Other than Bare Land) under SLAS	54,560,876	59,247,609
Less :		
Value of Leased Bearer Biological Assets	(47,795,464)	(51,233,337)
Immovable Leased Assets of JEDB/SLSPC Estates (Other than Right-to-Use-Land and Leased bearer biological assets) under SLFRS/LKAS	6,765,412	8,014,271

B. Biological assets (Including Leased Bearer Biological Assets)

1. Change in Classifications

In addition to the Mature / Immature Plantations that were acquired under the lease agreement with the JEDB/SLSPC, the value of the Dairy Livestock also comes under the Biological Assets in terms of LKAS 41. These Dairy Livestock which were classified as inventories was reclassified as Biological Assets. The value of Dairy Livestock classified as Biological Assets is amounts to Rs. 3,903,000/- and Rs. 3,700,000/- as at 1st January 2011 and 31st December 2011 respectively.

Reclassification from - Inventories

Reclassification to - Biological assets (Including Leased Bearer Biological Assets)

	Notes	31-Dec-2011 Rs.	01-Jan-2011 Rs.
Mature/Immature Plantations under SLAS	30	306,916,874	270,898,084
Add :			
Reclassification of Dairy Livestock included in Inventories		3,903,000	3,687,000
Biological Assets in terms of SLFRS/LKAS		310,819,874	274,585,084

2. Fair Value of Biological Assets

The Coconut and other plantations were measured at cost less depreciation and amortization or impairment if any, under SLAS. The requirement of recognition of the biological assets at its fair value under LKAS 41 has not been effected due to the ruling issued on 2nd March 2012, by The Institute of Chartered Accountants of Sri Lanka.

Accordingly, the Company has elected to measure the bearer biological assets i.e. Coconut using LKAS 16 - Property, Plant & Equipment and continued the cost model of recording them. This measurement does not effect on the net assets in the Statement of Financial Position as at 1st January 2011, 31st December 2011 and Statement of Comprehensive Income for the year ended 31st December 2011.

Notes to the Financial Statements...

04. EXPLANATIONS TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

C. Inventories

1. Change in Classifications

Reclassification from - Inventories

Reclassification to - Biological assets (Including Leased Bearer Biological Assets)

	31-Dec-2011	01-Jan-2011
	Rs.	Rs.
Inventories under the SLAS	98,198,259	28,525,720
Less; Reclassification of Dairy Livestock	(3,903,000)	(3,687,000)
Inventories under the LKAS / SLFRS	94,295,259	24,838,720

2. Produce Stock

The produce stock of biological assets i.e. coconut were valued at their actual or estimated realizable values, net of direct selling expenses in terms of SLAS 32. With the conversion to new accounting standards, the agricultural products that are harvested from biological assets i.e. coconut nuts are required to measure at its fair value less cost to sell at the point of harvest. Thereafter, it is scoped under LKAS 2 and said fair value is the cost at the date of applying this standard. Finally the measurement of inventory is carried at the lower of cost and estimated net realizable value in accordance with LKAS 2.

D. Trade and other receivables / Other current assets

1. Change in Classifications

Reclassification from - Trade and other receivables

Reclassification to - Other current assets

Due to the application of LKAS 32 & 39, non financial assets (Advances and Prepayments) in trade & other receivables have been reclassified to other current assets.

	31-Dec-2011	01-Jan-2011
	Rs.	Rs.
Trade and other receivables under the SLAS	59,318,493	75,497,340
Less; Reclassification of Advances and pre-payments as other current assets	(12,595,745)	(19,013,033)
Trade and other receivables under the LKAS / SLFRS	46,722,748	56,484,307

E. Revenue

Revenue Recognition on Produce Stock

Profit & Loss of the perennial crop has been recognised in the financial period of harvesting in terms of SLAS 32. Thus the unsold stocks were treated as a part of revenue. The scope of revenue recognition was changed to LKAS 18. Accordingly, the revenue is recognised based on the date of auction where the recognition criterias are met and therefore the quantity which is sold at auction is treated as the sales.

This classification does not effect on the net assets for the Statements of Financial Position as at 1 January 2011, 31 December 2011. The turnover in the Statement of Comprehensive Income for the year ended 31 December 2011 was decreased by Rs. 45,141,474.26.

Nature of SLFRS/LKAS Adjustment	Effect on Statement of Comprehensive Income for the year ended 31-Dec-2011
	Rs.
Removal of unsold stock which was part of the revenue	(56,256,333.26)
Add; Opening stock realization during the year	11,151,039.32
Total	(45,105,293.94)

Notes to the Financial Statements...

04. EXPLANATIONS TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

F. Cost of Sales

Matching the Cost of Sales Against Revenue

Recognition of the cost of sales has been changed simultaneous to the changes to the revenue recognition. Thus, cost of sales consists with the costs that are directly attributable to goods sold. Cost of opening stocks and the closing stocks were adjusted to the cost of production in arriving this. Further, the measurement of unsold coconut stocks have been changed, in terms of LKAS 2 and LKAS 41. Please refer Note C (02) for changes in valuation method of inventory.

Nature of SLFRS/LKAS Adjustment	Effect on Statement of Comprehensive Income for the year ended 31-Dec-2011
	Rs.
Removal of unsold stock which was part of the revenue	(56,256,333)
Opening stock realization during the year	11,151,039
Opening stock adjustment - Identifying the stocks at cost or NRV whichever is lower	(36,179)
	(45,141,473)

G. Other operating income / Finance income

Reclassification from - Other operating Income and gains

Reclassification to - Finance Income

As per previous SLAS interest income has been classified under other operating income. Under SLFRS/LKAS interest income and dividend income have been classified in finance income.

Nature of SLFRS/LKAS Adjustment	Effect on Statement of Comprehensive Income for the year ended 31-Dec-2011
	Rs.
Other operating income as per SLAS	63,546,722
Less; Reclassification Finance Income	(33,128,217)
Other operating income under the LKAS / SLFRS	30,418,505

H. Other Expenses

Nature of SLFRS/LKAS Adjustment	Effect on Statement of Comprehensive Income for the year ended 31-Dec-2011
	Rs.
Opening stock adjustment - Identifying the stocks at cost or NRV whichever is lower	36,179
	36,179

Notes to the Financial Statements...

05. LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

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

These assets are taken into the Balance Sheet as at 22nd June 1992 and amortized by equal amounts over a 53 year period and the unexpired period of the lease as at the Reporting date date is 32.5 years.

Gross Carrying Value			
	as at 31.12.2012	as at 31.12.2011	as at 01.01.2011
	Rs.	Rs.	Rs.
Leasehold Right to Bare land	142,502,287	142,502,287	142,502,287

Amortization			
	as at 31.12.2012	for the Year	as at 01.01.2011
	Rs.	Rs.	Rs.
Leasehold Right to Bare land	55,258,694	2,688,722	52,569,972

Carrying Value			
	as at 31.12.2012	for the Year	as at 01.01.2011
	Rs.	Rs.	Rs.
Leasehold Right to Bare land	87,243,593	89,932,315	92,621,037

Notes to the Financial Statements...

06. IMMOVABLE LEASED ASSETS OF JEDB ESTATES (Other Than Right-To-Use Land And Leased Bearer Biological Assets)

In terms of the ruling of the UITF of Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates, all immovable Assets in the JEDB/SLSPC estates under finance leases have been taken into the books of the Company retroactive with effect from 22nd June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 Balance Sheet and the amortization of immovable estate assets up to 31st December 2012 are as follows:

At Valuation	Improvements				Other Vested				As at			
	to Land		Assets		Buildings		Machinery		Water Supply		2012	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	Rs.
Capitalized Value	841,193		1,002,944		25,356,498		530		4,026,236		31,227,401	31,227,401
Amortization												
As at 01 January	46,752		653,225		19,815,611		530		3,945,872		24,461,989	23,213,129
Amortization for the year	2,390		33,397		1,014,260		-		80,364		1,130,411	1,248,860
As at 31 December	49,142		686,622		20,829,871		530		4,026,236		25,592,400	24,461,989
Carrying amount	792,051		316,322		4,526,627		-		-		5,635,000	6,765,412
												8,014,271

Notes to the Financial Statements...

07. IMMOVABLE LEASED BEARER BIOLOGICAL ASSETS

Revaluation	2012	2011	As at 01st January 2011
	Rs.	Rs.	Rs.
Mature Plantation	103,239,426	103,239,426	103,239,426
	103,239,426	103,239,426	103,239,426
As at 01 January	55,443,962	52,006,089	48,568,216
Amortization for the year	3,437,873	3,437,873	3,437,873
As at 31 December	58,881,835	55,443,962	52,006,089
Carrying amount	44,357,591	47,795,464	51,233,337

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 6.1.2. These Mature/Immature plantations were classified as bearer biological assets in terms of LKAS 41 - Agriculture.

Notes to the Financial Statements...

08. BIOLOGICAL ASSETS (OTHER THAN LEASED BEARER BIOLOGICAL ASSETS)

	Notes	2012 Rs.	2011 Rs.	As at 01 st January 2011 Rs.
Dairy Livestock	8.1	3,700,000	3,903,000	3,687,000
Improvements to Leasehold Property (Mature / Immature Plantation)	8.2	365,675,094	306,916,874	270,898,084
		369,375,094	310,819,874	274,585,084

8.1 Dairy Livestock

	Immature Cows (Calves / Heifers) Rs.	Mature Cows (Milking and Dry Cows) Rs.	2012 Rs.	2011 Rs.	As at 01 st January 2011 Rs.
As at 01 January	315,000	3,588,000	3,903,000	3,687,000	1,931,500
Additions during the year	158,000	-	158,000	40,000	144,000
Gain/Loss on fair value for the year	-	-	-	-	-
Transfer- In /Out	(74,500)	449,000	374,500	596,500	2,390,500
Death	(143,500)	(592,000)	(735,500)	(420,500)	(779,000)
As at 31 December	255,000	3,445,000	3,700,000	3,903,000	3,687,000

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

Notes to the Financial Statements...

08. BIOLOGICAL ASSETS (OTHER THAN LEASED BEARER BIOLOGICAL ASSETS) (CONTD.)

8.2 Improvements to Leasehold Property (Mature / Immature Plantation)

Cost	Immature Plantation		Coconut		Mature Plantations		2012		2011		As at 01 st January 2011
	Rs.		Rs.		Cashew	Other	Rs.		Rs.		Rs.
At the beginning of the year	146,380,893		94,670,731		87,056,397	-	328,108,021		286,720,450		243,101,042
Additions	64,399,924		-		-	-	64,399,924		41,387,572		43,619,408
Transferred from Immature	(34,596,819)		-		-	-	(34,596,819)		(73,635,463)		(25,336,994)
Transferred to Mature	-	33,629,723	-	967,096	-	-	34,596,819	73,635,463	25,336,994		
Written off balance	(66,196)		-		-	-	(66,196)		-		-
At the end of the year	176,117,803	128,300,453	87,056,397	967,096			392,441,749	328,108,021	286,720,450		286,720,450
Depreciation											
At the beginning of the year			12,036,767		9,154,380	-	21,191,147		15,822,366		13,382,011
Charge for the year			2,051,787		3,475,367	48,355	5,575,509		5,368,782		2,440,355
At the end of the year			14,088,554		12,629,747	48,355	26,766,656		21,191,147		15,822,366
Carrying Value	176,117,803	114,211,899	74,426,650	918,741			365,675,094	306,916,874	270,898,084		

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 3, 4 and 6.1.1 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. 6.1.1.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 02 March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property Plant & Equipment.

Notes to the Financial Statements...

09. FREEHOLD PROPERTY PLANT & EQUIPMENTS

	Plant & Machinery		Motor Vehicles		Equipment		Furniture & Fittings		Fencing		Water Supply		2012		2011		As at 01 st January 2011	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/ Valuation																		
As at 1 January	32,456,215	500,000	108,439,937	29,636,729	7,476,351	1,513,620	5,383,111	185,405,962	140,245,801	119,955,164								
Additions	626,679	350,000	661,940	1,969,021	233,428	655,254	821,220	5,317,542	59,061,491	20,290,637								
Transfers	97,370	538,805	-	-	-	-	-	636,175	(13,901,330)	-								
As at 31 December	33,180,264	1,388,805	109,101,877	31,605,750	7,709,779	2,168,873	6,204,331	191,359,680	185,405,962	140,245,801								
Depreciation																		
As at 1 January	2,818,731	500,000	52,813,222	18,027,549	4,017,714	1,513,620	1,996,982	81,687,817	85,505,963	77,697,874								
Charge for the year	819,720	39,846	13,233,502	2,069,985	464,218	-	277,860	16,905,131	9,948,478	7,808,089								
Transfers	-	-	-	-	-	-	-	-	(13,766,623)	-								
As at 31 December	3,638,451	539,846	66,046,724	20,097,534	4,481,932	1,513,620	2,274,841	98,592,948	81,687,817	85,505,963								
Net Value																		
Capital Work-in-progress																		
As at 01 January																		
Additions during the year								1,294,632	1,693,314	2,429,995								
Capitalized during the year								2,770,264	980,530	1,693,314								
Transfer to the Revenue Expenditure								(636,175)	(1,379,212)	(2,429,995)								
								(197,000)	-	-								
As at 31 December								3,231,722	1,294,632	1,693,314								
Carrying amount																		
								95,998,453	105,012,777	56,433,152								

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 3 and 4 and 6.1.1.

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

Notes to the Financial Statements...

For the year ended on 31st December, 2012

	Notes	2012 Rs.	2011 Rs.	As at 01st January 2011 Rs.
10. INVENTORIES				
Input Materials		11,642,416	2,888,315	3,854,451
Growing Crop - Nurseries		4,221,789	25,442,032	272,697
Harvested Crop		56,508,644	56,256,333	11,114,859
Consumables and Spares		6,803,282	3,900,954	3,667,213
Livestock		3,445,010	5,823,125	5,945,000
		82,621,141	94,310,759	24,854,220
Impairment allowance for Obsolete Stocks		(15,500)	(15,500)	(15,500)
		82,605,641	94,295,259	24,838,720

11. ASSETS HELD FOR SALE

Motor Vehicle

Gross Carrying Value		4,455,532	13,901,330	-
Less; Accumulated Depreciation		(4,455,528)	(13,766,623)	-
Carrying Value	11.1	4	134,707	-

11.1 Carrying Value of Assets Held for Sale

Description	Vehicle No.	Cost	Accumulated Depreciate	Carrying Value
ISUZU - Trooper	32-4291	663,342	663,341	1
TOYOTA - Liteace	53-9202	524,400	524,399	1
HYUNDAI - Elantra	18-5182	1,100,000	1,099,999	1
BENZ - Motor Coach	63-4210	2,167,790	2,167,789	1
		4,455,532	4,455,528	4

	2012 Rs.	2011 Rs.	As at 01 January 2011 Rs.
12. TRADE AND OTHER RECEIVABLES			
Produce Debtors	11,332,834	16,885,416	32,675,775
Staff Debtors	10,202,628	10,481,370	9,764,990
Other Debtors	22,161,715	19,796,340	14,483,920
Wair-Coir Project	13,325,233	13,325,233	13,325,233
	57,022,411	60,488,359	70,249,918
Impairment allowances for Way Coir Project	(13,325,233)	(13,325,233)	(13,325,233)
Impairment allowances for Bad Debts	(440,378)	(440,378)	(440,378)
	43,256,800	46,722,748	56,484,308

13. AMOUNT DUE FROM RELATED COMPANIES

Wayamba Plantations Ltd.	-	2,157,952	2,157,952
	-	2,157,952	2,157,952

14. FINANCIAL FACILITY TO STATE ENTERPRISES

Loan Receivables

Elkaduwa Plantations Ltd - Rs. 20,000,000/=	23,519,452	21,919,452	20,319,452
Sri Lanka Rubber Manufacturing & Export Corporation Ltd - RS 10,000,000/=	10,000,000	10,000,000	10,000,000
Sri lanka State Plantations Corporation - Rs 20,000,000/=	23,610,959	22,010,959	20,410,959
Ministry of Sate Resources & Enterprise Development - Rs 15,000,000/=	15,000,000	15,000,000	15,000,000
Janatha Estate Development Board - Rs. 40,000,000/=	47,627,397	44,427,397	41,227,397
	119,757,808	113,357,808	106,957,808

Notes to the Financial Statements...

For the year ended on 31st December, 2012

	2012	2011	As at 01st January 2011
	Rs.	Rs.	Rs.
15. SHORT TERMS INVESTMENTS			
Fixed Deposit - BOC	88,551,276	143,236,583	205,717,048
Fund Management - BOC Savings Deposits	2,030,372	1,207,653	70,512,440
Fixed Deposit - People's Bank	108,795,522	100,369,560	133,497,789
	199,377,169	244,813,796	409,727,277

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 52,645,432

16. 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	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	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.

17. DEFERRED TAX LIABILITY

At the beginning of the year	27,382,429	22,920,257	2,637,359
Provision for the year	5,286,730	4,462,172	20,282,898
At the end of the year	32,669,159	27,382,429	22,920,257

18. DIFERRED GRANTS AND SUBSIDIES

At the beginning of the year	8,877,638	9,215,515	5,405,427
Add : Grants Received during the year	-	117,757	4,062,498
Less : Amortization for the year	(399,738)	(455,634)	(252,410)
At the end of the year	8,477,900	8,877,638	9,215,515

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.

Notes to the Financial Statements...

For the year ended on 31st December, 2012

	2011	2011	As at 01st January 2011
19. RETIREMENT BENEFIT OBLIGATIONS	Rs.	Rs.	Rs.
At the beginning of the year	50,730,900	46,845,687	32,749,770
Provisions for the year	5,035,583	6,137,838	17,042,685
Payments for the year	(3,121,051)	(2,252,625)	(2,946,768)
At the end of the year	52,645,432	50,730,900	46,845,687

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 2012 the actuarial present value of promised retirement benefits amounted to Rs. 52,645,432/-. 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. 62,234,830/-. Hence, there is a contingent liability of Rs. 9,589,398/-, which would crystallise only if the company ceases to be a going concern.

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

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

However 31st December 2011 and 1st January 2011 were no use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees and those comparatives are based on the gratuity formula in appendix E of SLAS 16 - Employee Benefits.

Notes to the Financial Statements...

For the year ended on 31st December, 2012

	Repayable after One year			Sub Total	Total
	Repayable within 1 year	Repayable within one to five years	Repayable after five years		
20. LIABILITY TO MAKE LEASE PAYMENT FOR THE JEDB/SLSPC ESTATES	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Finance Lease Liability	6,508,000	26,032,000	178,586,651	204,618,651	211,126,651
Less : Future Finance Charges	(4,684,316)	(17,978,024)	(71,363,512)	(89,341,536)	(94,025,852)
Net Finance Lease liability - 2012	1,823,684	8,053,976	107,223,139	115,277,115	117,100,799
Net Finance Lease liability - 2011	1,753,542	7,744,208	109,356,591	117,100,799	118,854,341
Net Finance Lease liability - 2010	1,686,098	7,446,355	111,407,985	118,854,340	120,540,438

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.

21. TRADE AND OTHER PAYABLES	2012	2011	As at 01 January 2011
	Rs.	Rs.	Rs.
Trade Creditors (Refund, CDA Marketing Lot fee)	1,651,599	1,744,251	3,653,955
Others (Fertilizer, Contractors etc.)	36,893,704	33,360,363	33,802,124
Holiday Pay	2,619,341	2,181,729	1,952,327
Accrued Expenditure	5,193,200	3,824,254	3,457,047
Audit Fee	620,000	875,400	820,404
10% Profit Share Staff (RPC Agreement)	7,499,213	10,415,437	11,164,050
	54,477,057	52,401,434	54,849,907

22. SEED NUTS PLANTING PROGRAMME

Seed Nuts Planting Programme	-	27,203,347	60,550,000
	-	27,203,347	60,550,000

Notes to the Financial Statements...

23. REVENUE

23.1 Summary

	2012 Rs.	2011 Rs.
Coconut	306,785,082	302,697,423
Copra	32,265,567	20,211,526
	339,050,649	322,908,950

23.2 Segment Information Geographical Segment Results

	Group 01		Group 02		Unallocated		Total
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.
Revenue	176,187,490	150,191,673	162,863,159	172,717,277	-	-	339,050,649
Revenue Expenditure	(116,791,127)	(74,351,941)	(85,329,573)	(76,700,911)	-	-	(202,120,700)
Depreciation	(7,504,202)	(5,057,095)	(5,692,880)	(3,570,930)	-	-	(13,197,081)
Segment Results	51,892,161	70,782,637	71,840,707	92,445,437	-	-	123,732,868
Other Income and Gain							56,977,730
Unallocated Expenses							(106,964,903)
Finance Cost							(24,984,006)
Finance Income							37,463,655
Profit before Income Tax							86,225,344
Income Tax Expenses							(8,250,497)
Net Profit for the year As at 31st December 2012							77,974,847
							77,669,662

Segment Assets

Non Current Assets	305,475,120	298,757,862	275,107,875	244,898,293	22,026,737	16,804,395	602,609,732
Current Assets	52,393,918	72,318,222	48,049,438	51,066,059	353,788,090	395,500,352	454,231,447
Total Assets	357,869,038	371,076,084	323,157,314	295,964,352	375,814,827	412,304,746	1,056,841,179
							1,079,345,184

Segment Liabilities

Non Current Liabilities	25,898,841	22,310,158	28,521,256	25,569,250	154,649,510	156,212,356	209,069,607
Current Liabilities	17,957,735	22,590,239	13,484,773	14,316,899	33,258,895	53,698,226	60,148,671
Total Liabilities	43,856,577	44,900,397	42,006,029	39,886,149	187,908,405	209,910,582	269,218,277
							294,697,130

Notes to the Financial Statements...

For the year ended on 31st December, 2012

24. OTHER INCOME AND GAINS

	2012	2011
	Rs.	Rs.
Amortization of Grant	399,738	455,634
Profit from Livestock Project	40,754	(193,907)
Profit on Disposal of vehicles	9,984,481	-
Scrap sales	1,168,592	-
Timber	15,443,147	263,885
Coconut Palms	9,763,696	7,742,942
Coconut Husks & Shells	5,914,069	17,147,990
Penalty	5,524,200	4,952,356
Seedlings & nursery plant	5,020,424	611,369
Paddy	2,194,221	2,451,384
Fire wood	1,950,360	1,753,663
Cashew	(1,678,652)	(7,404,901)
Other	1,252,700	2,638,091
	56,977,730	30,418,505

25. FINANCE COST

Motor Vehicle Lease	-	32,511
Land & Buildings (JEDB) Variable Lease Rental to PMD(MPI) Treasury	20,229,548	18,343,770
Lands & Buildings (JEDB) Lease Rental Interests to PMD(MPI) Treasury	4,754,458	4,821,902
	24,984,006	23,198,183

26. PROFIT BEFORE TAX IS STATED AFTER CHARGING

Depreciation

- Leasehold Right to bare land	2,688,722	2,688,722
- Immovable Leased Assets	1,130,411	1,248,860
- Freehold Property, Plant and Equipments	16,905,131	9,948,478
- Biological Assets	9,013,382	8,806,655
Directors Remuneration	4,358,400	3,214,290
Auditors Remuneration	620,000	875,400
Defined Benefit Plan Costs	5,035,583	6,137,838
Defined Contributions Plan Costs - EPF & ETF	20,760,815	19,208,523
Salaries & Wages	147,540,684	135,742,204
Written off balance of amounts due from related parties	2,157,952	-
Employees' 10% Profit Share	4,659,781	7,692,910
Donations (Temples, Kovils, Churches, Schools)	-	22,000
	214,870,861	195,585,879

27. INCOME TAX EXPENSE

27.1 The major components of income tax expenses for the year ended 31 December 2012 are as follows.

Current Tax Expenses

Current Income Tax (Note 27.2)	5,198,434	13,639,382
Over provision of previous year Income Tax	(2,234,667)	-
Deferred taxation Charges / Provision	5,286,730	4,462,172
Income tax expense reported in the Income statement	8,250,497	18,101,554

Notes to the Financial Statements...

For the year ended on 31st December, 2012

27. INCOME TAX EXPENSE	2012	2011
27.2 Reconciliation Between Tax Expenses and the Product of Accounting Profit	Rs.	Rs.
Profit before tax	86,225,344	95,771,216
Aggregate disallowable items	40,683,929	42,164,874
Aggregate allowable items	(170,209,745)	(109,521,501)
Adjusted Business profit / (Loss)	(43,300,472)	(67,356,627)
Interest Income	54,140,930	38,080,572
Statutory Income	54,140,930	38,080,572
Less: Qualifying Payment	(35,575,095)	-
Taxable Income	18,565,835	38,080,572
Standard Rate - 28% (2010 - 35%)	5,198,434	10,662,560
Concessional Tax Rate 10%	-	2,976,822
Current Income Tax Expenses	5,198,434	13,639,382
	5,198,434	13,639,382

28. EARNINGS PER SHARE

28.1 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.

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

	2012	2011
	Rs.	Rs.
Net profit applicable to ordinary share holders for basic earnings per share	77,974,847	77,669,662
	77,974,847	77,669,662
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	20,000,001	20,000,001
Basic Earning per share	3.90	3.88

29. COMMITMENTS AND CONTINGENCIES

29.1 Capital Commitments

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

29.2 Contingent Liabilities

There were no contingent liabilities other than disclosed in Note No. 19 as at the reporting date.

30. POST BALANCE SHEET EVENTS

There have been no material events occurring after the Balance Sheet date that require adjustments or disclosures in the Financial Statements other than disclosed in Note No. 11.

31. RELATED PARTY DISCLOSURES

Details of significant Related Party Disclosures are as follows.

32.1 Transactions with the key management personnel of the company and parent

There were no material transactions with the key management personnel of the company other than those disclosed in Note 26 to these Financial Statements. Further there were no key Management compensation paid during the year.

Notes to the Financial Statements...

33.2. Related Party Transactions

There are no related party transactions other than those disclosed in Note No 13 to these Financial Statements.

34. COMPENSATION

The Management Agreement with Wayamba Plantations Pvt Ltd, which is valid up to 2012 has been terminated by the Chilaw Plantations Ltd by paying compensation amounting to Rs. 124 Million on 30th May 2008.

35. PRIOR YEAR ERROR ADJUSTMENTS

Management of Chilaw Plantations Limited noted in the year 2012 some book balances of immature plantations have not been transferred to mature area in respect of the years 1996, 1999, 2002, 2004, 2006, 2007, 2008, 2010 and 2011 which the plantation had already being taken to mature area. However all these transfers have now been rectified and comparative figures are restated retrospectively in compliance with the LKAS 8

Effects on Statement of Financial position are as follows,

Nature of Prior year Adjustment	Effect on Net assets as at	
	31-Dec-11	1-Jan-11
Immature Plantations		
SLAS Balance before correction of the error	214,062,305	236,394,043
Transferred to Mature Plantation	(67,681,412)	(57,765,259)
SLAS Restated Balance	146,380,893	178,628,784
Mature Plantations		
SLAS Balance before correction of the error (Net of Depreciations)	98,125,004	38,420,847
Transferred to Mature Plantation	67,681,412	57,765,259
Effect of Additional depreciations on Prior period error	(5,270,435)	(3,916,806)
SLAS Restated Balance (Net of Depreciations)	160,535,981	92,269,300
Total restated Mature Immature Plantations (Net of Depreciations)	306,916,874	270,898,084
Accumulated Depreciations		
SLAS Balance before correction of the error	15,920,713	11,905,559
Additional depreciations on Prior period error	5,270,435	3,916,806
SLAS Restated Balance	21,191,147	15,822,366
Retained Earnings		
SLAS Balance before correction of the error	589,918,479	585,895,189
Additional depreciations on Prior period error	(5,270,435)	(3,916,806)
SLAS Restated Balance	584,648,044	581,978,383

Effects on Statement of Comprehensive Income are as follows,

Nature of Prior year Adjustment	Effect on Effect on Cost Depreciations of Sales at the on Mature year end, Plantations	
	2011 Rs.	2011 Rs.
SLAS Amount before correction of the error	4,015,154	203,468,720
Additional depreciations on Prior period error	1,353,628	1,353,628
SLAS Restated Amount	5,368,782	204,822,348

Ten Year Summery

2012 2011 2010 2009 2008 2007 2006 2005 2004 2003

Trading Results	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Revenue	339,051	322,909	422,668	312,687	310,990	291,202	171,088	165,438	182,338	150,491
Gross Profit	123,733	163,228	172,166	115,805	171,458	141,612	62,150	69,598	99,394	70,558
Profit Before Interest and Tax	111,209	118,969	136,608	141,201	53,070	122,167	60,264	67,554	92,863	68,895
Profit Before Tax	86,225	95,771	114,163	120,693	35,271	106,869	46,496	54,847	81,290	58,177
Profit After Tax	77,975	77,670	75,256	98,097	10,509	105,403	36,902	46,719	49,484	50,177
Retained Profits	587,623	584,648	585,895	510,639	442,542	432,033	326,629	289,727	293,008	243,524
Dividend Paid	75,000	75,000	-	30,000	-	-	-	50,000	-	-
Dividends TOTAL To-date	341,650	-								

Financial Position

Fixed Assets	602,610	560,326	483,117	436,721	392,322	374,790	362,861	350,765	343,811	341,681
Mature / Immature Plantations	410,033	354,712	326,048	287,333	250,444	237,592	222,599	207,830	196,081	183,934
Current Assets	454,231	519,019	627,829	496,056	476,434	501,906	381,727	350,968	355,810	276,799
Inventories	82,606	94,295	28,526	44,770	50,041	54,799	39,007	36,128	21,070	30,165
Current Liabilities	60,149	90,605	127,215	60,125	61,675	84,699	50,670	43,697	41,275	25,883
Long term Liabilities	209,070	204,092	197,836	162,012	164,539	159,964	167,258	168,309	165,338	149,072
Stated Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Shareholders' Funds	787,623	784,648	785,895	710,639	642,542	632,033	526,629	489,727	493,008	443,524

Financial Indicators

Current Ratio (Times)	7.55	5.77	4.94	8.25	7.72	5.93	7.53	8.03	8.62	10.69
Quick Ratio (Times)	6.18	4.69	4.71	7.51	6.91	5.28	6.76	7.21	8.11	9.53
Gross Profit Ratio %	36.49	44.71	40.73	37.04	55.13	48.63	36.33	42.07	54.51	46.89
Earnings Per Share Rs.	3.90	3.88	3.76	4.90	0.53	5.27	1.85	2.34	2.47	2.51
Return on Average Equity (ROE) - %	9.92	9.86	10.06	14.50	1.65	18.19	7.26	9.51	10.57	11.99
Return on Capital Employed (ROCE) - %	11.16	11.97	13.89	16.18	6.58	15.43	8.68	10.27	14.11	11.63
Total Asset to Current Liabilities	0.06	0.08	0.11	0.06	0.07	0.10	0.07	0.06	0.06	0.04
Interest Cover - (times)	4.45	5.13	6.09	6.89	2.98	7.99	4.38	5.32	8.02	6.43

CPL Twenty (20) Points Scientific Development Programme

(2010 June - 2011 - 2015)

01. Scientific and Commercial Management to Achieve Sustainable High Yields and Profit by Honest, Dedicated & Disciplined Management Programmes with Recognition, Rewards, Incentives, 'Deterrents & Punishments', etc..

Management to be Open & Transparent with quick beneficial strategic commercial decision making process, where management decisions to be 'Accepted & Respected', while the Staff pursue to be 'Wanted & Demanded' by the enterprise.

Focus to Achieve 5% Annual Growth in Coconut Yield and Profit, up to 'Potential' Levels.

02. 2a. Scientific use of Fertilizer (Bio-Organic-Chemical) to alleviate nutritional deficiencies, while addressing possible excessive fertilizer uses and only to provide Yield Limiting Nutrients for High Nutrient Efficiency and Cost Effectiveness with High Return of Investment (ROI), based on Leaf-Soil Analysis, as Recommended by CRI-Differential Fertilizer Recommendation (DFR) Package.

2b. Facilitate CRI Pest Management Programmes to Benefit CPL Coconut Plantations also, specially establishing Predator Breeding & Releasing Laboratories at Strategic Locations for Biological 'Management / Control' of Aceria Mite (*Aceria guerreronis*), especially prevalent in Puttalam and Kurunegala Districts (Predator *Neoseiulus barakibreeding* in laboratories and releasing).

2c. Value Added Product manufacturing and marketing as per CRI Inventions/Developments. (e.g., 'Coconut Paste' finelyground whole kernel consists of Dietary Fibre, Proteins, Fats, Minerals, Carbohydrates, etc. with wide-range of health benefits, while saving about 30% 'residue' waste during present domestic coconut 'milking' process with hand.)

03. Planting Only Genetically Superior High quality Seedlings under strict scientific guidance of CRI scientists and Implementation of Appropriate - Beneficial CRI Field Recommendations. Conduct Win-Win Beneficial Applied Collaborative Projects with CRI (Cultivars, Fertility, Pests, etc.).

04. Daily Collection Fallen Nuts, effectively/efficiently (Mornings & Afternoons) with Incentives/ Rewards and Surprised Checks & Penalties (Heap Checks & Field Checks).

05. Mulching of ALL Productive Palms to 'alleviate Water Stress' and growing N-Fixing Cover Crops & NFTs.

06. Disciplined Field Management to maintain highest agricultural standards recommended by CRI.

07. Strict maintenance of Fences & Boundaries to 'Stop / Minimize' Loss of coconuts by Thieving.

08. Growing of High Return Perennial Crops e.g, Cinnamon, Rambutan, Lemon, Cashew, Jurian, Banana, etc..

09. Establishment of Commercial Nurseries to enhance Income (Coconut, Cashew, Fruits, etc..).

10. Planting of Timber Trees (Teak, Mahogany, Areaconut, etc.) with 'Flowering' fruit trees and 'Thorny Plants' along inside Boundaries (5-10 feet wide live barrier to deter thieves creeping inside) and along 'Strategic Rows' as future investment and to have 'Ecological Zones' for bees, butterflies, birds, etc. to enhance ecological balance with increase pollination. Organics, soil-water levels, etc..

CPL Twenty (20) Points Scientific Development Programme

(2010 June - 2011 - 2015)

11. Augment the National 'ApiWawamu Rata Nagamu' Food Self-sufficiency Programme, by implementing planting of Fruit Trees and Vegetables by Staff within the allocated area around Quarters and Selection of Best Productive Home Garden. HR Housing/Water/Health/Sports & CSR-Neighbour Vegetable Seedlings:
12. Growing specific short-term cash crops such as Manioc, Maize, etc..
13. Livestock Projects with NLDB (National Livestock development Board : Genetically Superior Embryos Milk Cows).
14. Commencement of Dry Coir Processing Projects as developed by CRI with renowned Inventor and Coconut Grower VidyaJyothi Dr Ray Wijewardene. Limited scale Copra & Coconut Oil Processing. After Improving Agricultural Production, which is the Core Strength of CPL, Profitable Processing & Value Addition Projects also would be initiated.
15. Growing Glyricidia as Nitrogen Fixing Tree (NFT) and N-Fixing Cover Crops to save Chemical N- Fertilizer & organic matter. Establish Dendro Power Project using Glyricidia as Energy Source (Fertility Row & Travel Row : 'SaruAlliya&GamanAlliya').
16. After Land Use Classification with CRI, all lands/estates within the CPL would be developed adhering to the priority development programmes, considering the ROI, agro-climates, landscape& suitability, environment, rainfall-water availability, resource (staff-equipment) availability, risk factors (both 'controllable & uncontrollable'), opportunity costs, etc. as guided by the Ministry adhering to the adhering to the 'MahindaChintanaya', Government National Development Programme.
17. Development and maintenance of all assets, including coconut plantations, buildings, vehicles, equipment, staff official quarters/bungalows, fences, roads, water resources, etc. and provision required facilities to resident Estate Staff to 'Reside' within the estates with their Families (e.g., essential furniture, water/electricity, etc.).
18. Scientific Coconut Based Asset/Land Development Programmes are detailed in the Strategic Corporate Plan of the CPL that consisted of Eight Thrust Areas :
 1. Profitability
 2. Productivity
 3. Management
 4. Marketing
 5. Product Development
 6. Human Resource Advancement
 7. Staff Motivation Packages (Recognitions, Achievers Awards, Incentives, Rewards., etc.
 8. Corporate Social Responsibility with relevant Goals, Objectives, Strategies, Time Line – Responsibility, KPIs / KPIs, (Key Productivity Indicators and Key Performance Indicators), etc..
19. Provision of Increased level of dividends to Treasury with the Increase in Profit, as per the 'MahindaChintanaya' to assist the Government National Development Programmes.
20. Participate National Productivity Awards Programmes by implanting Best Management Practices such as 5S, Kaizen, Six Sigma, ISO Standards, with Enhanced Staff Motivation and establishment of a CSR (Corporate Social Responsibility) Fund.

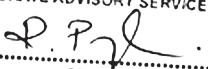
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chilaw Plantations Limited will be held at **Grand Oriental Hotel, No 02, York Street, Colombo 01; on Thursday, 27th June 2013, at 02.30pm** for the following purposes.

AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31st December 2012 with the Report of the Directors and Auditors thereon.
2. To re-appoint M/s, Aiyar & Company, Chartered Accountants and to authorize the Directors to determine the remuneration of M/s. Aiyar & Company.
3. To declare a Final Dividend of Rs 30 million payable to the Treasury from the profits for the year ending 31st December 2012.
4. Any other business.

By Order of The Board
Chilaw Plantations Limited

CORPORATE ADVISORY SERVICES (PVT) LTD

.....
SECRETARIES

Corporate Advisory Services (Pvt) Ltd
Secretaries - Chilaw Plantations Ltd
Date : 05 June 2013

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.

Form of Proxy

I/We the undersigned

of

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

- | | |
|--------------------------------|----------------|
| 1. Dr K Sunil Jayasekara | or falling him |
| 2. Mr A M Chandrapala | or falling him |
| 3. Mr K A Shantha R Dias | or falling him |
| 4. Mrs Priyangani Liyanage | or falling her |
| 5. Mr S Chandra S Fernando | or falling him |
| 6. Mr D A D Ruwan Danansooriya | or falling him |
| 7. Mr M S M Sakulla | or falling him |
| 8. Mr I M R Widanagamage | 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 Thursday, 27 June 2013 at 02.30pm 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 2012 with the Report of the Directors and Auditors thereon. | ☐ | ☐ |
| 2. To re-appoint M/s, Aiyar & Company, Chartered Accountants and to authorize the directors to determine the remuneration of M/s. Aiyar & Company. | ☐ | ☐ |
| 3. To declare a Final Dividend of Rs 30 million/= payable to Treasury from the profits for the year ended by 31st December 2012. | ☐ | ☐ |

Signature of Shareholder's

Shareholders NIC No :

Signed this day of 2013

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.

Design & Print by



Lakmart (Pvt) Ltd

011 2885120
lakmart1998@gmail.com

Head Office:

Chilaw Plantations Limited

Company Reg : N (PBS/CGB) PB-703

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

Tel : 032 5741273, 032 5741260 Fax : 032 2222162, 011 5577992 Chairman : 011 5 731414 General Manager : 011 5 741904

Email : cplmkt@sltnet.lk, cpl2@mobitелnet.lk