

Kurunegala Plantations Ltd.



Unaudited Financial Statements

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

Kurunegala Plantations Limited
No.80, Dambulla Road
Kurunegala

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2023 Rs.	2022 Rs.
Revenue	4	1,010,951,819	1,065,494,048
Cost of sales	5	(563,224,713)	(549,558,623)
Gross profit		447,727,106	515,935,425
Gain/(Loss) on Fair Value of Biological Assets	16.2	2,300,502	35,448,638
Other operating income	6	86,139,304	65,261,823
Administration & general expenses	7	(226,833,617)	(223,251,034)
Profit from operating activities		369,333,295	393,394,852
Net financial income / (expenses)	8	165,097,450	118,144,550
Profit before taxation		534,430,745	511,539,402
Income tax expense	9	(57,820,389)	(39,164,963)
Profit for the year		476,610,356	472,374,439
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)		(29,036,813)	18,654,998
Revaluation Reserve		6,210,036	-
Total comprehensive income for the year		453,783,579	491,029,437
Earnings per share	10	23.83	23.62

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

STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2023 Rs.	2022 Rs.
ASSETS			
NON-CURRENT ASSETS			
Right-of-use land			
Immovable lease assets (other than bare lands)	11	56,152,820	58,767,078
Property, plant & equipment	12	7,937,067	10,560,635
Consumable biological assets	13	2,235,123,905	1,960,092,523
Other financial assets	14	345,641,117	288,723,832
	15	20,212,000	19,449,229
		2,665,066,909	2,337,593,297
CURRENT ASSETS			
Produce on bearer biological assets	16.1	24,528,771	18,932,784
Inventories	16.3	117,376,162	76,068,029
Deposits	17	4,691,770	4,122,470
Pre-payments	18	2,753,537	2,688,692
Pre-paid expenditure on short term projects	19	12,182,275	10,245,115
Trade & other receivables	20	133,771,319	164,772,917
Other financial assets	15	12,075,211	11,179,534
Short term investments	21	875,200,000	1,000,200,000
Cash and bank balance	22	15,051,304	66,682,758
		1,197,630,349	1,354,892,300
Total assets		3,862,697,258	3,692,485,597
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated capital	23	200,000,010	200,000,010
Retained earnings		2,503,650,509	2,314,340,656
Biological asset valuation reserve		517,452,741	455,152,239
Revaluation Reserve Vehicle		122,089,610	115,879,574
Other reserves		70,647,014	99,683,827
		3,413,839,884	3,185,056,305
NON-CURRENT LIABILITIES			
Retirement benefit obligations	24	145,755,645	117,802,881
Net liability to lessor	25	72,954,822	76,520,026
Deferred tax liability	26	-	-
		218,710,467	194,322,907
CURRENT LIABILITIES			
Net liability to lessor			
Advance received	25	3,565,204	3,565,204
Income tax payable	27	5,877,704	10,738,353
Trade and other payables		31,672,908	18,388,943
	28	189,031,092	280,413,885
		230,146,908	313,106,385
Total equity and liabilities		3,862,697,258	3,692,485,597

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

0.02

0.02

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

DISSANAYAKE DIK
MANAGER - FINANCESAMARAKOON SMM
CHIEF EXECUTIVE OFFICERThe board of directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the board of directors of Kurunegala Plantations Limited.JAYAWARDANA KGGFJ
CHAIRPERSON
Kurunegala, 29th February 2024WIJEBANDARA WMD
DIRECTOR/ TREASURY REPRESENTATIVE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December

	Stated capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at December 31, 2021	200,000,010	419,703,601	81,028,828	115,879,574	2,002,414,854	2,819,026,867
Net profit for the year 2022					472,374,439	472,374,439
Other Comprehensive Income			18,654,998		-	18,654,998
Revaluation Reserve				-		-
Transferred to Biological Assets Reserve		35,448,638			(35,448,638)	-
Dividend					(125,000,000)	(125,000,000)
Balance as at December 31, 2022	200,000,010	455,152,239	99,683,826	115,879,574	2,314,340,655	3,185,056,304
Net profit for the year 2023					476,610,356	476,610,356
Other Comprehensive Income			(29,036,813)		-	(29,036,813)
Revaluation Reserve				6,210,036		6,210,036
Transferred to Biological Assets Reserve		62,300,502			(62,300,502)	-
Dividend					(225,000,000)	(225,000,000)
Balance as at December 31, 2023	200,000,010	517,452,741	70,647,013	122,089,610	2,503,650,509	3,413,839,883

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

STATEMENT OF CASH FLOW

For the year ended 31st December	2023 Rs.	2022 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	534,430,745	511,539,402
Adjustments for		
Depreciation & amortization	92,614,886	84,162,950
Provision for retirement benefit obligations	30,297,366	20,326,144
Impairment of Bad & Doubtful Debts	-	5,076,634
Profit on disposal of property plant & equipment	(14,883)	(3,494)
Profit on sales bearer plants	(41,173,432)	(29,839,522)
Profit from sale of Timber Trees	(7,688,488)	(2,775,095)
Gain arising from changes in fair value less cost to sell - consumable biological assets	(62,300,502)	(35,448,638)
Net finance income	(165,097,450)	(118,144,550)
Profit before working capital changes	381,068,242	434,893,833
Changes in working capital		
Inventories	(41,308,133)	7,444,026
Deposits	(569,300)	(3,167,770)
Pre-payments	(64,845)	(898,869)
Trade and other receivables	(5,400,297)	(37,546,231)
Pre-paid expenditure on short term projects	(1,937,159)	1,474,829
Advance received	(4,860,649)	5,749,279
Trade and other payables	(91,382,793)	39,452,347
Cash generated from operations	235,545,066	447,401,443
Payment of retirement benefit costs	(31,381,414)	(15,547,038)
Income tax paid	(32,931,920)	(26,369,023)
Withholding tax paid	(11,604,504)	-
Economic service charge paid	-	-
Net cash generated from operating activities	159,627,228	405,485,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(356,513,005)	(211,006,620)
Additions to consumable biological assets	(538,969)	(1,643,921)
Proceeds from disposal of property, plant & equipment	34,850	17,200
Proceeds from disposal of bearer plants - coconut & rubber trees	41,709,091	30,642,008
Proceeds from sale of consumable biological assets	8,014,687	5,564,780
Net investment in term deposits	125,000,000	(225,000,000)
Interest received	244,713,945	88,593,884
Net cash flows used in investing activities	62,420,598	(312,832,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	(47,020,833)	(37,161,500)
Interest on short term borrowings	-	-
Loan given to staff	(19,468,250)	(15,392,460)
Staff loan recoveries	17,809,802	13,726,798
Dividend paid	(225,000,000)	(50,000,000)
Net cash flows used in financing activities	(273,679,281)	(88,827,162)
Increase/(decrease) in cash and cash equivalents	(51,631,454)	3,584,523
Cash and cash equivalents at the beginning of the year	66,682,758	63,098,236
Cash and cash equivalents at the end of the period (Note - A)	15,051,304	66,682,758

Note - A

Cash and Cash Equivalents as at	31.12.2023 Rs.	31.12.2022 Rs.
Term Deposits matured within 03 months at		
Bank of Ceylon	-	-
Peoples' Bank	-	-
National Savings Bank	-	-
Repo	234,000,000	83,000,000
Cash at Bank	(223,618,296)	(20,689,449)
Cash in Hand	4,650,240	4,357,467
Postage/Stamps	19,360	14,740
	15,051,304	66,682,758

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

ACCOUNTING POLICIES

01. GENERAL

1.1 Legal Status of the Reporting Entity

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

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

1.2 Principal Activities and Nature of Business

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

Attanagalla	Dambadeniya
Dodangaslanda	Kurunegala
Katugampola	Narammala
Hiriyala	

02. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Going Concern

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

2.3 Basis of Presentation

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

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

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

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgments

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

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

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

- Note 12 - Immovable lease assets other than leasehold right to bare land
- Note 14 - Consumable biological assets
- Note 24 - Measurement of defined benefit obligation.
- Note 26 - Deferred taxation

ACCOUNTING POLICIES

2.6 Comparative Information

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

03. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Assets and the Basis of their Valuation

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

3.1.1 Property, Plant & Equipment

3.1.1.1 Recognition and Measurement

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

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

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

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

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

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

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

existing surplus on the same asset recognized in the asset revaluation reserve.

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

3.1.1.2 Subsequent Expenditure

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

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

3.1.1.3 De-recognition

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

3.1.1.4 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset. The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 - Borrowing Costs. Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income.

3.1.1.5 Depreciation and Amortization

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

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

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

ACCOUNTING POLICIES

<u>Asset Category</u>	<u>No of Years</u>
Buildings	40
Electrifications	40
Solar Power Electricity System	10
Wells	40
Fencing	03
Motor Vehicles	05
Machinery	13 1/3
Furniture & Fittings	10
Equipment	08
Irrigation	08
Computers	05
Shop Container	15
Improvements to land	05

The Company depreciated up to and including the year 2018 as follows; an asset acquired in a particular year is not depreciated for that year and the depreciation of that particular asset begins from the next financial year. When such asset is disposed, the depreciation for the full year is provided in the year in which the said asset is disposed. However, as per the LKAS 16 depreciation of an asset shall begin when it is available for use. So, the depreciation of asset acquired during the year 2019 has been carried out accordingly.

3.1.1.6 Land Development Cost

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

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

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

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

3.1.1.7 Leased Assets

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

principal / capital elements payable to the lessor are shown as liability / obligation.

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

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

3.1.1.8 Impairment of Non-Financial Assets

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

An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

3.1.2 Biological Assets

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

ACCOUNTING POLICIES

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

3.1.2.1 Bearer Plants

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

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

The expenditure incurred on immature plantations which come into bearing during the year, is transferred to mature plantations at the end of the year and is depreciated over their useful lives as follows.

Asset Maturity Period (Years) Economic

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

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

Disposal of trees are done on FIFO basis.

3.1.2.2 Infilling cost on Bearer Plants

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are

depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period whichever is lower. Infilling costs that are not capitalized have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

3.1.2.3 Consumable Biological Assets

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

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

The main variables in DCF model concerns.

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

3.1.2.4 Recognition and Measurement

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

ACCOUNTING POLICIES

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

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

3.1.2.5 Produce Growing on Bearer Biological Assets

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

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

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

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

3.1.3 Financial Instruments

(a) Recognition and initial measurement

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

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

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

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

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

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

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

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest

ACCOUNTING POLICIES

income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g., non-recourse features).

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

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

Financial assets at FVTPL

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

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

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

Equity investments at FVOCI

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

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

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:

ACCOUNTING POLICIES

- held for trading
- derivative hedging instruments; or
- designated as at FVTPL

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

Financial assets at FVTPL

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

Held-to-maturity financial assets

Measured at amortized cost using the effective interest method.

Loans and receivables

Measured at amortized cost using the effective interest method.

Available-for-sale financial assets

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

(c) Derecognition

Financial assets

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

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

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

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

Impairment policy: applicable from 1 January 2018

Non-derivative financial assets

Financial instruments and contract assets

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Impairment Policy: applicable prior to 1 January 2018

Financial assets (including receivables)

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

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

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

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment Policy: Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any

ACCOUNTING POLICIES

indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

Financial Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties.

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

Liquidity Risk

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

Interest Rate Risk

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

3.1.4 Inventories

Agricultural Produce harvested from Biological Assets

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

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

Agricultural Produce after further processing

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

Input Material, Consumables and Spares

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

Growing Crop Nurseries

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

3.1.5 Cash & Cash Equivalents

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

3.2 Liabilities and Provisions

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

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

ACCOUNTING POLICIES

3.2.1 Employee Benefits

Defined Contribution Plans – EPF & ETF

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

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

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

Defined Benefit Plan – Retirement Gratuity

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

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

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

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

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

amortized on a straight-line basis over the vesting period.

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

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

3.3 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Company's control. All material Capital Commitments and Contingent Liabilities are disclosed in Note 29.

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

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

3.5 Statement of Comprehensive Income

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

3.5.1 Revenue Recognition

Sale of Goods

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

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

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

ACCOUNTING POLICIES

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

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

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

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

Interest Income

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

Gains or Losses on Disposal

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

3.5.2 Expenditure Recognition

Operating Expenses

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

Finance Cost

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

Tax Expense

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Comprehensive Income except to the extent that it

relates to items recognized directly in equity, when it is recognized in equity.

Current Taxes

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

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

Deferred Taxation

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

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Statement of Financial Position, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

3.6 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method'. Lease rental paid, dividend paid

ACCOUNTING POLICIES

and grants received are classified as financing cash flows while interest received and dividends received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows.

3.7 Earnings per Share

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

3.8 Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December

	2023 Rs.	2022 Rs.
4 REVENUE		
Coconut (Note 4.1)	811,898,229	875,075,671
Rubber (Note 4.2)	43,122,134	54,570,949
Coconut Husk	12,680,048	8,756,502
Rambutan	11,014,137	8,868,953
Pepper	5,416,347	7,860,486
Cashew	27,092,706	25,752,625
Mango	15,549,967	12,721,393
Foliage & Ornamental Plants	-	-
Sales Center	20,356,637	-
Coconut Oil	9,274,828	13,670,133
Others	54,546,786	58,217,325
	1,010,951,819	1,065,494,038
4.1 Coconut Income		
Green nuts	795,504,903	835,494,385
Seed nuts (No of Nuts 99,146 - 2022)	-	7,926,550
Rejection Nuts	6,579,862	6,914,763
Copra	9,813,463	24,739,973
	811,898,229	875,075,671
Production (Nuts)	12,938,759	15,534,498
Sales (Nuts)	12,748,710	16,038,589
Net Sales Average (per 1,000 nuts)	63,685	54,561
Cost of Sales (per 1,000 nuts)	34,260	28,320
4.2 Rubber Income		
RSS	-	-
Latex	40,955,073	52,522,508
Scrap & Cuttings	2,167,061	2,048,441
	43,122,134	54,570,949
Production (Kg)	85,350	95,572
Sales (Kg)	86,816	96,167
Net Sales Average (per 1 Kg)	497	567
Cost of Sales (per 1 Kg)	499	419
5 COST OF SALES		
Coconut	436,773,019	454,213,443
Rubber	43,316,665	40,295,131
Rambutan	5,722,000	2,875,284
Pepper	4,877,338	3,445,995
Cashew	10,791,205	7,450,607
Mango	6,364,787	2,752,443
Foliage & Ornamental Plants	-	1,093,414
Others	55,379,699	37,432,306
	563,224,713	549,558,623

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December

	2023 Rs.	2022 Rs.
6 OTHER OPERATING INCOME		
Profit on sales bearer biological assets (Note - 6.1)	41,173,432	29,839,522
Profit / (Loss) on disposal & sale of Property Plant & Equipment	14,883	3,494
Profit from sale of Timber Trees	7,688,488	2,775,095
Late removal & payment charge -coconut	8,902,338	9,236,758
Lease/ facility fee income	12,158,791	17,441,101
Write back/ (Write off)	4,085,228	3,367,438
Other miscellaneous income	12,116,144	2,598,416
	86,139,304	65,261,823
6.1 Profit on sales bearer biological assets - Coconut Tree Sales	14,490,751	21,955,158
Less: Cost of Tress disposed during the year	(391,566)	(279,840)
Add: Accumulated depreciation as at 31st December	391,566	279,840
	14,490,751	21,955,158
Profit on sales bearer biological assets - Rubber Tree Sales	27,218,340	8,686,850
Less: Cost of Tress disposed during the year	(2,848,812)	(5,098,759)
Add: Accumilted depreciation as at 31st December	2,313,152	4,296,273
	26,682,681	7,884,364
Profit on sales bearer biological assets	41,173,432	29,839,522
7 ADMINISTRATION & GENERAL EXPENSES		
Payroll Related Expenses	156,131,423	167,289,799
Maintenance & Repairs	25,180,482	18,634,124
Other Administration Expenses	45,521,713	37,327,110
	226,833,617	223,251,034
PROFIT FROM OPERATING ACTIVITIES		
<i>is stated after charging the following;</i>		
Directors emoluments	3,709,321	3,306,160
Auditors fees on statutory audit	977,084	813,000
Donations	105,000	484,818
Depreciation/ Amortization-		
Leasehold rights to bare land of JEDB Estates	2,614,258	2,614,259
Immovable leased assets of JEDB Estates	2,616,727	2,996,826
Mature Plantation	27,967,053	23,412,725
Property, plant and equipment	59,416,848	55,139,142
Personal Cost includes		
Defined Benefit Plan - Retirement Gratuity	30,297,366	20,326,144
Defined Contribution Plan Cost - EPF and ETF	41,297,786	39,979,379
Performance incentive	90,000,000	89,623,016
Bonus	16,204,156	15,988,434
Holiday Pay	8,420,164	8,472,211
Medical Leave	7,893,183	7,689,041
Salaries & Wages	352,693,141	344,191,158

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December

	2023 Rs.	2022 Rs.
8 NET FINANCIAL INCOME /(EXPENSE)		
FINANCE INCOME		
Interest on Term Deposits	195,875,851	134,432,405
Interest on REPOs	11,116,599	15,822,023
Interest on Loans given to Staff	1,560,629	1,486,418
Un-winding of Pre-paid Staff Benefits	3,788,383	2,510,459
	212,341,462	154,251,305
Less: FINANCE COST		
Interest on Lease - JEDB	43,455,629	33,596,296
Amortization of Staff Cost	3,788,383	2,510,459
	47,244,012	36,106,755
Net financial income /(expense)	165,097,450	118,144,550
9 INCOME TAX EXPENSE		
Current Income Tax Expense (Note 9.1 & 9.2)	57,820,389	39,164,963
Deferred Taxation (Note 9.3 & 26)	-	-
	57,820,389	39,164,963

9.1 CURRENT INCOME TAX EXPENSE

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

9.2 Reconciliation between Accounting Profit to Income Tax

Accounting Profit Before Taxation	534,383,307	511,539,402
Income from other sources & exempt income	242,081,224	284,001,926
	776,464,530	795,541,329
Tax on Concessionary Rate predominantly engage in agriculture 14%	-	-
Tax on agricultural activities 0%	-	-
Tax on other income 30%	57,820,389	39,164,963
Gross Income Tax Liability	57,820,389	39,164,963

9.3 DEFERRED TAX

Provision has been made for deferred taxation up to December 31,2020 under the liability method in respect of temporary differences arising from carrying amounts of assets and Liabilities for financial reporting purposes and the amounts used for taxation purpose as described in Note 26. As stated under 9.2 above as per the policy decision taken by the Government, business profit arising from Agro farming is exempt from income tax w.e.f April 1,2019. Therefore company has decided to reverse the brought forward deferred tax liability to statement of comprehensive income and not to recognize the deferred tax liability for future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December

2023
Rs.2022
Rs.

10 EARNINGS PER SHARE

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

10.1 Basic Earnings per Share

Profit attributable to Ordinary Shareholders (Rs.)	476,610,356	472,374,439
Weighted average number of ordinary shares	20,000,001	20,000,001
Earnings Per Shares (Rs. Cts.)	23.83	23.62

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2023. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

11 LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD

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

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

11.3 Leasehold Right to Bare land (53 years)

	Rs.
COST	
Capitalized Value as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2022	(50,586,168)
Balance as at 31.12.2022	138,648,764
Disposals due to change in controlling interest from 01.01.2023 - 31.12.2023	-
Balance as at 31.12.2023	138,648,764
AMORTIZATION	
Accumulated amortization as at 01.01.2022	77,267,426
Amortization for the year 2022	2,614,259
Accumulated amortization as at 31.12.2022	79,881,685
Amortization for the year 2023	2,614,258
Disposals due to change in controlling interest from 01.01.2023 - 31.12.2023	-
Balance as at 31.12.2023 (Note - A)	82,495,943
WRITTEN DOWN VALUE	
As at 31.12.2022	58,767,079
As at 31.12.2023	56,152,821
Note - A	
No. of Days for the lease period from 18.06.1992 - 17.06.2045	19,358
No. of Days for the period from 18.06.1992 - 31.12.2023	11,518
Amortization as at 31.12.2023 (138,648,765 / 19,358 x 11,518)	82,495,943

NOTES TO THE FINANCIAL STATEMENTS

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

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

Revaluation	Life of the Asset years	As at 18.06.1992 Rs.	Transfer in/ (Out) Rs.	Disposals Rs.	Balance as at 31.12.2023 Rs.
Land Development Cost	30	1,127,305		(4,000)	1,123,305
Buildings	25	22,130,872		(4,437,121)	17,693,752
Machinery	15	34,841		-	34,841
Mature plantations	30	43,001,122	90,335,750	(31,539,618)	101,797,254
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	-	(36,292,211)	120,649,152

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2023 Rs.	Disposals Rs.	Balance as at 31.12.2023 Rs.
Land development cost	1,123,305	-	1,123,305
Buildings	17,693,752	-	17,693,752
Machinery	34,841	-	34,841
Mature plantations	101,797,254	(596,372)	101,200,882
	120,649,152	(596,372)	120,052,780

Amortization	Balance as at 01.01.2023 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.12.2023 Rs.
Land development cost	1,123,305	(1)	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note A)	91,236,619	2,616,727	(589,532)	93,263,815
	110,088,518	2,616,727	(589,532)	112,115,713

Carrying value	Balance as at 01.01.2023 Rs.	Balance as at 31.12.2023 Rs.
Land development cost	(0)	0
Buildings	-	-
Machinery	-	-
Mature plantations	10,560,635	7,937,067
	10,560,635	7,937,067

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

NOTES TO THE FINANCIAL STATEMENTS

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

Note - A Mature plantations

COST

Mature Plantations as at 18.06.1992

Balance as at 18.06.1992	43,001,122
Disposals of mature plantations	
due to change in controlling interest from 18.06.1992 - 31.12.2021	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2022	(12,781,238)
Value of Coconut Trees disposed (other than alienation) during the year 2023	(391,566)
Balance as at 31.12.2023 - [a]	22,848,730

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

Balance as at 18.06.1992	90,647,222
Disposals at immature stage due to change in controlling interest	(311,472)
Disposals after being transferred to mature plantations due to change in controlling interest	(8,730,966)
Value of Rubber Trees disposed (other than alienation) upto 31.12.2022	(3,047,825)
Value of Rubber Trees disposed (other than alienation) during the year 2023	(204,806)
Balance as at 31.12.2023 - [b]	78,352,153

Mature Plantations as at 31.12.2023 [c] - (a + b)

101,200,883

Note - B Alienation of Leased Lands

At the time of forming of Kurunegala Plantations Ltd, Lands had not surveyed and all the plans not handed over. The Lands mentioned in the JEDB records at the time (6,555.03 Ha.) is brought forward with adjustments, however going by the documents for the assessing value of the Lands 6,722 Ha. The current Land extent is 4,971.12 Ha. And alienation of Lands 1,750.88 Ha., Cost of Rs. 67 million are as follows. (Which is 26% of total extent)

	Hectares	
1. Land extent Given in document used for assessing value of lands	6,722.00	
2. Land extent mentioned in JEDB records by forming KPL	6,555.03	
Variance between 1 & 2	166.97	
3. Land Extent released out to various parties (Government development programs, BOI Zones, Resettlement of Public, Statutory declarations etc.)	1,146.14	
4. Paddy Lands alienated to cultivators (after 1992)	181.68	
5. Land acquired by villagers (Before establishment of KPL)		
Welanruppa Division	13.37	
Gommunnawa Division	40.48	53.85
6. Variations identified by land surveys		
Thippalathenna Division	99.08	
Dtathusenapura Division (Paddy Lands)	46.90	145.98
7. Land extent categorized as others (unclassified) without division		
Dosangaslanda	54.25	
Katugampola	2.01	56.26
Total Land reduced	1,750.88	
Present extent of Lands as per the KPL records	4,971.12	

NOTES TO THE FINANCIAL STATEMENTS

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

AMORTIZATION

Mature Plantations as at 18.06.1992

# Days for the Period from 18.06.1992 - 17.06.2022 (30 Years)	10,957
# Days for the period from 18.06.1992 - 18.06.2022	10,957
Amortization as at 31.12.2023 (23,240,297 / 10,957 x 10,957) - [d]	22,848,730

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

Economic Life time 30 Years	Year of Transfer	Description	Date of Disposal	Balance as at 18.06.1992	COST Alienation/ Disposal	Balance as at 31.12.2022	AMORTIZATION Balance as at 31.12.2023
	31/12/1994	Value of the Immature plantation		37,756,930			
		Disposal - Korakaha - Disposed at immature stage			(311,473)		
		Disposal - Mahayaya	07/08/1997		(2,957,425)		
		Disposal - Malwatta	07/08/1997		(355,313)		
		Disposal - Ambana (Rubber)	10/09/1994		(223,374)		
		Disposal - Suriyapura	06/06/2000		(92,705)		
		Disposal - Polgammana	01/01/2016		(322,347)		
		Disposal - Polgammana	01/01/2016		(410,721)		
		Disposal - Rubber Trees 2013-2015	31/01/2016		(990,854)		
		Disposal - Rubber Trees - 2016	31/12/2016		(209,249)		
		Disposal - Rubber Trees - 2017	31/12/2017		(326,797)		
		Disposal - Rubber Trees - 2018	31/12/2018		(207,232)		
		Disposal - Rubber Trees - 2019	31/12/2019		(951,289)		
		Disposal - Rubber Trees - 2020	31/12/2020		(42,588)		
		Disposal - Rubber Trees - 2021	30/12/2021		(170,821)		
		Disposal - Rubber Trees - 2023	31/12/2023		(204,806)		
				37,756,930	(7,776,993)	29,979,937	28,978,600
	31/12/1995	Value of the Immature plantation		8,429,585			
		Disposal - Mawathagama	15/08/1997		(493,832)		
		Disposal - Wabitala	31/05/2011		(721,401)		
		Disposal - Rubber Trees - 2018	31/12/2018		(18,018)		
				8,429,585	(1,233,251)	7,196,334	6,716,272
	31/12/1996	Value of the Immature plantation		12,394,880		12,394,880	11,155,053
	31/12/1997	Value of the Immature plantation		8,045,288			
		Disposal - Mawathagama	15/08/1997		(412,325)		
		Disposal - Pannala	09/04/1999		(748,578)		
		Disposal - Pethiyakanda	06/06/2000		(242,922)		
		Disposal - Rubber Trees - 2017	31/12/2017		(130,979)		
				8,045,288	(1,534,803)	6,510,485	5,642,380
	31/12/1998	Value of the Immature plantation		9,962,094			
		Disposal - Polgammana	01/01/2016		(684,684)		
				9,962,094	(684,684)	9,277,410	7,730,610
	31/12/1999	Value of the Immature plantation		8,676,654			
		Disposal - Mawathagama	15/08/1997		(420,467)		
		Disposal - Polgammana	01/01/2016		(604,222)		
				8,676,654	(1,024,689)	7,651,965	6,121,292
	31/12/2000	Value of the Immature plantation		4,666,747			
		Disposal - Polgammana	01/01/2016		(40,648)		
				4,666,747	(40,648)	4,626,099	3,546,521
	31/12/2001	Value of the Immature plantation		715,044		715,044	524,357
	Total [e]			90,647,222	(12,295,069)	78,352,153	70,415,085
	Amortization - Mature Plantations as at 31.12.2023 [f] - (d + e)						93,263,815

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

BEARER PLANTS

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

Cost	IMMATURE PLANTS											Total				
	Coconut Rs.	Rubber Rs.	Cashew Rs.	Cinnamon Rs.	Rambutan Rs.	Guava Rs.	Dragon fruit Rs.	Mango Rs.	Pepper Rs.	Cocoa Rs.	Durian Rs.		Africanut Rs.	Waraka Rs.	Lime Rs.	Coffee Rs.
Balance as at 01.01.2023	485,917,965	(0)	4,848,187	36,043,770	7,306,180	71,859	-	13,962,740	23,284,486	-	7,163,598	864,081	1,234,521	-	238,251	580,935,638
Additions during the year	162,636,404	-	1,689,036	14,834,822	2,281,497	48,667	-	11,421,773	5,514,503	-	1,013,993	12,991	467,012	751,808	211,934	201,414,541
Transfers during the year	(165,803,639)	-	-	(9,463,964)	(1,321,912)	-	-	(5,647,818)	(5,286,600)	-	(1,465,247)	-	-	-	-	(189,189,180)
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2023	482,750,730	(0)	6,537,223	41,414,627	8,265,765	120,526	-	19,536,695	24,042,489	-	6,712,344	877,072	1,701,533	751,808	450,185	593,160,998
Cost																
Useful life of the asset																
Balance as at 01.01.2023	851,990,791	122,554,633	21,591,410	12,173,730	4,951,926	191,347	3,472,230	9,335,380	25,254,553	5,936,675	4,655,315	-	-	-	153,769	1,062,262,961
Transfers during the year	165,803,639	-	-	9,463,964	1,321,912	-	-	5,847,818	5,286,600	-	1,465,247	-	-	-	-	189,189,180
Disposals during the year	-	(2,644,006)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,644,006)
Balance as at 31.12.2023	1,017,794,430	119,910,627	21,591,410	21,637,694	6,273,838	191,347	3,472,230	15,183,198	30,541,153	5,936,675	6,121,765	-	-	-	153,769	1,248,808,136
Amortization																
Balance as at 01.01.2023	123,341,655	43,488,120	8,360,294	4,755,846	1,730,906	159,455	1,004,457	1,120,258	4,880,367	2,643,179	1,057,137	-	-	-	138,388	192,680,062
Charge for the year	17,039,816	6,623,009	1,079,571	515,887	236,420	31,892	173,610	468,770	1,262,730	296,834	232,826	-	-	-	7,688	27,967,052
Disposals during the year	-	(2,115,187)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,115,187)
Balance as at 31.12.2023	140,381,471	47,995,942	9,439,865	5,271,733	1,967,326	191,347	1,178,067	1,587,028	6,143,097	2,940,013	1,289,963	-	-	-	146,076	218,531,928
Written down value																
As at 01.01.2023	728,649,135	79,066,513	13,231,116	7,417,884	3,221,020	31,892	2,467,773	8,215,122	20,374,186	3,293,496	3,599,381	-	-	-	15,381	869,582,899
As at 31.12.2023	877,412,958	71,914,685	12,151,545	16,365,961	4,306,512	-	2,294,163	13,596,170	24,398,056	2,996,662	4,831,802	-	-	-	7,693	1,030,276,208
TOTAL BEARER BIOLOGICAL ASSETS																
Written down value																
As at 01.01.2023	1,214,567,100	79,066,512	18,079,303	43,461,654	10,527,200	103,751	2,467,773	22,177,862	43,658,672	3,293,496	10,762,979	864,081	1,234,521	-	253,632	1,450,518,536
As at 31.12.2023	1,360,163,689	71,914,685	18,688,768	57,780,589	12,572,277	120,526	2,294,163	33,132,885	48,440,545	2,996,662	11,544,146	877,072	1,701,533	751,808	457,878	1,623,437,206

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2023 Rs.	31.12.2022 Rs.
14 CONSUMABLE BIOLOGICAL ASSETS		
14.1 TIMBER TREES		
Balance as at the beginning of the year	286,844,396	256,915,524
Increase due to development	538,969	546,632
Cost of harvested timber trees	(326,199)	(2,789,685)
Gain / (loss) arising from changes in fair value less cost to sell	56,538,446	32,171,925
Balance as at the end of the year	343,595,612	286,844,396

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

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

Key assumption used in Valuation

1. The harvesting is approved by the Department of Forest & the Line Ministry
2. The Prices adopted are net of expenditure.
3. Discount rate is 16%, 17% and 18%.

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

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

Regulatory and environmental risks

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

Supply and demand risk

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible, the Company manages this risk by

Climate and other risks

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

14.2 LIVESTOCK

Cattle		
Balance as at the beginning of the year	1,879,437	1,672,256
Addition during the year	502,065	98,550
Gain / (loss) arising from changes in fair value for the Year	958,121	11,093
Death/Sale value	(1,294,118)	97,538
Balance as at the end of the year	2,045,505	1,879,437
Total Consumable Biological Assets	345,641,117	288,723,833

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

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER FINANCIAL ASSETS

	Loan Given to Employees Rs	Pre Paid Staff Benefit Rs	Total Rs
Balance at 01.01.2022	25,697,843	3,265,258	28,963,101
Loan granted during the year -2022	10,998,746	4,745,870	15,744,616
Loan recovered during the year -2022	(11,568,493)	(2,510,459)	(14,078,952)
Balance at 31.12.2022	25,128,096	5,500,669	30,628,765
Loan granted during the year -2023	14,994,591	4,473,659	19,468,250
Loan recovered during the year -2023	(14,021,416)	(3,788,383)	(17,809,799)
Balance at 31.12.2023	26,101,270	6,185,946	32,287,216
Non Current Balance as at 31.12.2022	16,583,030	2,866,199	19,449,229
Current Balance as at 31.12.2022	8,545,064	2,634,470	11,179,534
Balance at 31.12.2022	25,128,094	5,500,669	30,628,763
Non Current Balance as at 31.12.2023	17,135,028	3,076,976	20,212,004
Current Balance as at 31.12.2023	8,966,241	3,108,970	12,075,211
Balance at 31.12.2023	26,101,269	6,185,946	32,287,215

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

Distress Loans	2023	2022
Kurunegala Plantations Limited	5.00%	5.00%
Market interest rate of similar loans		
01.12.2014 - 31.12.2014	11.50%	
01.01.2015 - 31.12.2015	11.50%	
01.01.2016 - 20.11.2016	13.00%	
21.11.2016 - 31.12.2016	14.00%	
01.01.2017 - 31.12.2017	14.00%	
01.01.2018 - 31.12.2018	13.00%	
01.01.2019 - 31.12.2019	12.50%	
01.01.2020 - 31.12.2020	12.50%	
01.01.2021 - 31.12.2021	13.50%	
01.01.2022 - 31.12.2022	28.13%	
01.01.2023 - 31.12.2023	19.00%	

AS AT	31.12.2023 Rs.	31.12.2022 Rs.
-------	-------------------	-------------------

16 PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

16.1 Produce on Bearer Biological Assets

As at 1st January	18,932,784	15,863,252
Change in fair value less cost to sell	5,595,987	3,069,532
As at 31st December	24,528,771	18,932,784

Level 2 inputs were used when arriving above figures.

16.2 Gain/(Loss) on fair value of Biological assets

Consumable Biological Assets Gain/(loss) (Note 14.1)	56,538,446	32,171,925
Produce on Bearer Biological Assets Gain/(loss) (Note 16.1)	5,595,987	3,069,532
Livestock Gain/(loss) (Note 14.2)	166,069	207,181
Produce on Bearer Biological Assets Gain/(loss)	62,300,502	35,448,638

16.3 INVENTORIES

Produce Stocks	44,721,082	42,448,128
Input Materials, Spares & Consumables	69,820,741	31,012,504
Growing Nurseries	2,834,339	2,607,397
	117,376,162	76,068,029

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2023	31.12.2022
	Rs.	Rs.
17 DEPOSITS		
Deposits on purchase of Fuel	1,030,000	1,030,000
Deposits on purchase of other products & Services	364,000	49,700
Deposits for rented Buildings	1,350,000	285,000
Deposit kept at Labour Tribunal for Gratuity	1,942,770	1,942,770
Others	5,000	815,000
	4,691,770	4,122,470
18 PRE-PAYMENTS		
Insurance	1,173,705	1,061,938
Pre-paid subscriptions	118,980	99,044
Pre-paid amount on service agreements	-	60,456
Pre-paid Rents	641,667	-
Others	819,186	1,467,254
	2,753,537	2,688,692
19 PRE PAID EXPENDITURE ON SHORT TERM PROJECTS		
Coconut Tricle	205,877	-
Compost Manufacturing	-	43,384
Turmeric	8,432,049	8,927,316
Oil Manufacturing	2,327,176	-
Others	1,217,173	1,274,416
	12,182,275	10,245,115
19.1 This include Office Building, Net house, Land Development Cost, Watersupply System constructed entirely for the purpose of Foliage project & Foliage Plantations. Foliage project was leased out for a period of 5 years w.e.f. 01.12.2017. Hence, the Net book value of those assets as at 30.11.2017 amounting to Rs. 5,964,074 is ammortized over the lease period of 5 years at Rs. 1,192,815 per annum.		
20 TRADE AND OTHER RECEIVABLES		
Trade Debtors		
Produce Debtors - Coconut	63,510,576	67,207,775
Recoverable loss on sale of Coconut	8,882,264	8,912,264
Produce Debtors - Rubber	7,594,824	5,306,905
Produce Debtors - Others	5,690,287	11,565,920
Rent Receivables	445,000	134,917
Other Receivables		
Interest Receivable	43,365,993	79,526,860
Staff debtors	2,161,597	1,782,219
Sundry Debtors	14,896,598	3,290,938
	146,547,139	177,727,797
Less: Rejection provision (Produce Debtors - Coconut)	(2,767,447)	(2,916,507)
	143,779,692	174,811,290
Less: Impairment of Bad & Doubtful Debts	20.1 (10,008,373)	(10,038,373)
	133,771,319	164,772,917
20.1 Movement for Impairment of Bad & Doubtful Debts		
At the beginning of the the year	10,038,373	4,961,739
Imparement provision	(30,000)	5,076,634
At the end of the the year	10,008,373	10,038,373
20.2 As at 31 December, the ageing of trade and other receivables is, as follows:		

	Total	Current			Past due	
		0 - 30	31 - 60	61 - 90	91 - 180	> 180
	Rs.	Days Rs.	Days Rs.	Days Rs.	Days Rs.	Days Rs.
2023	146,547,139	98,736,809	20,210,386	4,877,227	4,789,658	17,933,059
2022	177,727,797	129,318,004	5,991,002	9,987,732	12,804,264	19,626,796

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2023 Rs.	31.12.2022 Rs.
21 SHORT TERM INVESTMENTS		
Matured within 03 months		
Term Deposits - Bank of Ceylon	-	-
Matured after 03 months		
Term Deposits - Bank of Ceylon	250,200,000	200,000
Term Deposits - Peoples' Bank	400,000,000	600,000,000
Term Deposits - National Savings Bank	225,000,000	400,000,000
	875,200,000	1,000,200,000
	875,200,000	1,000,200,000
22 CASH & BANK BALANCES		
Stamps	19,360	14,740
Repo	234,000,000	83,000,000
Cash at Bank	(223,618,296)	(20,689,449)
Cash in Hand	4,650,240	4,357,467
	15,051,304	66,682,758
23 STATED CAPITAL		
Issued and Fully Paid		
20,000,000 Ordinary shares Rs. 10/- each	200,000,000	200,000,000
Golden share held by Secretary to the Treasury (Note 23.1)	10	10
	200,000,010	200,000,010
23.1 The Golden Shareholder		
The Golden Share is currently held by Secretary to the General Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public Company. In addition to the rights of the normal ordinary shareholder, special rights are vested with the Golden Shareholder.		
24 RETIREMENT BENEFIT OBLIGATIONS		
Balance as at the beginning of the year		
Past Service Cost	117,802,880	78,527,546
Charged during the year	-	53,151,226
Gratuity paid/ payable during the year	59,334,179	1,671,146
Balance as at the end of the year	(31,381,414)	(15,547,038)
	145,755,646	117,802,880
The Company will continue as a going concern. The gratuity liability is fully internally funded.		
The Valuation method used by the actuaries to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19,'Employee Benefits'. The actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2023 by Actuarial & Management Consultants (Pvt) Limited.		
The movement in the retirement benefit obligations over the year is as follows.		
Interest Cost	21,204,519	8,638,030
Current Service Costs	9,092,847	11,688,114
Total included in the staff cost (Note 07)	30,297,366	20,326,144
Past Service Cost		
Actuarial (Gain)/Loss recognized immediately	29,036,813	(18,654,998)
Amount Recognized in the statement of other comprehensive income	29,036,813	(18,654,998)
Total recognized in the comprehensive income	59,334,179	1,671,146

NOTES TO THE FINANCIAL STATEMENTS

24 RETIREMENT BENEFIT OBLIGATIONS cont...

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

	Financial Assumptions (2023)	Financial Assumptions (2022)
Rate of Interest	12.5% p.a	18% p.a
Rate of Increase of Salaries		
Executive Staff	10% p.a next increment due on 01/06/2024	10% p.a next increment due on 01/06/2023
Non Executive Staff - Head office	10% p.a next increment due on 01/06/2024	10% p.a next increment due on 01/06/2023
Estate Staff	15% or 20% p.a once in 3 years next increment due on 01/06/2024	15% or 20% p.a once in 3 years next increment due on 01/06/2023
Watchers	10% p.a next increment due on 01/06/2024	10% p.a next increment due on 01/06/2023
Daily Paid Staff	10% p.a. Next increment due on 01/06/2024	10% p.a. Next increment due on 01/06/2023
Daily Paid Staff's wage rates	Rs.740 or Rs. 1000 as applicable.	Rs.740 or Rs. 1000 as applicable.

Demographic Assumptions

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

Retirements-Age : Male/Female 60 Years (2020 - 60 Years)

Gratuity Formula**For monthly paid Staff:****Employees joined on or before 25th April 2016:**

Half month salary for each completed year of service for those with at least 5 years service and less than 10 years of service.
One monthly salary for each completed year of service for those with 10 years or more than 10 years service.

Employees joined after 25th April 2016:

Half month salary for each completed year of service for those with at least 5 years service

For Executive and, Non Executive Staff - Head office:

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

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

For Estate Staff & Watchers:

Monthly Salary = Basic Salary

For Daily Paid Staff/ Workers:**Employees joined on or before 25th April 2016:**

Half month salary (Daily Wage x 14 Days) for each completed year of service for those with at least 5 years service and less than 10 years of service.
One monthly salary (Daily Wage x 28 Days) for each completed year of service for those with 10 years or more than 10 years service.

Employees joined after 25th April 2016:

Half month salary (Daily Wage x 14 Days) for each completed year of service for those with at least 5 years service and less than 10 years of service.

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

Percentage increase/decrease in discount rate	Impact on Retirement benefit obligations	
	+ 1%	- 1%
As at 31 March 2023 - Monthly Paid	78,981,343	93,126,513
As at 31 March 2023 - Daily Paid	58,385,601	62,219,025
As at 31 March 2022 - Monthly Paid	57,970,354	64,499,578
As at 31 March 2022 - Daily Paid	55,405,795	58,214,209

Percentage increase/decrease in salary / wage increment rate.	Impact on Retirement benefit obligations	
	+ 1%	- 1%
As at 31 March 2023 - Monthly Paid	93,283,694	78,756,379
As at 31 March 2023 - Daily Paid	62,346,131	58,236,485
As at 31 March 2022 - Monthly Paid	64,630,764	57,826,573
As at 31 March 2022 - Daily Paid	58,319,474	55,289,904

NOTES TO THE FINANCIAL STATEMENTS

AS AT	18.06.1996 Rs.	31.12.2023 Rs.	31.12.2022 Rs.
25 NET LIABILITY TO LESSOR			
Gross lease liability	401,114,000	175,696,230	183,882,230
Less: Finance charges applicable to future periods	<u>(226,419,004)</u>	<u>(99,176,204)</u>	<u>(103,797,000)</u>
Net lease liability	<u>174,694,996</u>	<u>76,520,026</u>	<u>80,085,230</u>
a) Payable after 5 years;			
Gross Liability		134,766,230	142,952,230
Less: Finance charges applicable to future periods		<u>(76,072,224)</u>	<u>(80,693,020)</u>
Net Liability		<u>58,694,006</u>	<u>62,259,210</u>
b) Payable within 2 to 5 years;			
Gross Liability		32,744,000	32,744,000
Less: Finance charges applicable to future periods		<u>(18,483,184)</u>	<u>(18,483,184)</u>
Net Liability		<u>14,260,816</u>	<u>14,260,816</u>
c) Payable within 1 year;			
Gross Liability		8,186,000	8,186,000
Less: Finance charges applicable to future periods		<u>(4,620,796)</u>	<u>(4,620,796)</u>
Net Liability to the Lessor		<u>3,565,204</u>	<u>3,565,204</u>
		<u>76,520,026</u>	<u>80,085,230</u>
Net liability to lessor			
Non - current liability		72,954,822	76,520,026
Current Liability		<u>3,565,204</u>	<u>3,565,204</u>
		<u>76,520,026</u>	<u>80,085,230</u>

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

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

The payment due in each subsequent 12 month period till the end of lease on June 18, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Income Statement during the current period is Rs. 43,455,629 which comprises the fixed interest portion and a contingent interest portion of the lease rental.

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2023 Rs.	31.12.2022 Rs.
26 DEFERRED TAX LIABILITIES		
As per the policy decision taken by the Government ,Business profit arising from Agro farming is exempt from income tax w.e.f April 1,2019. Therefore company has decided to reverse the brought forward deferred tax liability to statement of comprehensive income and not to recognize the deferred tax liability for future periods.		
27 ADVANCE RECEIVED		
For Sub Lease/ Land given on facility basis	1,547,774	3,386,508
Others	4,329,930	7,351,845
	5,877,704	10,738,353
28 TRADE AND OTHER PAYABLES		
Trade & Other Creditors & Accrued Expenses	21,403,427	98,369,585
Checkroll Wages	16,949,385	16,749,771
Refundable Bid Securities, Security Deposits & Retentions	17,422,466	22,136,177
Gratuity Payable	1,251,575	1,278,534
EPF Payable	4,362,924	4,082,819
ETF Payable	721,030	680,638
Medical Leave Payable	7,946,012	7,096,207
Provision for Brokerage-Coconut	920,583	1,003,714
Provision for Bonus Payment	12,000,000	12,000,000
Provision for Performance Incentives	90,008,379	90,000,000
Provision for Holiday Pay Payment	5,867,176	6,091,770
Chairman's Donation Fund	103,830	103,830
Gratuity Surcharge Payable	9,000,748	18,754,389
Gratuity Arrens Payable	1,073,558	2,066,451
	189,031,092	280,413,885
29 CAPITAL COMMITMENTS & CONTINGENCIES		
29.1 Capital Commitment		
The Company had no material capital commitments outstanding as at the Reporting date.		
29.2 Contingent Liabilities		
There were no contingent liability other than disclose as at the reporting date.		
# The company has released lands for various purposes and its 1,750.88 Ha. (Note 12 B) (26% of extent).and lease rental for release lands KPL is not Paid. However the adjustment of Lease rental and the approval for the reduce the rental had not given and unpaid Lease rental as follows.		
Lease rental for released Lands (1,750.88 Ha)	290,917,544	263,134,840
	290,917,544	263,134,840

29.2 Contingent Liability - Details of Legal Cases Filed

	Court Case	Discription	Present Situation
01	DMR/1366/18 - Commercial Court, Colombo.	Non Payment of Rs 1,414,441.40 by New Produce & General Brokers Company regarding the purchase of coconut parcels through CDA coconut Auction.	Relevant Case is Going on.
02	M/13834 - District Court - Kurunegala.	Non Payment of Rs. 429,988.35 by W.A.K.N.Rodrigo regarding the purchase of coconut parcels of KPL.	Relevant Case is Going on.
03	1970 M - Attanagalla Magistrate Court.	Non Payment of Rs. 375,000.00 by G.Kumuduni regarding the purchase of Rambutan harvest at attanagalla Area Estates.	Order has given to recover the cost Rs.375,000/-, Fiscal couldn't locate the suspect.
04	1236/L - Attanagalla District Court	Deed has been given to G.S.M.Hilmi & his family by the LRC from Halgahapitiya Division (20.47 acre) of Attanagalla Area Estates without the consent of KPL. This party has filed the case agained KPL at Attanagalla District Court for non providing of possession of the land to them by KPL.	Pre trials are in progress.
05	45/2016 - Court of Appeal, Colombo	Ven. Rajawela Nandarathana thero, Padmawathi Piriven Rajamaha viharaya, Keragala, Henegama has filed a case against KPL at Court of appeal to acquire 67 acres 3 roots and 24 perches from Danaukanda Division of Attanagalla Area Estates, Land Reform Commision has given consent and charged Rs. 306,410.42 from the Ven. Rajawela Nandarathana thero.	Case has over. Case has been appealed to Supreme court under case no. 183/2020. The appeal has been dismissed by the Supreme Court.
06	176/Land - Wariyapola District Court	R.M.Krishantha has filed a case at Wariyapola District Court against KPL for non providing of possession of 19 acres Wewagedara Division of Hiriyala Area Estates as he has a deed for this land extent.	Relevant Case is Going on.
07	B/1918/17 - 2029 PC - Magistrate Court - Kurunegala	Lost of 4914 Coconut worth Rs. 175,358.50 at Kurunegala Area Estates.	Suspect has escaped from the area & Police Investigations are going on.
08	23/K/10188/2016 - LT Kurunegala	Malpractices done by former Assistant Superintendent S.C.Wijethilaka while on duty. Claiming reinstatement or compensation for the same.	Relevant Case is Going on.
09	B/57624 Magistrate Court - Kuliypitiya	Lost of 5542 Coconut worth Rs.224,494.00 at Dambadeniya Area Estates.	Relevant Case is Going on.
10	L/91/2020 - Gampaha District court	Lease out of 5 Acres of land for Metal quarry by the LRC to outside party at Danawkanda Division of Attanagalla Area Estates	Relevant Case is Going on.
11	23/KU/13/2023 - LT, Kurunegala	Malpractices done by former Officer In Charge A.M.C.M.Jayawardana while on duty.	Relevant Case is Going on.

NOTES TO THE FINANCIAL STATEMENTS

30 EVENTS AFTER THE REPORTING PERIOD.

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

AS AT	31.12.2023 Rs.	31.12.2022 Rs.
31 RELATED PARTY TRANSACTIONS		
There are no related party transaction during the year.		
31.1 Key Management Personnel		
Key Management Personnel includes all Board of Directors and Chief Executive Officer.		
Short term employment benefits	3,709,321	3,306,160

32 GOVERNMENT GRANTS

There were no government grants exist as at the Statement of Financial Position Date

33 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk Management Framework

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

Credit Risk

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

Loans and Receivables

Trade and other Receivables	133,771,319	164,531,889
Short Term Investment	875,200,000	1,000,200,000
Cash and Cash Equivalents	15,051,304	66,682,758
	1,024,022,623	1,231,414,647

NOTES TO THE FINANCIAL STATEMENTS

AS AT

31.12.2023
Rs.31.12.2022
Rs.**Liquidity Risk**

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

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

FINANCIAL RISK MANAGEMENT

Net liability to the lessor	76,520,026	76,520,026
Trade and other payables	189,031,092	280,413,885
	265,551,118	356,933,911

Market Risk

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

Interest Rate Risk

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