



Democratic Socialist Republic of Sri Lanka

Statement of Corporate Intent (SCI)
Chilaw Plantations Limited

**Agreement among the General Treasury,
Ministry of Plantation Industries (Line Ministry)
and
Chilaw Plantations Limited**

04th April 2023

**Ministry of Finance, Economic Stabilization & National Policies
Colombo 01.**

Statement of Corporate Intent

among
The General Treasury, Ministry of Plantation Industries
and
Chilaw Plantations Limited
2023-2025

The Statement of Corporate Intent is agreed among the General Treasury, Ministry of Plantation Industries (hereinafter referred to as "Line Ministry") and the Board of Directors of the Chilaw Plantations Limited (hereinafter referred to as "the Board"), a State-Owned Enterprise (SOE), established under the Companies Act, No 07 of 2007.

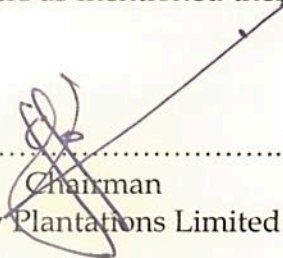
WHEREAS

The General Treasury is committed to clearly defining the working relationship among tri-parties.

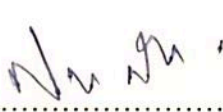
The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the board and management of the SOE of the agreed and freely negotiated performance targets set out in this statement.

The parties recognize their responsibilities in enhancing transparency in the management of public resources and accountability for results and committed to perform duties to achieve the targets specified under this statement.

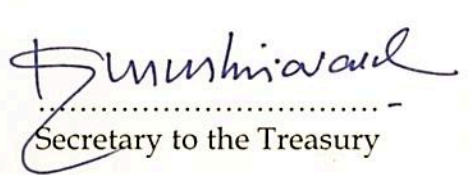
The parties are abiding by the responsibilities specified in the Guidelines for the Statement of Corporate Intent and subject to decisions taken by the Cabinet of Ministers as mentioned thereon or any other Government policy decisions.


.....
Chairman
Chilaw Plantations Limited

Date: .04.2023


.....
Secretary
Ministry of Plantation
Industries

Date: .04.2023


.....
Secretary to the Treasury

Date: .04.2023

JUDE PERERA
CHAIRMAN / CEO
Chilaw Plantations Limited

Janaka Dharmakeerthi
Secretary
Ministry of Plantation Industries
11th Floor, Sethsiripaya Stage II,
Battaramulla.

K.M.M. Siriwardana
Secretary to the Treasury and
Secretary to the Ministry of Finance,
Economic Stabilization and National Policies
The Secretariat
Colombo 01.

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	iii
1. INTRODUCTION	1
2. MACRO-ECONOMIC POLICY OF THE SECTOR.....	3
3. GOALS OF CHILAW PLANTATIONS LTD	3
4. OBJECTIVES CHILAW PLANTATIONS LTD.....	3
5. KEY PERFORMANCE INDICATORS (KPIs).....	4
6. FACTORS AFFECTING THE SCI.....	6
7. ASSUMPTIONS UNDERLYING THE SCI.....	6
8. MAJOR RISKS TO DELIVER THE SCI OUTCOMES AND MITIGATION STRATEGIES	7
9. COMPETITIVE NEUTRALITY	8
10. NON-COMMERCIAL GOODS & SERVICES.....	8
11. FINANCING POLICY.....	8
12. DIVIDEND POLICY.....	8
13. FINANCIAL INFORMATION.....	9

EXECUTIVE SUMMARY

Chilaw Plantations Limited (CPL), being a fully government owned company, has directly contributed 0.4% of the national coconut production in the year 2021. The company manages 5,733.23 hectares of coconut land which are located in the districts of Kurunegala, Puttalam and Gampaha. According to the agro-climatic conditions, lands of the CPL are situated in intermediate lowland and dry climate zones. As per the characteristics of the agro-climatic zones, variety of crops are undertaken having due consideration for suitable parameters. Coconut and cashew can be identified as major crops amongst. Additionally, the CPL has attempted to increase the productivity and production of a unit land by cultivating intercrops that can be combined with coconut. Fruit crops such as grafted mango, rambutan, dragon fruit, spices namely cinnamon and pepper and short-term vegetables in some lands have been systematically cultivated. Apart from these, buffalo, goat and sheep husbandry are also being successfully undertaken as livestock projects.

CPL earned a revenue of Rs. 975 Mn and the ever highest profit of Rs. 513.9 Mn (PBT) in the year 2022. Main focus of this SCI is related to the financial and non-financial performances of the company based on the key performance indicators (KPI's) agreed with the Ministry of Plantations Industries and the General Treasury.

Profit forecasted for the years 2023, 2024 & 2025 are Rs. 625 Mn, Rs. 1,266 Mn and Rs. 1,383 Mn respectively. As CPL is a company based on agriculture, the impact of changes in weather condition may affect the performance of the company. Nevertheless, without depending on few sources of income, CPL aims to diversify the income sources to many areas to sustain the turnover. In this aspect, PPP's, non-agricultural projects and value additions have been identified for implementation in this statement. Apart from financial performance factors CPL is committed to improve its performance on the aspects of introducing new technology such as ERP systems, GPS technology etc. Further human resource management and sustainable agriculture-based development programmes are implemented to ensure the going concern.

1. INTRODUCTION

1.1 Establishment

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. 100% of company shares and the 'Golden Shareholder' status have been allotted to the 'Secretary to the Treasury', on-behalf of the Government of Sri Lanka.

1.2 Vision

To maximize the contribution to the Sri Lankan economy through sustainable development of the coconut industry.

1.3 Mission

Having utilized limited resources in effective and efficient manner to make sustainable development of coconut-based industry and uplifting living standard of employees and general public through accepted policies.

1.4 Core Business / Principal Activities

- Cultivation of coconut
- Sale of green nuts & copra
- Processing of coconut based value added products
- Cultivation of intercrops

1.5 Market Share

CPL adopts strategies to increase its presence in the market which is 0.5% now to be increased by 5% annually to become an impactful player in the market.

1.6 Performance of Past 10 Years & Cadre Information

1.6.1 Financial and Non-Financial Performance of Past 10 Years

Table 1: Performance of Past 10 Years

Description	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Total Revenue	975,106	1,049,911	672,967	445,502	350,022	516,178	383,090	399,366	374,851	287,152
Gross Profit	454,166	529,114	274,615	89,086	(208)	205,574	148,707	148,748	152,726	112,890
Net Profit Before Tax	513,881	510,887	283,100	64,010	(35,179)	126,415	84,817	88,293	(61,273)	81,820
Profit After Tax	493,470	631,978	265,645	50,499	(32,302)	81,446	69,672	78,682	(62,072)	73,747
Non-Current Assets	1,476,838	2,393,161	2,330,233	2,095,406	1,990,961	1,864,178	1,706,715	1,539,367	1,374,450	1,240,323
Current Assets	1,418,580	1,005,036	524,867	250,233	184,466	296,326	300,494	256,882	356,230	454,231
Current Liabilities	362,574	287,756	232,244	157,011	107,101	123,432	134,591	54,740	57,100	45,452
Non-Current Liabilities	172,090	183,663	334,377	307,494	289,841	287,108	248,358	233,474	225,414	222,734
Equity	2,376,027	2,121,083	1,518,657	1,163,965	1,108,382	1,147,876	1,095,727	1,054,963	943,861	1,025,542
Dividend Paid	-	80,000	50,000	10,000	-	10,000	30,000	30,000	-	20,000
Crop (Nuts)	15,172	14,716	11,943	14,994	8,132	11,651	16,522	12,517	12,969	9,595
Nsa Per 1000 Nuts	57,613	57,517	47,900	24,996	35,823	42,000	23,186	31,906	28,903	29,929

Source: Chilaw Plantations Ltd.

1.6.2 Cadre Information

Total employment of the Chilaw Plantations Limited as at December 31, 2022 was 107. Majority of the key positions are handled by well experienced personnel who have academic and professional qualifications. Number of staff at different levels are as follows.

Table 2 : Cadre Information

Employee Category	Approved Cadre	Actual Cadre
Higher Management (HM)	5	7
Middle Management (MM)	17	15
Junior Management (JM)	34	29
Management Assistant	33	29
Primary Level (PL)	27	27
Trainees / Casual & Contracts	0	0
Total	116	107

Source: Chilaw Plantations Ltd.

1.7 Board of Directors' Responsibility for Operational and Financial Performance of the SOE

CPL's Board of Directors is responsible for the operational and financial performance of the board. This SCI sets out the agreed financial and non-financial targets of CPL for the financial years from 2023 to 2025.

2. MACRO-ECONOMIC POLICY OF THE SECTOR

To be self-sufficient in local coconut requirement and to cater the demand of local producers.

3. GOALS OF CHILAW PLANTATIONS LTD

Goal 1: Diversification / improve quality and marketability of coconut & other products.

Goal 2: Increase productivity and income through the use of natural resources, inter crops & livestock.

Goal 3: Adoption of new technology to the operations optimally.

4. OBJECTIVES CHILAW PLANTATIONS LTD

Goal 1: Diversification/ improve quality and marketability of coconut & other products.

1.1 Increase 06 (six) value added products to the market by end 2025.

Goal 2: Increase productivity and income through the use of natural resources, inter crops & livestock.

2.1 Use of natural resources to achieve the 20% profit increase by 2023.

Goal 3: Adoption of new technology to the operations optimally.

3.1 Increase efficiency & productivity through minimizing expenditure on manpower by establishing 300 acres of modern irrigation system and other methods.

5. KEY PERFORMANCE INDICATORS (KPIs)

Goal 01: Diversification / improve quality and marketability of coconut & other products.

Table 3: Key Performance Indicators

Objective	KPIs	Unit of Measurement	Base Year 2022	Target		
				2023	2024	2025
To increase 06 no's of value-added products to the market by end 2025	Profit from the value added products	Rs' Mn	-	192	768	768

Goal 02: Increase productivity and income through the use of natural resources , inter crops & livestock, in order to increase the total revenue.

Table 4 : Key Performance Indicators

Objective	KPIs	Unit of Measurement	Base Year 2022	Target		
				2023	2024	2025
Optimal utilization of land to achieve the 20% profit increase by 2023	No. of hectares to be leased out	Ha	460	800	800	800
	Increased revenue from leasing lands for short term cultivation	Rs. Mn	12.9	23.9	24.1	24.1
	Projected income from De-	Rs. Mn		131.5	100	100

	silting tanks project					
	Projected income from Bottled water project-PPP	Rs. Mn		1.8	1.8	1.8
	Projected income from metal rock project	Rs. Mn		18	18	18
	Projected income from solar power project	Rs. Mn		2	30	30
	Projected income from Eco-tourism project	Rs. Mn		6.2	6.2	6.2

Goal 03: Adoption of new technology to the operations optimally.

Table 5: Key Performance Indicators

Objective	KPIs	Unit of Measurement	Base Year 2022	Target		
				2023	2024	2025
Increase efficiency & productivity through minimizing expenditure on manpower by establishing 300 acres modern irrigation system and other methods.	Investment on Irrigation system	Rs. Mn	50	100	100	100

Table 6: Key Performance Indicators

Description		2022	2023	2024	2025
Financial KPIs					
1	Revenue growth (%)	-7	15	15	18
2	Gross profit ratio (%)	47	30	31	30
3	Net profit margin (%)	51	48	76	70
4	Net profit before tax (Rs. Mn)	514	625	1267	1383
5	COP - Coconut (Rs.)	29	40	44	46
6	Debtors collection period (days)	8	16	15	15
7	Return on assets (%)	16	18	30	24
Non-Financial KPIs					
8	Coconut crop/year (Mn nuts)	15.17	14.71	15.45	16.22
9	Nuts per palm	49	54	57	60

6. FACTORS AFFECTING THE SCI

6.1 Revenue

- i. Market volatility and the supply and demand factors can affect the revenue of the company as the price is mainly determined by the domestic consumption and small holder farmers supplying capacity.
- ii. Weather conditions could cause considerable impact on performance.
- iii. Unforeseen pests and diseases and infestations.
- iv. Government policy changes and labour, trade union actions.

6.2 Expenditure

- v. Price fluctuations in agriculture and other inputs.
- vi. Government tariffs, taxes and other statutory expenditure.
- vii. Freight charges & Import restrictions.
- viii. Obtaining of approvals from various parties for project implementations.
- ix. Clearances and other regulatory issues.

7. ASSUMPTIONS UNDERLYING THE SCI

The key assumptions used to prepare the financial projections included in this SCI are explained below.

Table 7: Assumptions underlying the SCI

Underlying Performance Factor	Assumed value (2023)	Sensitivity
Nuts per palm	54	+/- 1 nut would increase/decrease net profit by Rs.12 Mn.
Fertilizer cost	Rs. 107 Mn	+/- 1% in fertilizer cost would increase/ decrease the total cost of production by 0.14%.
Interest rate	13%	+/- 1% in interest rate would increase/ decrease the net profit by Rs. 9 Mn.

8. MAJOR RISKS TO DELIVER THE SCI OUTCOMES AND MITIGATION STRATEGIES

Table 8: Major Risks & Mitigation Strategies

Anticipated Risk	Mitigation Strategy
Fluctuation in the coconut prices in the market.	<ul style="list-style-type: none"> ➤ Alternative methods to market produce at a higher rate. ➤ Improving other income sources.
Liquidity risk: The potential loss of earnings arising due to inability to meet the CPL's obligations in a timely manner.	<ul style="list-style-type: none"> ➤ Liquidity position is consistently monitored.
Operational risk: Risk of incurring losses resulting from lesser crop harvested and low prices obtained for the Agriculture produces	<ul style="list-style-type: none"> ➤ Good agricultural and management practices to maximize the crop harvest and monitoring the market fluctuations to get the maximum benefit by selling the produce at correct time of the year. Targeting the low crop instances compensated by high NSA and vice versa.
Credit risk: The lease rentals receivable in respect of produce , lands leased out for various purposes etc.	<ul style="list-style-type: none"> ➤ Close monitoring on regular basis and delays in settlement of rentals are minimized by way of forwarding invoices, reminders, etc.
People risk Lack of motivation and lack of knowledge of the job, resulting in poor productivity and outputs. Employees leaving for other industries or companies for better remunerations and higher positions.	<ul style="list-style-type: none"> ➤ Workshops and training programs undertaken. ➤ Improving employees' benefits by way of financial / non-financial incentives & fringe benefits. ➤ Maintaining healthy relationships with trade unions through regular dialogues. ➤ Ensure compliance with all regulatory requirements with regard to the benefits applicable to the employees. ➤ Ensuring promotions from within, to senior positions as far as possible and depending on the suitability.

9. COMPETITIVE NEUTRALITY

Not applicable.

10. NON-COMMERCIAL GOODS & SERVICES

CPL does not involve in provisioning of non-commercial goods and services.

11. FINANCING POLICY

The company expects to utilize internally generated funds during the SCI period of 2023-2025.

12. DIVIDEND POLICY

The CPL is bound by the dividend policy stipulated in the Section 5.3 of the Operational Manual for state owned enterprises issued by the Department of Public Enterprises i.e. at least thirty (30) percent of the profit after tax is distributed to the consolidated fund/shareholders, having satisfied the solvency test as stipulated in the Companies Act, No. 07 of 2007.

13. FINANCIAL INFORMATION

13.1. Forecasted Financial Statement

13.1.1. Forecasted Income Statement

Table 9: Forecasted Income Statement

Description	2021	2021	2022	2023	2024	2025
	Audited (Rs)	Audited (Rs.'000)	Non Audited (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)
Revenue	1,049,911,121	1,049,911	975,106	1,118,565	1,288,932	1,520,745
Cost of Sales	520,797,587	520,798	520,940	784,118	891,497	1,057,292
Gross Profit	529,113,534	529,114	454,166	334,447	397,435	463,452
Gain(Loss) on fair value of Biological Assets	42,531,191	42,531	15,025	-		
Other Operating Income & Gains	160,985,376	160,985	181,536	321,526	319,285	320,760
Profit From Proposed Intergrated Coconut Processing Factory		-	-	192,000	768,000	768,000
Administration & General Expenses	(206,940,871)	(206,941)	(229,028)	(300,544)	(366,198)	(404,980)
Profit From Operations	525,689,231	525,689	421,700	547,429	1,118,522	1,147,232
Finance Income	25,611,433	25,611	135,874	117,836	192,000	280,000
Finance Expenses	(40,413,552)	(40,414)	(43,693)	(40,000)	(44,000)	(44,000)
Profit Before tax	510,887,112	510,887	513,881	625,265	1,266,522	1,383,232
Taxation (Provisions) / Reversal	121,091,847	121,092	(20,411)	(93,529)	(288,590)	(315,429.27)
Profit/(Loss) After Tax	631,978,959	631,979	493,470	531,735	977,932	1,067,803
Other Comprehensive Income						
Defined benefit plan actuarial gains/(losses)	20,810,990	20,811	21,063			
Deferred tax adjustment on asset revaluation	(364,008)	(364)	(562)			
Total Comprehensive Income for the year, Net of Tax	652,425,941	652,426	513,971	531,735	977,932	1,067,803
Earning Per Share	Rs. 31.60	31.60	24.67	26.59	48.90	53.39

Source: Chilaw Plantations Ltd.

13.1.2. Forecasted Statement of Financial Position

Table 10: Forecasted Statement of Financial Position

Description	2021	2022	2023	2024	2025
	Audited (Rs.'000)	Non Audited (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)
Non current Assets					
Leasehold Right to Bare Land of JEDB Estates	63,045	60,356	57,670	54,981	52,292
Leasehold Property Plant & Equipment of JEDB /Estates	786	769	715	698	681
Leased Bearer Biological Assets of JEDB Estates	12,980	10,939	8,180	6,180	4,280
Improvements to Leasehold Property	992,716	1,028,825	1,156,293	1,237,293	1,318,293
Biological Assets Livestock	14,902	25,779	14,902	25,779	25,779
Consumable Biological Assets	135,254	138,314	135,254	135,254	135,254
Freehold Property Plant & Equipment	156,222	193,730	323,109	475,109	610,109
Investment on Coconut Intergated Factory	-	-	255,000	255,000	255,000
Other Finance Assets	11,245	17,811	20,000	21,000	22,000
Deffered Tax Asset	315	-	315	315	315
Total	1,387,465	1,476,523	1,971,437	2,211,609	2,424,003
Current Assets					
Produce on Bearer Biological Assets	33,767	30,195	33,767	33,767	33,767
Inventories	159,176	195,288	119,016	169,344	184,320
Trade & Other Receivable	68,344	127,630	88,709	96,160	116,860
Income Tax Receivable	-	-	-	-	-
Other Finance Assets	4,245	6,159	10,000	12,000	15,000
Other Current Assets	782	1,226	1,000	1,300	2,000
Short Term Investment & Cash & Cash Equivalents	738,722	1,053,010	1,028,380	1,736,494	2,386,144
Total	1,005,036	1,413,509	1,280,872	2,049,066	2,738,091
Total Assets	2,392,501	2,890,032	3,252,309	4,260,674	5,162,094
Equity and Liabilities					
Capital & Reserves					
Stated Capital	200,000	200,000	200,000	200,000	200,000
Retain Earnings	1,417,658	1,833,592	2,645,796	3,523,728	4,391,531
Revaluation Reserves	303,425	321,461	-	-	-
Total	1,921,083	2,355,053	2,845,796	3,723,728	4,591,531
Non Current Liabilities & Defferd income					
Deferred Tax liability	-	314	-	-	-
Deferred Grant and Subsidies	7,229	9,776	5,222	6,800	6,700
Retirement Benefit Obligations	81,228	69,808	91,586	90,400	92,400
Liability to Make Lease Payment for the JEDB Estates	95,205	92,506	89,998	93,100	92,800
Total	183,663	172,404	186,806	190,300	191,900
Current Liabilities					
Trade & Other Payables	279,314	344,602	170,138	247,549	270,520
Income tax Payable	52	15,273	46,765	96,197	105,143
Interest Bearing Loans & Borrowings	5,794	-	-	-	-
Liability to Make Lease Payment for the JEDB Estates	2,596	2,699	2,807	2,900	3,000.00
Total Liabilities	287,756	362,575	219,710	346,646	378,663
Total Equity and Liabilities	2,392,501	2,890,032	3,252,309	4,260,674	5,162,094

Source: Chilaw Plantations Ltd.

13.1.3. Forecasted Statement of Cash Flows

Table 11: Forecasted Statement of Cash Flows

Direct Method	2023	2024	2025
	Forecasting (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)
Cash Flows From Operating Activities			
Cash Receipts from Sale Proceed	831,992	1,010,258	1,135,018
Sundry income/ Others received	616,331	604,259	706,261
Advance for seed nuts CCB	-	-	-
Income from Intergrated Factory	192,000	768,000	768,000
Excess sale refund	-	-	-
Cash Paid to Suppliers & Employees	(912,864)	(1,036,209)	(1,217,776)
Income Tax	(81,767)	(239,158)	(306,483)
Net Cash from operating activities	645,691	1,107,150	1,085,020
Cash Flow From Investing Activities			
Interest Received	152,836	193,500	290,800
Expenditure for immature area	(149,477)	(101,000)	(102,000)
Capital Investment for Intergrated Factory	(255,000)	-	-
Capital Item Purchases	(176,879)	(187,000)	(175,000)
Net Cash from Investing activities	(428,520)	(94,500)	13,800
Cash Flows From Financing Activities			
Dividend To Treasury	(80,000)	(100,000)	(200,000)
Bonus As per PED circular	(11,000)	(15,000)	(15,000)
Payment of Leas Rental (JEDB / Lands to MPI - Tre	(42,699)	(46,699)	(47,600)
Loan	-	-	-
Incentive Payment	(98,840)	(115,235)	(157,920)
Festival loan	(12,000)	(15,000)	(16,000)
Distress Loan - Staff	(10,000)	(12,000)	(12,000)
Bank Charges	(520)	(600)	(650)
Net Cash use In finance Activities	(255,059)	(304,535)	(449,171)
Net Increase In Cash & Cash Equivalents	(37,888)	708,115	649,649
Cash and Cash equivalents at the Beginning of the peri	1,066,268	1,028,380	1,736,494
Cash and Cash equivalents at the end of the perio	1,028,380	1,736,495	2,386,144

Source: Chilaw Plantations Ltd.

13.1.4. Capital Investment Plan

Table 12: Capital Investment Plan

Description	2023	2024	2025
	Forecasting (Rs.'000)	Forecasting (Rs.'000)	Forecasting (Rs.'000)
Equipment	15,125	15,000	13,000
Furniture	2,334	6,000	4,000
Vehicle	9,650	25,000	23,000
Building	27,825	15,000	13,000
Fencing	14,045	18,000	16,000
Water Supply	2,110	3,000	3,000
Stud Bulls & Cart Bulls	925		
Integrated Factory	255,000		
Others	4,865	5,000	3,000
Irrigation System	100,000	100,000	100,000
Total	431,879	187,000	175,000

Note: All Capital Expenditure is funded by CPL

Source: Chilaw Plantations Ltd.