

# ANNUAL REPORT 2017



**கி/க ஸ்லாவ் ப்லாண்ட்ஷன் லிமிடெட்**  
**சிலாபம் பெருந்தோட்ட நிறுவனம்**  
**CHILAW PLANTATIONS LTD**



ரூபஸ் வ்ஸவ்ஸாடி ஸஃபர்ஃபிஷன் ஃபர்ஸாஃபர்ஸாஃபர்  
தெருகு அபிவிருத்தி மற்றும் மக்கள் தோட்ட அபிவிருத்தி அமைச்சு  
Ministry of Public Enterprise Development





## CONTENTS

	Page No
Vision and Mission Statement	02
Financial Highlights	03 - 04
Review of the Chairman	05
Board of Directors	06 - 07
Senior Management Team	08
Management Review	09 - 23
Financial Review	24 - 28
Corporate Governance	29
Risk Management	30 - 31
Audit Committee Report	32
<b>FINANCIAL REPORTS</b>	
Annual Report of the Board of Directors	33 - 35
Statement of Directors Responsibilities	36
Report of The Auditor General	37 - 40
Statement of Comprehensive Income	41
Statement of Financial Position	42
Statement of Changes in Equity	43
Statement of Cash Flow	44
Notes to the Financial Statements	45 - 71
Ten Year Summary	72
Notice of Annual General Meeting	73
Form of Proxy	74
Corporate Information	Inner back cover

## VISION

To maximize the contribution to the Sri Lankan economy through sustainable development of the Coconut Industry.

## MISSION

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

## VALUES

Honesty

Integrity

Transparency

Leadership

Team Spirit

Empowerment

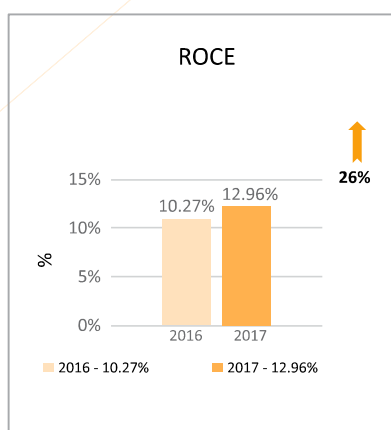
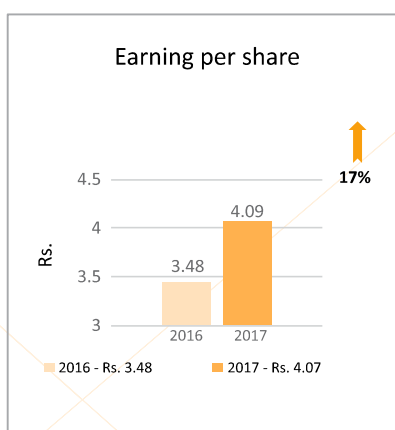
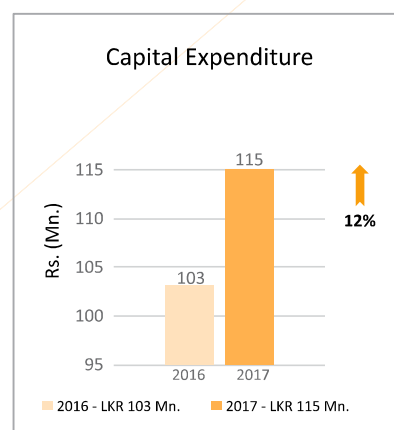
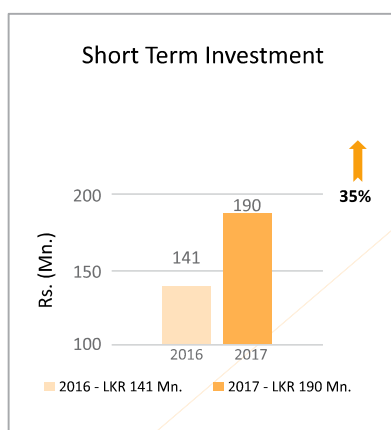
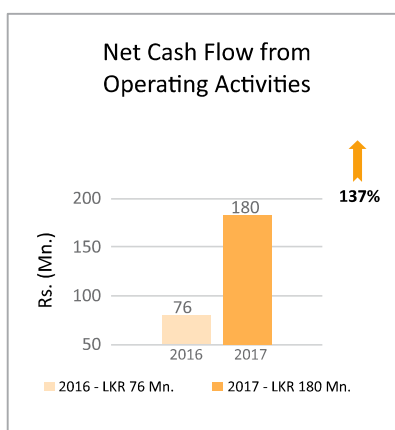
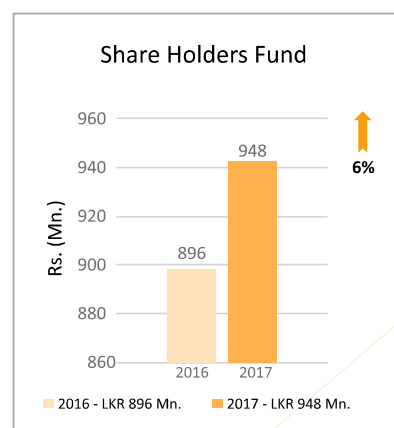
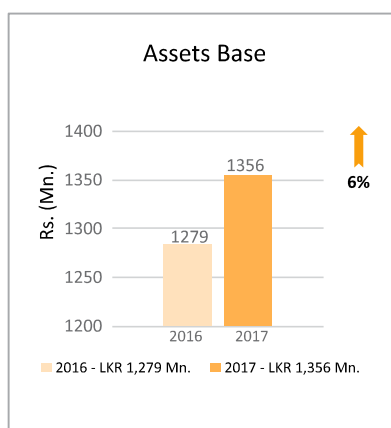
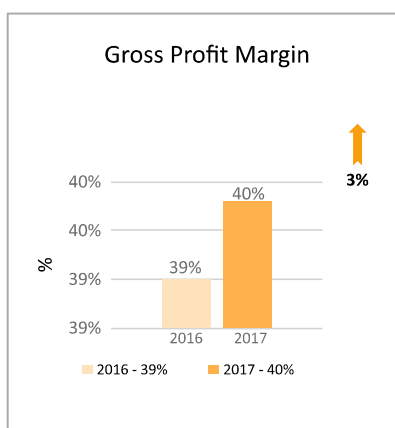
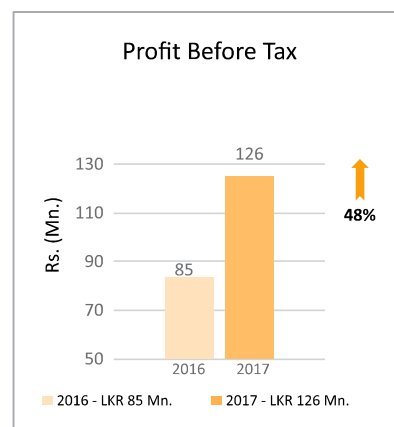
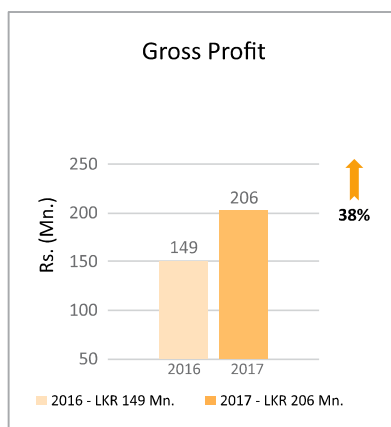
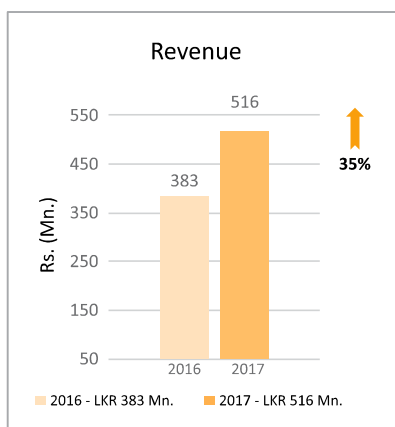
Innovative

Professionalism

Responsibility & Accountability

## FINANCIAL HIGHLIGHTS

	2017	2016	Variance %
Coconut Production Nuts '000	11,651	16,522	(29)
<b>Summary Results</b>	<b>Rs' 000</b>	<b>Rs' 000</b>	<b>%</b>
Revenue	516,178	383,090	34.74
Gross Profit	205,574	148,707	38.24
Profit Before Interest and Tax	160,112	117,454	36.32
Profit Before Tax	126,415	84,817	49.04
Profit After Tax	82,149	70,764	16.09
Total Reserves	747,876	695,727	7.50
Timber Reserves	82,328	61,841	33.13
Dividend Paid		30,000	
Dividend Total (1992-2016)	456,650	456,650	-
<b>Financial Position</b>			
Non Current Asset	1,062,090	978,182	8.58
Mature / Immature Plantations	802,088	728,533	10.10
Current Assets	293,680	300,494	(2.27)
Inventories	58,754	100,759	(41.69)
Short Term Investment (Fixed Deposits)	190,312	140,868	35.10
Total Assets	1,355,769	1,278,676	6.03
Current Liabilities	120,785	134,591	(10.26)
Non current Liabilities	287,108	248,358	15.60
Stated Capital	200,000	200,000	-
Shareholders' Funds	947,876	895,727	5.82
<b>Key Indicators</b>			
Current Ratio ( Times)	2.43	2.23	8.90
Quick Ratio ( Times)	1.94	1.48	31.06
Gross Profit Ratio %	39.83	38.82	2.60
Earning Per Share Rs.	4.07	3.48	16.95
Return on Average Equity (ROE) %	8.91	8.08	10.24
Return on Capital Employed (ROCE) %	12.96	10.27	26.29
Debt Ratio	0.30	0.30	0
Shareholders Fund Ratio %	69.91	70.05	(0.20)
Interest Cover - Times	4.75	3.60	32.03



## REVIEW OF THE CHAIRMAN

It gives me a great pleasure in presenting to you the Annual Report of Chilaw Plantations Limited for the financial year ended 31<sup>st</sup> December 2017 as the Chairman and on behalf of the Board of Directors.

In spite of the several challenges faced during the year specifically where the adverse weather conditions prevailed, the Company managed to report a net profit of Rs.82 Million where the revenue recorded was Rs.516 Million. This profit has been the highest profit made since the government taken over the entity in 2008. Whilst the contribution of the employees to this achievement is immense, strategies adopted by the management to minimize cost and the effective crop diversification process improved the performances of the Company. Fair market prices were also a fact or for high turnover and profit.

### Coconut

The year 2017 witnessed a decline in coconut production in CPL and in the country as a whole. CPL records 29% decline in crop compared to 2016. Nevertheless NSA in 2017 was Rs.42/- compared to Rs.25/- in 2016 where 68% increase which assisted the core business to be viable. Adverse weather prevailed during past two years contributed to this crop drop and this would be experienced in the coming year as well.

### Coconut Value Addition

CPL produced 242,250 Kg's of copra during the year which sold often at an average price of Rs.199/- per kg. Further a production of 8,380 liters of coconut oil was done in Palugaswewa Oil Mill which made a huge demand in the market. Strategies are underway to improve the production quantity and quality.

### Cashew

CPL being one of the main Cashew producers in the country produced 34,289 kilos of cashew during the year end processed 2,154 kgs. in our Processing Center which is catching the market. Value addition has been identified as the way forward.

### Capital Investments

During the year 2017, CPL invest Rs.115 Million. The capital investment incurred Rs. 82 Million for coconuts and Rs.2 Million for cashew and other perennial crops whereas Rs.31 Million for building and machinery etc.

### Welfare

The Company made great emphasis on the alignment of our business strategy with sustain ability and social

responsibility. Many initiatives were undertaken by the Organization to uplift the quality of life of the employees and to make sure our responsibility towards the Society and environment. Out of many initiatives taken for the community and the Society re roofing, Worker residences, providing hygiene facilities, distribution of relief items to flood victims, sale of coconuts to community at a concessionary rate are few of them.

### Future Outlook

Whilst replanting and maintaining best agricultural practices will enhance the sustain ability of the Company, crop diversification and other revenue of income apart from Co-business will no doubt assist the organization to face the challenges ahead. Specifically drastic weather changes experienced in Puttalam district will have to be addressed as a special case where modern Irrigation systems and crop diversification strategies to be adopted to get the maximum productivity from the land and labour.

Palugaswewa being the largest coconut estate in the Southeast Asia which belongs to Chilaw Plantations Limited is being developed as a model estate in order for the students and general public to be educated on the coconut industry including value added production processes. This was a brainchild of mine to establish the sustainability of the coconut industry in Sri Lanka.

### Acknowledgment

I would like to offer my sincere appreciation to the Secretary to the Ministry, the Board of Directors, General Manager and the Management team of Chilaw Plantations Limited for strong commitment and dedication displayed once again in an extremely challenging year. To my staff members of all levels for their untiring commitment towards achieving set goals of the year.

I would also like to thank our Business partners, Customers, Buyers, Suppliers, Brokers, Bankers, Trade Unions and all other State Holders for their continuous trust and support as well as our Stakeholders who have continued to place their trust and confidence in the Company and being long term partners of our journey of success.



**Chairman/C. E. O**  
**Chilaw Plantations Limited**

## BOARD OF DIRECTORS



**MR. V K C HERATH**

**Chairman/Chief Executive Officer**

Mr. V K C Herath joined as the Chairman / Board Member of Chilaw Plantations Limited on 14<sup>th</sup> July 2016. He's being a versatile businessman hailing from a traditional business family in Kurunegala. He is a proprietor of coconut estates and the business acumen he possesses was practically executed in uplifting Chilaw Plantations Limited to what it is today.

Mr. V K C Herath commenced his career in Marine Engineering and also has over 33 years' experience in Automobile Industry. He is one of the agents for Ceylon Petroleum Corporation in Kurunegala.

Mr. V K C Herath is an articulate entrepreneur who has contributed immensely towards the national economy in terms of International business relations and employment opportunity generation in the local economy. For the immense service rendered to the Society, Mr. V K C Herath was awarded the MASSCO award by Lanka Mass Communicators Associates in year 2017.

Mr. V K C Herath is the Proprietor of Asiri Lubricants Services, Asiri Enterprises, Asiri Auto Bajaj – Sri

Lanka and Asiri Lanka Filling Station. He was awarded the Best Performance Award for the year 2014 by Chevron Lubricants Lanka PLC.

He is an experienced leader, communicator and negotiator with long-standing experience in political affairs, International affairs, labour market affairs and civil society collaboration.



**Mr. M K B SENEVIRATNE (LL.B)**

**Executive Director**

Mr. M K B Seneviratne was appointed as the Executive Director of Chilaw Plantations Limitd on 08<sup>th</sup> May 2015. Also, Mr. Manisha Senaviratne Covered up the duties of the Chairman from Feb 2016 to August 2016 during the absence of a Chairman's position of CPL

Mr. Seneviratne's experience includes working as an Attorney-at-Law over 10 years in active practice, attached to the Kandy Bar Association. He serves as a Notary Public, Commissioner for Oaths and Company Secretary. Mr Seneviratne also acts as a delegate to the Sri Lanka Bar Association representing the Kandy Bar Association. He is the Legal Officer for Land Reformed Commission (Freelance) for Kandy District and is a sitting Member in the Council of University of Peradeniya.

Mr. Seneviratne was a Board Director for Skill Development Fund Ltd, Ministry of Youth Affairs and Skills Development.

He holds a Diploma in International Relations from Bandaranaike Centre for International Relations, Colombo.



**Mr. P C WIJEWARADHANA**

**Working Director**

Mr. P C Wijewardhana was appointed as the Working Director and as a Member of the Board of Chilaw Plantations Ltd on 24.02.2017

He has served as Board Director for many State Organizations and he was also a Consultant at Road Development Authority.

Mr. P C Wijewardhana was the founder and owner of Wijaya Construction and Travels.



**MR. P B S C NONIS**

**Director**

Mr. P B S C Nonis was appointed to the Board of Chilaw Plantations Ltd on 05<sup>th</sup> September 2016 and function as the Board Director, Representing the General Treasury. He serves on the Boards of several Government Institutions in Sri Lanka.

Mr. P B S C Nonis presently holding the position as Comptroller General of Ministry of Finance and he is also a Special Grade Officer to Sri Lanka Administrative Service with 30 years of Government service.

Mr. P B S C Nonis holds a Degree in B.Sc. Business Administration Sp. Hons from the University of Sri Jayawardenapura and Master of Public Administration from Finders University, South Australia. He has also obtained his Licentiate Certificate (LICA) from the Institute of Chartered Accountants of Sri Lanka..



**Mr. LAKKATHAS, ASAI**

**Director**

Mr. Lakkathas Asai performs as a member of the Board of Directors of the Chilaw Plantations Ltd since 14<sup>th</sup> May 2016, representing the Ministry of Public Enterprise Development.

He is serving as the Additional Secretary (Development and Planning) of the Ministry of Public Enterprise Development while serving as a Non-Executive Director of Chilaw Plantations Ltd. Mr. Lakkatha is a Special Grade Officer of the Sri Lanka Administrative Service.

He has been graduated with a degree in Bachelor of Business Administration (Hons) (2<sup>nd</sup> Class Upper Division), University of Jaffna, Master of Science in Regional Development Planning & Management jointly conducted by the University of Dortmund, Germany and School of Urban & Regional Planning - University of Philippines.



**Mr. H M N C HERATH**

**Director**

Mr. H M N C Herath was appointed to the Board of Chilaw Plantations Limited on 20<sup>th</sup> March 2015. He is serving as a Board Director in Coco-Ceylon-export.

Mr. Herath was the Founder/Chairman of Wayamba D/C and Oil Mills Pvt Ltd, ACME Water Systems, Metro Marketing and Managing Director of A C Coir Exports (Pvt) Ltd.



## SENIOR MANAGEMENT TEAM

### Head Office

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

### Estate Superintendents

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

### BRIEF HISTORY



### Nationalization

The Land Reform (Amendment) Law, which came into effect in 1975, vested all company owned plantation lands, in the State. With this nationalization of the plantations, the management of estates were somewhat broad based, as the land vested was given over to several managing organizations.

### Janatha Estates Development Board (V)

There was the State Plantations Corporation which managed a few plantations prior to the nationalization and a new organization by the name Janatha Estates Development Board was created in 1976 under the State Agricultural Corporations Act No: 11 of 1972. In addition to these two organizations, new forms of organizations were created to manage some of the nationalized plantations. These included USAWASAMA (Up Country Co-operative Estates Development Board) and JANAWASA and electoral co-operatives. It has been argued that the allocation of land among several managing organizations resulted in a severe dislocation of the management, while it also resulted in several disadvantages such as a drop in output, wastage and inefficiency. The immediate impact of Land Reform was therefore not favorable to the industry.

In view of this situation, the Government that came to power in 1977 took several steps to unify the management structures and practices in the interest of the industry. This included the abolition of USAWASAMA, JANAWASA and Electoral Co-operatives and the handing over of all the properties managed by these organizations to the Janatha Estates Development Board (JEDB) and Sri Lanka State

Plantation Corporation (SLSPC). The management structures of these two principal managing organizations were decentralized through a system of Regional Boards thus granting freedom and decision making powers to the regions with a view of improving productivity.

### Chilaw Plantations Limited

Is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (re-registered under the Companies Act No. 7 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Owned Business Undertaking into Public Companies Act No. 23 of 1987. Full shares and the "Golden Share" status are allotted to the Secretary to the treasury, on behalf of the State of the Democratic Socialist Republic of Sri Lanka.

All estates managed by the Chilaw Plantations Limited (CPL) at present had been managed by the Janatha Estates Development Board V until its incorporation as a government owned Company in 1992 for the purpose of privatization of the management.

## Our Estates

### Bingiriya Area Estates



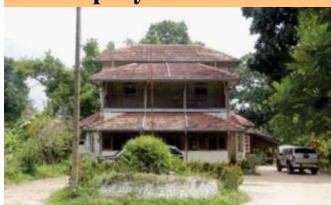
Total Land Extent	: 1,509.66 hectares (3,728.66 acres)
Comprising	: 25 Scattered Estates
Location	: Bingiriya, Kobeigane, & Panduwasnuwara West Divisional Secretariat - Areas of Kurunegala District
Main Crop	: Coconut
Other Crop	: Dragon fruit, Cinnamon, Cashew

### Chilaw Area Estates



Total Land Extent	: 645.57 hectares (1,594.55 acres)
Comprising	: 12 Scattered Estates
Location	: Pallama, Arachchikattuwa, Rasnayakapura Divisional Secretariat - Areas of Puttalam & Kurunegala District
Main Crop	: Coconut
Other Crop	: Cashew, Cinnamon, Dragon fruit, Mango

### Divulapitiya Area Estates



Total Land Extent	: 424.49 hectares (1,048.49 acres)
Comprising	: 14 Scattered Estates
Location	: Divulapitiya, Dankotuwa, Katana Divisional Secretariat - Areas of Gampaha & Puttalam District
Main Crop	: Coconut
Other Crop	: Pepper, Rambutan, Dragon Fruit

### Madampe Area Estates



Total Land Extent	: 655.86 hectares (1,619.97 acres)
Comprising	: 12 Scattered Estates
Location	: Chilaw, Nattandiya, Udubaddawa & Bingiriya Divisional Secretariat - Areas of Puttalam & Kurunegala District
Main Crop	: Coconut
Other Crop	: Dragon Fruit, Cashew, Pineapple

### Palugaswewa Area Estates



Total Land Extent	: 672.22 hectares (1,660.38 acres) (Perhaps, this estate may be the single land block of coconut in the South Asian Region)
Location	: Arachchikattuwa Divisional Secretariat - Areas of Puttalam District
Main Crop	: Coconut
Other Crop	: Dragon Fruit, Cashew

### Thambapanni Area Estates



Total Land Extent	: 1,825.43 hectares (4,508.81 acres)
Comprising	: 21 Scattered Estates
Location	: Puttalam, Kalpitiya, Vanathavilluwa Divisional Secretariat - Areas of Puttalam District
Main Crop	: Coconut
Other Crop	: Cashew

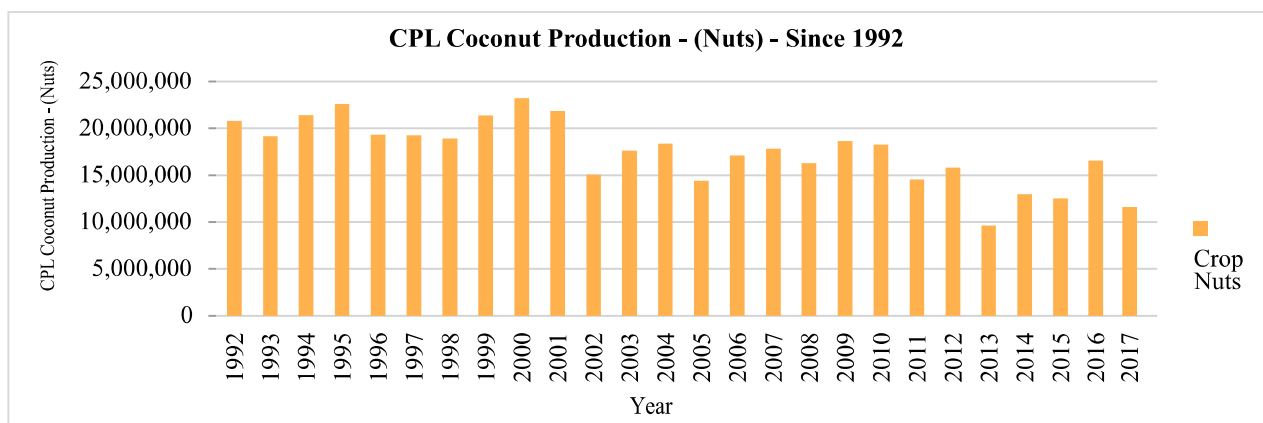
## Core Business – Management of Coconut Plantations & Coconut Production

An extent of 3,815.94 ha coconut plantations of out of 5733.23 ha are as cultivation extent and such plantations are located from Puttalam to Katunayaka and in the North Western Province on the coastal line. The productivity and yield that comparatively varies area to area recording with low yields in the dry zone and high yields in the wet zone.

The production suffered a setback and drastic drop due to the prolonged severe drought experienced in 2016.

### Coconut Production

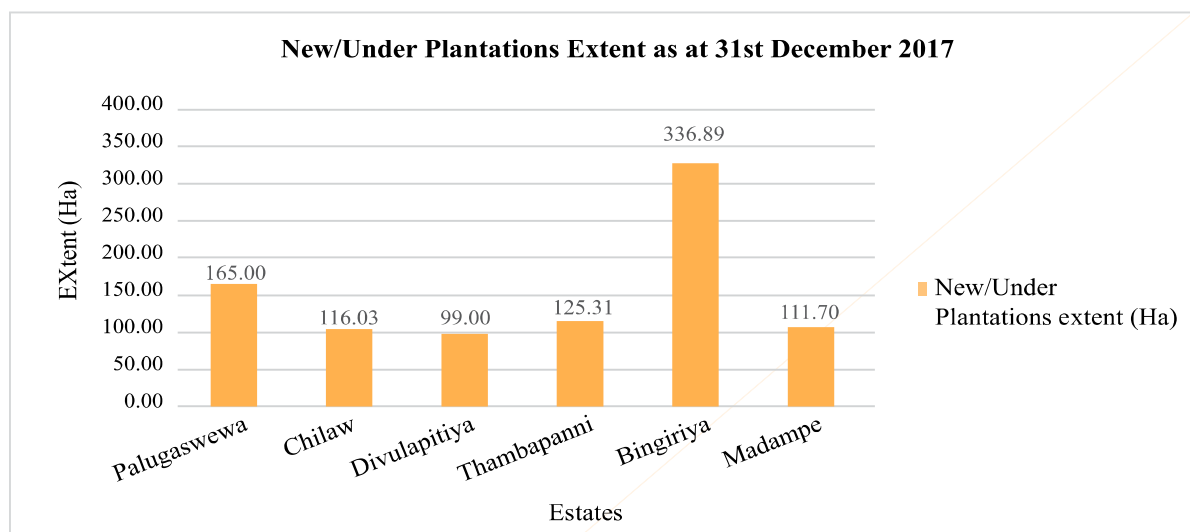
Year	Cocount Yield (Nuts)	Variance %	Bearing Palms (Nos)	Variance %	Productivity (Nuts Per Palm)	Sri Lanka Production (Million)	Variance %
1992	20,782,648	0	421,875		49	2,296	0
1993	19,145,214	-8	407,512	-05%	47	2,164	-06%
1994	21,382,314	+12	426,722	+03%	50	2,622	+21%
1995	22,603,156	+6	441,379	+04%	51	2,275	+05%
1996	19,336,658	-14	421,716	-04%	46	2,546	-08%
1997	19,235,974	-1	412,006	-02%	47	2,630	+03%
1998	18,921,808	-2	415,718	+01%	46	2,522	-04%
1999	21,348,626	+13	393,360	-05%	54	2,828	+12%
2000	23,216,882	+9	399,454	+02%	58	2,396	+09%
2001	21,829,630	-06	395,435	-01%	55	2,769	-11%
2002	15,031,795	-31	413,465	+05%	36	2,392	-14%
2003	17,585,652	+17	402,937	-03%	44	2,562	+11%
2004	18,354,614	+04	401,162	00%	46	2,591	+01%
2005	14,391,265	-22	408,006	+02%	35	2,515	-03%
2006	17,070,324	+19	411,968	+01%	41	2,785	+11%
2007	17,815,317	+04	395,762	-04%	45	2,869	+03%
2008	16,280,051	-09	378,333	-04%	43	2,908	+01%
2009	18,632,247	+14	380,000	00%	49	2,762	-05%
2010	18,256,007	-2	340,586	-10%	54	2,317	-16%
2011	14,527,770	-20	353,113	+04%	41	2,808	+09%
2012	15,807,753	+09	312,456	-12%	51	2,940	+05%
2013	09,595,275	-39	313,048	+01%	31	2,513	-14%
2014	12,969,381	35	283,449	-9%	46	2,870	+14
2015	12,517,083	-3	288,951	2%	43	3,026	+5
2016	16,522,290	32%	304,043	5%	54	2,845	-7%
2017	11,651,155	-29%	282,005	-7%	41	2,450	-14%



### COCONUT UNDER - PLANTATIONS

When the coconut palms are reaching senile stage with low nut production, its signals for the replanting and rejuvenate the plantations without delay.

Although the expenditure incurred on this aspect is huge, is an investment made for the future.



### CROP DIVERSIFICATION & LIVESTOCK

The majority of coconut holdings in the country are maintained as monoculture plantations. Coconut monocropping is an inefficient land management system of low land utilization. Intercropping has proven to be the best option for maximum land use in coconut plantations.

However, intercropping in our estates is limited due to two factors rainfall & soil types.

However, in addition to the main crop, inter crops such as Cashew, Rambutan, Pepper and Cinnamon etc. are cultivated in suitable areas in addition to the Animal husbandry such as Buffalo and sheep with a view to increase the land productivity & the generation of sundry income,



## Rambutan Cultivation

Rambutan is a popular fruit and is generally cultivated in Gampaha district. Approximately 50 acres of Rambutan has

been cultivated in Divulapitiya Area Estates which is the only suitable estate identified.



## Pepper Cultivation

Pepper is successfully cultivated in wet and intermediate ecological zones and therefore, cultivation of pepper has been restricted to Divulapitiya Area Estates.



## Cinnamon Cultivation

There is a very high demand for cinnamon in the market. The cinnamon cultivation was started in 2011 identifying the low potential estates in Divulapitiya Area Estates.

There is an area of approximately 27 acres of cinnamon cultivation by now including some areas in Bingiriya & Chilaw Area Estates.



## Dragon Fruit

Dragon fruit is grown in the dry and intermediate zones and this cultivation was started in Kinyama estate of Bingiriya Area Estates in 2008. Since then to end of 2017 there is a

cultivation of 31 acres in Bingiriya, Divulapitiya, Madampe and Palugaswewa estates.



### Total Inter Crop Income For 2017 (Rs.)

Estate	Cashew	Pepper	Rambutan	Dragon Fruit	Cinnamon
Thambapanni	11,571,343	-	-	-	-
Bingiriya	702,015	-	-	1,261,435	-
Chilaw	980,050	-	-	2,990	-
Madampe	-	-	-	48,131	-
Divulapitiya	-	177,600	946,000	459,810	1,300,680
Palugaswewa	200,940	-	-	38,719	-
<b>Total</b>	<b>13,454,348</b>	<b>177,600</b>	<b>946,000</b>	<b>1,811,085</b>	<b>1,300,680</b>

## Livestock

The fresh milk from the Buffalo project at Palugaswewa Estate is utilized for the manufacture of Curd & yoghurt and sold through the two sales centers at Palugaswewa Estate & Head Office premises.





## Buffalo / Sheep Population

Estate	Buffaloes (Nos.)	Sheep (Nos.)
Palugaswewa	300	
Chilaw	37	
Madampe	40	168
Bingiriya		438
<b>Total</b>	<b>377</b>	<b>606</b>



The dung collected from Buffalo & Sheep project is a good organic material and is used for the soil quality

improvement practices in young coconut plantations in addition to the inter crops.



## ENVIRONMENTAL IMPACT

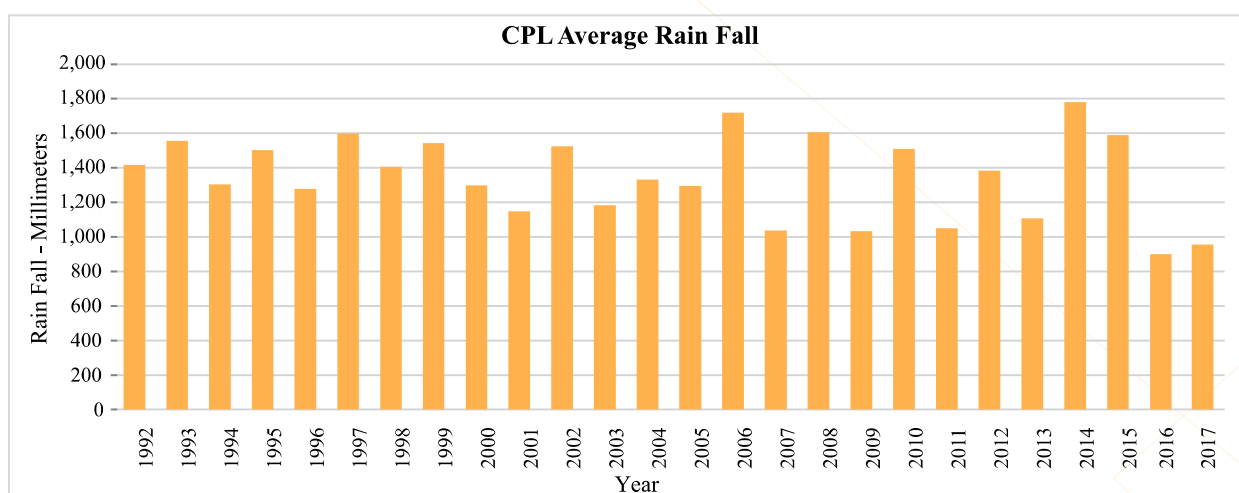
### Rain Fall & Air Temperature

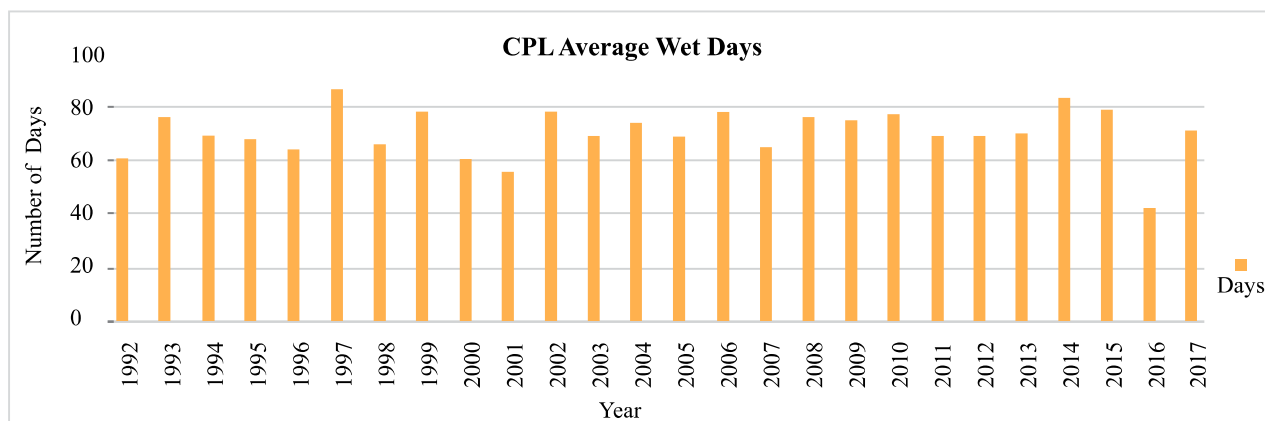
Rainfall and the maximum air temperature are the two climatic variables which have a greater impact on the fruit development cycle of Coconut. The increase of air temperature irrespective of soil water shortage is becoming inevitable due to the phenomenon of the global warming.

Our plantations are totally depend on the rain-fed water and are annually affected by the drought conditions due to the fact that the low rainfall experienced in the dry and intermediate zones where all most all our estates are located.

As a consequence of the restricted photosynthetic process during water deficits, vegetative growth as well as the reproductive growth is significantly affected thus resulting in a low and poor not production.

Comparatively low rain fall and wet days have been reported in the year 2017





### Rainwater Harvesting

Coconut palms require regular supply of water to maintain a consistent nut production through the year. It has a spreading root system without a tap root. Although there can be a very large number of roots, their greatest concentration is in the top meter of the soil and within a radius of about 2 meter. Therefore during rain free periods, soil moisture conservation in coconut lands has to be given high priority.

The main objective of the de-silting water ponds is the storage of as much as rainwater & soil moisture conservation.

Rain water harvesting which is given priority as a risk management step and to increase the moisture content in the soils. rain fall and wet days have been reported in the year 2017

## INNOVATIONS

### Production of Hand Pollinated Genetically Superior Coconut Seedlings

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

Therefore with scientific assistance from CRI Scientists, CPL initiated a Hand Pollination Programme for specially selected Mother Palms at Palugaswawa Estate, where emasculated flowers closed with polythene bags are being 'brushed' with 'San Raman' pollens to produce Tall x San

Raman cultivar seed nuts with traits such as high yielding, drought resistant, high copra and oil, etc..

Production of Genetically Superior Seed Nuts by Hand Pollination

### Isolated “KAPRUWANA” Seed Garden

An isolated seed garden to produce Hybrid 'Kapruwana' Cultivar of Coconut Seed nuts / Seedlings was established at Kinyama Estate as a CRI-CPL Joint Project in 2012.





## VALUE ADDED PRODUCTS

### Processed Cashew

Total area of cashew planted is approx. 827.63 ha and most of such areas are located in and around Puttalam exclusive for the cashew plantation in Sri Lanka managed Puttalam and Mangalaeliya Area Estates.

Total cashew harvested in year 2017 was 34,289 kgs, and the raw nuts received favorable prices in the market.

A part of the cashew production is being processed at Palugaswewa Estate and sold to the customers.



### Coconut Oil

During the year 2012, we ventured into the manufacture of Coconut Oil utilizing copra manufactured at Palugaswewa. Our mission is to provide Natural and good Quality pure Coconut Oil to consumers at affordable prices to discourage enable them buying refined, bleached-Deodorized, RBM processed so called 'Coconut Oils' available in the market, often mixed with imported cheap vegetable oils to reduce selling price.



### Highest Level of Dividends to Treasury

CPL is recognized as one of the best Regional Plantations Companies (RPC) that declared the highest level Dividend of Rs. 457Mn (From 1992 to 2016) to the treasury, with further Rs. 411Mn as Land Lease Payment, while fulfilling all statutory payments (EPF/ETF/Gratuity) to staff with rewards and incentives. **Processed Cashew**

Total area of cashew planted is approx. 827.63 ha and most of such areas are located in and around Puttalam exclusive for the cashew plantation in Sri Lanka managed Puttalam & Mangalaeliya Area Estates.

Total cashew harvested in year 2017 was 34,289 kgs, and the raw nuts received favorable prices in the market.

A part of the cashew production is being processed at Palugaswewa Estate and sold to the customers.







## Our CSR Events



CPL 25th Anniversary Celebration Ceremony



Coconut Planting Program parallel to the 25th Anniversary celebrations of the CPL



CPL 25th Anniversary Celebration Ceremony



Flood Donation Program launched by CPL at Galle, Mathara, & Rathnapura District for the victims of Flood & earth slips



MASCO Excellency Award received by the Chairman/CEO



CPL Product stall at Colombo shopping festival



Seminar on Key Performance Indicators at Chilaw Rest House



Distribution of coconuts of concessionary rate to Lanka Sathosa & general public

## SUSTAINABILITY

### Review of the Sustainability

Sustainability can be introduced as the management of bio resources to keep them alive. Its main objectives are the Environmental protection, social responsibility and economic policies. The company physical, economic and social sustainability is developed by controlling these objectives individually and collectively. The top priority has been given for environmental balancing the conservation of environmental systems the Chilaw Plantations Limited (CPL) has been established based on an agricultural environment.

We have been able to grant the economic benefits developed conserving the environmental systems to the various parties living close to the estates based on the inter relation as a social responsibility.

### Sustainable Agriculture

There are 5,733.23 hectares managed under the CPL and the main crop is being the Coconut Planting, we have been able to utilize the land maximally by bio resource diversification. The priority has been given to establish the coconut under plantations, intercropping and Animal husbandry. Coconut under plantations ratio in the bearing plantations which was 6% in 2008 when the management of CPL was taken over by the government, has now been increased to 25% by 2017. There is no doubt that there would be approximately 30% crop increase when the established under plantations come into to the bearing within next eight years. The stand per hectare after establishing the said under plantations has reached 138 per hectare.

The identification of suitable lands for the establishment of more under plantations and new plantations are being done and it is an achievement that we are in a position to invest on such developments.

We have been able to reduce the unit cost by establishing a special environment by increasing the bio mass by spreading the animal husbandry, refilling the seedling casualties due to the bad weather conditions and planting nitrogen fixing trees etc..

### Development of Soil Biological Activity

Land use efficiency and sustainability has been proved by introducing organic fertilizer as a substitute for inorganic fertilizer, increase of soil aeration, texture, microbiological activity by applying cow & sheep dung to the seedlings, adopting water conservation activities, water reserving in

fronds, the increase of organic bio mass in the soil by establishing cover crops, and planting nitrogen fixing trees such as gliricidia.

By adopting the government policies, we have been able to minimize in the usage of agro chemicals with heavy metal which cause bio degradation. Especially the uses of harmful weedicides and chemicals have been reduced. The following methods accepted by the society instead of chemical methods which destroy the environmental balance, have been adopted.

1. Instead of the using weedicides, control of weeds by mechanical weeding, ploughing, establishment of cover crop such as pureria and harboring buffalo & sheep in the fields are undertaken
2. For the control of red weevil attacks in the coconut plantations, the application of pheromone traps in the fields are undertaken
3. Keeping the field clean by following the scientific methods.
4. In order to control coconut mites the release of predator mites on the recommendation of the Coconut Research Institute in the areas where the intensive damages are identified

### Use of Organic Material as Fertilizer & recycling

The CPL use inorganic fertilizer with organic fertilizer at present instead of applying inorganic fertilizer along for nutrient deficiencies of coconut palms. By doing so it has been possible to retain the bio substances in the soil. The application of cow dung obtained from the Buffaloes of Palugaswewa estate is applied to the plantings in the same estate as organic fertilizer, the cow dung collected from the Buffaloes stationed at Mawathagama estate is applied to the organic coconut plantation in Mawathagama estate and the sheep dung collected from Kiniyama, Andigedera and Heenmeliyagara is applied to the plantings in the same estates in addition to the inorganic fertilizer.

By the application of organic fertilizer with inorganic fertilizer the soil texture is improved and the soil moisture is conserved and therefore the leaching of soil nutrition to the bottom of the soil is controlled. Therefore the investment made in this aspect is more productive. Especially the coconut palm shows a continued growth and production and huge amount of nutrients are absorbed for same thus such nutrients have to be supplied.

It is an environmental friendly activity to supply such removed nutrients using coconut fronds and husk for mulching and burying husks in the fields. In 2017 such activities have been done as follows:

Area Estate	Coconut Frond Mulching (Palms)	Coconut Husk Mulching (Palms)	Husk Burying (Pits)
Chilaw	76,011	6,433	2,691
Bingiriya	99,069	8,957	-
Divulapitiya	73,176	6,344	2,000
Madampe	70,440	2,645	1,600
Palugaswewa	83,568	4,745	4,246
Thambapanni	77,063	3,800	3,000
<b>Total</b>	<b>479,327</b>	<b>32,924</b>	<b>13,537</b>

### Conservation of Bio Mass System

There are small forest reserves as bio mass resources such as 50 acres at Mawathagama and 10 acres at Galkanda estate. This forest reserves shows as a wet zone environmental system and is protected by us for a long time for the conservation of bio diversification which shows the sustainable land management.

### Management of Timber Planting

CPL consists of 85 estates and there are about 21,533 timber trees. Most of the trees have been established in the fence boundaries in some areas such trees have been spreaded into the land creating small forest areas which areas are identified and managed as forest areas. Such trees are cut and removed when the required growth level is reached in addition to the 12 hectares of teak planting at Kasamadu and Thambapanni estates. We hope to prepare a five year forest management plan in due course.

### Sustainable Production

The CPL pays more attention in marketing value added products. Pure coconut oil manufactured from good quality copra at Palugaswewa estate and processed Thambapanni cashew are such products. By implementing this we have been able to give an opportunity to the consumers to consume high quality products. Further, the sales of our products are done to the Welfare societies through the Colombo Sales Centre. Our objective is to distribute high quality products to the consumers.

### Carbon Foot Print

The CPL is working with an objective of reducing the production of carbon dioxide and equally harmful gases directly or indirectly. We have contributed to the decrease of carbon foot print by using high efficient equipment, preventing the use of vehicles for unproductive work, allow the degrading carbonic material for recycling, and by the development of employees attitude and productivity etc.,

### Employee and Social Connection

#### Employee Benefits

CPL is an establishment which always would uplift the attitudes of employees and their benefits. Identifying the human resources in an establishment as a most valuable resource, annual welfare activities are undertaken based on their performance evaluation. Some of the employee benefits entitled by the employees are as follows:

- Payment of Rs.15.10 Million in 2017 as incentives.
- Employee 10% Profit Share of Rs. 11.10 Million.
- Issue of coconuts for consumption monthly for a minimal amount.
- All the employees under the cover of an insurance scheme.
- Distress loan under the minimum interest rate.
- Annual Get-together for staff and their family members
- Contribution for the annual excursion.



This has been to support the Human Resource motivation which would in turn increase the Company productivity.

### **Development of Estate Infrastructure Facilities**

The Chilaw Plantations Limited has been developed a suitable environment in which the employees can work under a good health conditions. Specially the priority has been given to uplift the infrastructure facilities for estate workers as follows.

Description	Amount (Rs. Mn.)
1. Maintaining & repairing estate quarters	7.80
2. Repairing roads	0.88
3. Water supply activities	2.54
4. Other welfare activities	7.50

### **Society Responsibility**

The Chilaw Plantations Limited is undertaking activities in developing the interconnections with out-side parties. Opportunity has been given to use the Company lands by permitting near by villagers to grace their cattle in our lands. By doing so, we contribute to increase their income levels and to increase the milk production of the country. Gracing by cattle help in turn to control weeds & to increase carbonic content in the soil due harboring cattle.

Additionally, the request made by the Religious places in the area is entertained & help them by as much as possible releasing the items such as dead coconut palms, and copra for Perahera etc.

As an Agri-Business company & stakeholder of the country development, our objective is to obtain the environmentally, socially and economically balanced sustainability by engaging economically productive agricultural practices fulfilling the wishes of all employees too.



Plant the Future...

## FINANCIAL REVIEW

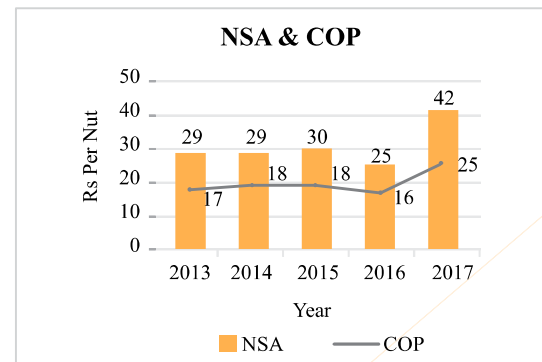
### Company Financial Performance at a Glance

Item	2017 Rs.Mn	2016 Rs.Mn	Variance (2016 - 2017)		
			Rs.Mn	%	Key Factor
Revenue	516	383	133	35	Increase of NSA and high opening stock realization
Cost of Sales	311	234	77	33	Due to high opening stock and low closing stock
Other Income	59	66	(7)	(11)	Decrease of profit on livestock project
Administrative Expenses	111	103	8	8	Increase of salaries one other administration exp.
Other operating Exp	12	9	3	33	Increase of 10% employee profit share
Finance Income	18	14	4	29	Increase of investment on FD and increase of interest rates
Finance Expenses	34	33	1	3	Lease interest on JEDB Asset has increased due to increase in annual GDP Deflator

### Revenue

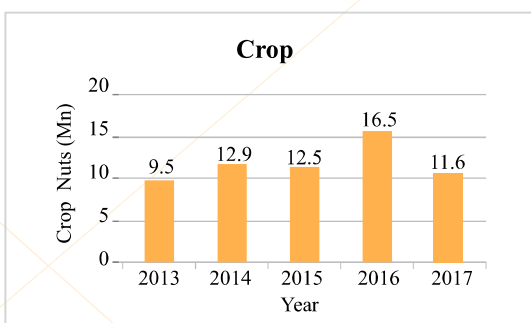
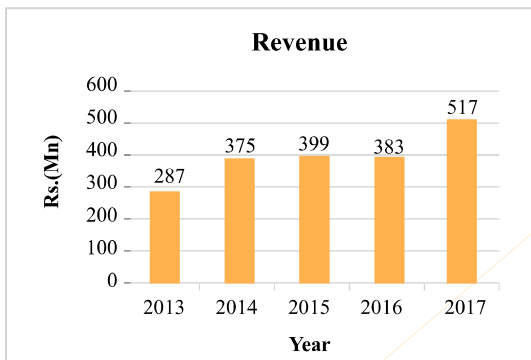
In the year 2017, which is under review, the company recorded Revenue of Rs.516 Mn compared to Rs. 383 Mn in 2016 which is an increase of Rs. 133 Mn in comparison (35% increase). Increase of NSA from Rs. 25/=in 2016 to Rs.42/= in 2017 and realization of high opening coconut stock during the year were the main reasons for this favorable variance.

However, Crop harvested has decreased from 16,522,290 nuts in 2016 to 11,651,155 nuts in 2017 indicating a 29% crop drop. Prevailed dry and unusual hot weather conditions from January to March and June to December 2016 and during the year 2017 were the main reasons for this crop drop



### Cost of Sales

The Cost of Sales for the year 2017 is Rs. 311 Mn and the same was Rs.234 Mn in 2016 reflecting an increase of Rs.77 Mn.



	2017	2016
<b>Production Cost Rs. Mn</b>	<b>288</b>	<b>268</b>
+ Opening Stock Rs. Mn	56	22
- Closing stock Rs.Mn	(33)	(56)
<b>Cost of Sales Rs.Mn</b>	<b>311</b>	<b>234</b>

- Cost of production for the year under review is Rs 288 Mn, which is an increase of Rs. 20 Mn when compared to Rs.268Mn in previous year. This is mainly due to the reasons, that Salary revisions as per CESU/CPL Collective Agreement to Estates staff and salary increase as per the Management services circular to Estates Executives and Non Executive staff, incurred an additional expenditure of Rs 7.2 million compared to the previous year.

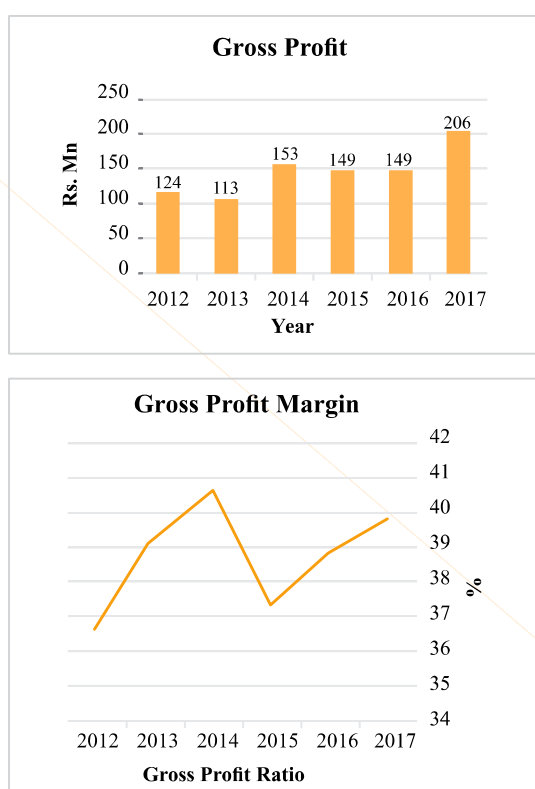


- The cost on Fertilizer application to mature plantation has increased from Rs.19.4 Mn in 2016 to Rs.35 Mn in 2017, since the fertilizer application was carried out only in a limited area in 2016 due to the unfavorable weather condition prevailed during the last quarter of year 2016.
- In addition to the above reasons the cost of sale has increased from Rs. 234Mn to Rs.311Mn due to adjustment of high opening stock and low closing stock to production cost.

### Gross Profit

Gross profit for the year under review was Rs. 205.5Mn, an increase of 38% compared to Rs. 148.7 Mn in 2016.

The Gross profit margin for coconut increased to 40% from 39% in 2016.



### Other Operating Income

The company earned Rs. 59.1 Mn from other operating activities consisting sale of Cashew, Husks, Timber, Paddy, Livestock, Sale of dead/senile coconut Trees etc , compared to Rs 65.9Mn in previous year, which is a decline of 10%.

Value decrease of the cattle (Biological assets) as per NLDB circular caused Rs 11.5 Mn loss in the livestock project and the loss incurred in cashew project Rs. 5Mn resulted decreased Other Operating Income

Details of other income sources are shown in the Note No. 20 for the financial statement.

### Administrative, Other Operative Expenses

When compared to the Previous year, Administration Expenses has increased from Rs 102.5 Mn to Rs 110.6 Mn due to increase in staff salaries as per management service circulars, increase of vehicle repairs charge, staff welfare and Head office building repairs.

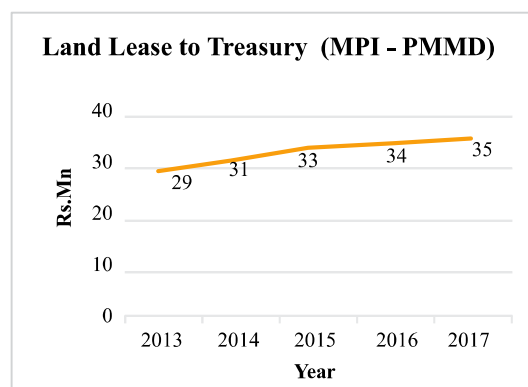
Other operating expenses for the year 2017 is Rs. 12.3 Mn, which was Rs. 8.6 Mn in the year 2016, reflecting an increase of Rs.3.6 Mn due to increase in employee 10% Profit share.

### Finance Income

Finance income comprising interest income from short term deposits, increased by Rs. 4Mn in 2017 compared to previous year mainly due to the increase of short term deposits and interest rate. Finance income for the year 2017 is Rs 18.4 Mn in the year 2016 it was Rs 14 Mn.

### Finance Cost

Finance cost on government lease was Rs. 34 Mn in 2017, an increase of 3% compared to last year, which increases annually based on GDP deflator.



### Income and Deferred Taxation

The company tax charge for the year was Rs 44.9 Mn, a 197% increase compared to the tax of Rs 15.1 Mn recorded in 2016, Out of which the income tax charged for the year under consideration was Rs 5.4 Mn.

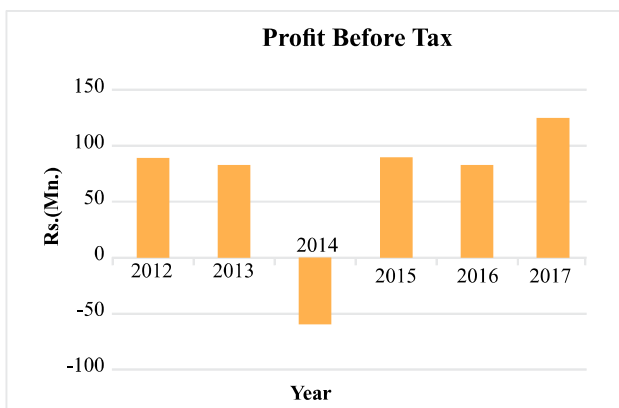
The deferred tax charge for the year was Rs 39.4 Mn which is an increase of 210% compared to last year due to an increase in timing difference of immature and mature plantation based on increased tax rate.

The concessions and rates applicable to company are available in note no 23 of financial statement.

## Profit before Tax

The profit before tax (PBT) of the company during the year 2017 has increased by 49% or over Rs.42 Mn to Rs. 126.4 Mn in 2017 from Rs. 84.8 Mn. The increase could be attributed to the high NSA of coconut in 2017.

The company made a profit after tax (PAT) of Rs 81.4Mn in the year under consideration, compared to the profit of Rs 69.6 Mn recorded in 2016.



## Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

The company's EBITDA increased by 23% to Rs 176 Mn in 2017, compared to the Rs 143 Mn recorded in 2016.

## Dividend

Whilst many of the Government Organizations depend on state funds, Chilaw Plantations Ltd has paid a total dividend of Rs. 295 Mn to the Treasury/Golden share holder, after the taking over the management back to the Government in May 2008. In comparison to the profit earned by the company from year 2008 to 2016 this is a significantly high amount. Thus the total dividends paid to the treasury by Chilaw Plantations from 1992 amount to Rs 457 Mn to end year 2017.

## Service Recognition of Human Resource

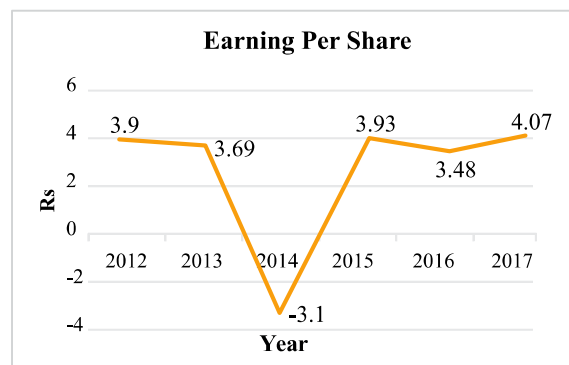
Being strongly aware that the human resource is the most important asset in an organization, the company paid Rs15.1Mn in the year 2017 as performance incentive to employees compared to the Rs.14.5 Mn in the last year, as a motivation factor.

In addition to that, a sum of Rs 11.1Mn was paid to the employees from the operational profit of the year 2017 as a 10% Employee profit share, in line with the scheme that had been introduced by the company, with the approval of the plantation management monitoring division (PMMD)

under the Ministry of Plantations Industry, in the year 1995.

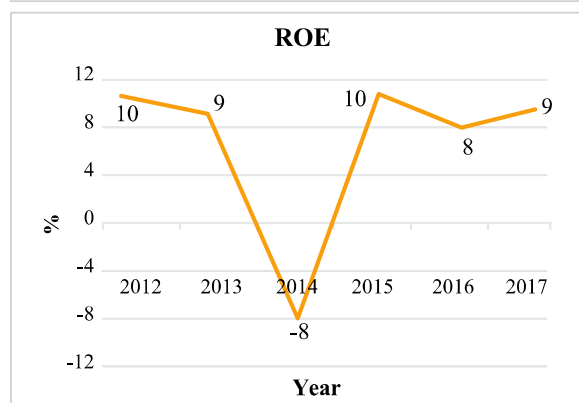
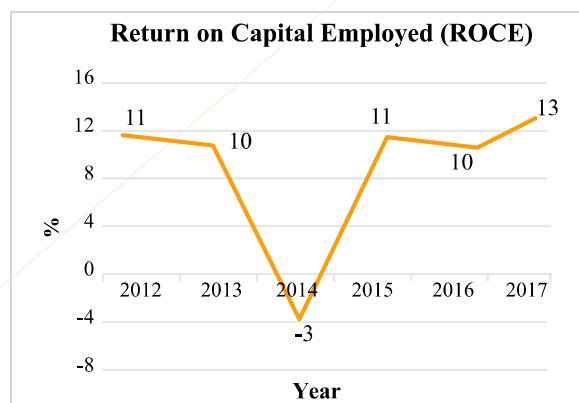
## Earnings Per Share (EPS)

During the financial year, the company has generated Rs 4.07 profit for each unit of share (EPS), which is an increase of 17% compared to Rs 3.48 recorded in previous year.



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

Return On Capital Employed increased to 13 % in the financial year 2017 from 10% in the year 2016 which was affected mainly due to the higher profitability in the year under review. Consequently, Return on average equity has also been affected by the same reason, which has increased from 8% to 9% in the current financial year.



## Asset Base

The assets base of the company at the end of year 2017 recorded Rs 1,356 Mn with non-current assets of 78% and 22% of current assets. Total assets have increased by 6% during the year mainly due to the increase in bearer biological assets. Bearer biological assets represent the coconut immature and mature plantation, Cashew plantation, other perennial plantations and live stock.

Asset Base	2017 Rs. Mn	2016 Rs. Mn
Leasehold Right to Bare Land of JEDB Estates	74	76
Leasehold Property Plant & Equipment of JEDB Estates	1	1
Leased Bearer Biological Assets of JEDB Estates	24	27
Bearer Biological Assets (Other than Leased Bearer Biological Assets)	794	727
Consumable Biological Assets	55	42
Freehold Property Plant & Equipment	106	97
Other Finance Assets	8	8
Current Assets	294	300
<b>Total Assets</b>	<b>1,356</b>	<b>1,278</b>

Company Assets Base is mainly comprised of bearer biological assets which is 60% of total assets. Timber trees are represented by Consumable biological assets which is 4% of the total assets.

## Capital Expenditure

During the year under review, the company spent Rs 115Mn on capital expenditure for Coconut New planting/Under planting and property plant and equipment. The company incurred Rs 82Mn (In 2016 Rs 85Mn) on new planting/under planting and management of immature area, in an extent of 975 hectares which is 71% from the total capital expenditure, Rs 2 Mn spent on intercrop and the rest incurred on acquisition of property plant and equipment amounting to Rs. 31Mn (in 2016 Rs 17Mn)

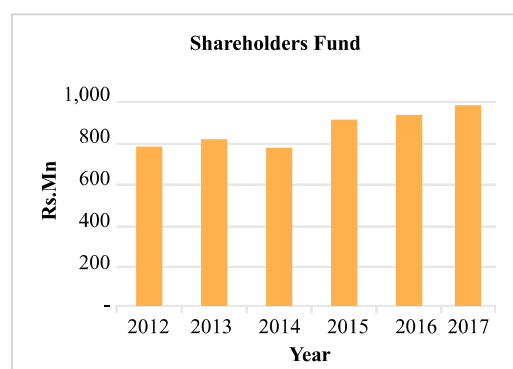
## Equity

Equity Comprise of stated capital of Rs. 200 Mn and reserves of Rs. 747.8 mn. The composition of the reserves is stated bellow.

	2017	2016
Retained Earnings	665.5	633.8
Timber Reserves	82.3	61.8
<b>Total Reserves</b>	<b>747.8</b>	<b>695.6</b>

## Shareholders Fund Ratio

The shareholders fund in the Capital Structure increased by 6% from Rs 896 Mn in 2016 to Rs 948 Mn. Shareholders' fund is equivalent to 70% of total assets in the year under review.



## Liquidity Position

	2017	2016
Total Current Assets	294	300
Total Current Liability	121	135
Net Working Capital	173	165
Current Ratio	2.4	2.2

Net working capital position of the company has increased from Rs.165 Mn at the end of 31<sup>st</sup> December 2016 to Rs.173 Mn at 31<sup>st</sup> December 2017, mainly due to increase in short term investment and decrease in trade and other payable.

## Current Ratio

The Current ratio reflects an upward movement as it has increased to 2.4 times in the year under review, relatively to 2.2 times in the previous year. This is mainly due to increase in short term investment and decrease in trade and other payable.

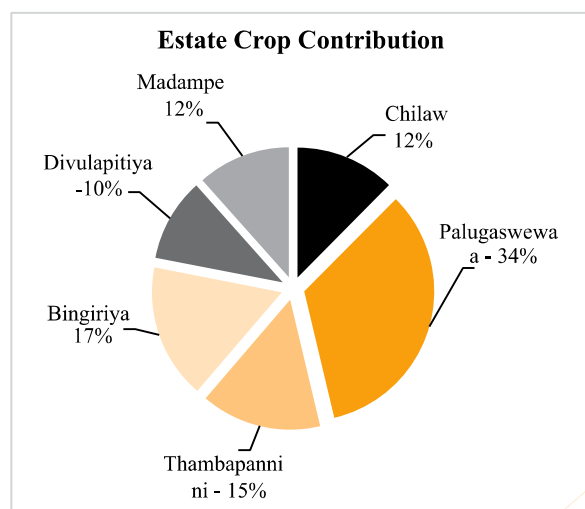
The current ratio of 2.4 for the year is a meaningful level that enables the company to adequately meet the short term liquidity requirements.

### Cash flow

The net cash generated from operating activities is Rs 180 Mn designating a 136% increase compared to Rs 76 Mn in the previous year. During the year under review, company made Rs 84 Mn investment on immature plantation. Cash flow from investing activities reported a net cash outflow of Rs.137 Mn in the current year compared to a net cash out flow of Rs 80 Mn in the previous year

Net cash flows from financing activities depict a net cash out flow of Rs 32 Mn compared to net cash out flow of Rs 2 Mn in the previous year. Dividend paid to treasury which amounted to Rs 30 Mn has been the major reason behind the increase in the net cash out flow of finance activities.

As a result, company's net impact to the Cash & Cash Equivalents during the period was a cash inflow of Rs. 12 Mn in the current financial year compared to a net cash out flow of Rs. 6 Mn in the previous year.



**Estates Crop Contribution - Year 2017**

Estate	Crop Nuts
Chilaw	1,448,428
Palugasewewa	3,943,764
Thambapanni	1,747,153
Bingiriya	1,956,301
Divulapitiya	1,207,989
Madampe	1,347,520
<b>Total</b>	<b>11,651,155</b>



## CORPORATE GOVERNANCE

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

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

### **Board of Directors**

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

### **Responsibility**

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

### **Composition**

In 2017 the Board of Directors comprised Seven Directors including the Chairman and an Executive Director.

### **Board Meetings**

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

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

The board met 13 times during the year 2017.

### **Audit Committee**

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

Mr. P.B.S.C. Nonis, being a non-executive Director functioned as the Chairman of the Audit Committee and

conducted Five evaluations during the year. Officer of Auditor Generals' Department participated as Observer of Audit Committee meeting.

The Chairman, Executive Director, GM, AGM Plantations and Senior Accountant attended Audit Committee Meetings on invitation.

### **Compliance with Legal Requirement**

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

The Board ensures that the financial statements of the company are prepared in accordance with the Sri Lanka Accountings Standards and comply with the requirements of the companies Act No. 07 of 2007.

## RISK MANAGEMENT

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

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

### Risk mitigation strategies

Risk Factor	Risk Assessment	Risk Mitigation Strategies
Climate Changes	Yields of Coconut, Cashew & other perennial Crops fluctuate unexpectedly due to adverse weather condition mainly due to the unforeseen and elongated drought that prevails continuously for months.	<p>Undertaking increased soil moisture conservation work by way of husks buried in husk pits, more drains to trap rain water within the plantations soil, more low shades such as gliricidia and cover crops such as pureria being planted.</p> <p>More tanks are also renovated to collect rain water, which could later be used for irrigation whilst such collected water also feed the roots of the palms by maintaining the soil moisture in the vicinity of the tanks.</p> <p>Irrigation systems are being implemented to ensure the water requirements of the plants are met.</p>
Impairment to production	<p>The other cause being due to a high percentage of the mature palms of the age of over 50 years turning into senile, dud or tapering.</p> <p>In addition, any unforeseen diseases and natural causes to the palms and plantation.</p>	<p>Undertaking New Plantings and Under Plantations to replace the over aged palms population.</p> <p>Established two mite labs at Palugaswewa estate and Divulapitiya area estates.</p> <p>Integrated pest management strategies.</p>
Commodity Cycle	<p>Impaired prices and unsteady sales, depending on the consumer's demand, due to the increase in substitutes causing declined demand for coconut edible products, resulting in large quantities of nuts in the estates lying on the ground with a possibility to spoil if not alternative measures taken.</p> <p>Competition from close substitutes such as palm oil etc, to which more consumers are being attracted to, due to low cost, affect demand and prices</p>	<p>The Coconuts unsold at the Colombo CDA auction are sold through a fortnight company level sale named 'Pol Pola' at the Head Office, in addition to the weekly CDA Coconut auction.</p> <p>Concentrate to produce value added product</p> <p>The nuts not sold at both these auctions are turned into copra, a part of which is sold through auction and the other or major part turned into pure coconut oil at Palugaswewa oil mill.</p>
Credit Risk	<p>The probability of having delays in the buyers settling the dues or failing to abide by the rules and regulations.</p> <p>Accumulation of dues.</p>	<p>Ensuring collection of dues from the buyers, by a closely monitored procedure.</p> <p>Seek the Authorities intervention on the long delayed settlements or on the buyers who don't response.</p> <p>Government lease payment are closely monitored and settled without a delay.</p>

Risk Factor	Risk Assessment	Risk Mitigation Strategies
Management Personnel	<p>Lack of motivation and lack of knowledge of the job, resulting in poor productivity and outputs.</p> <p>Employees leaving for other industries or companies for better remunerations and higher positions.</p>	<p>Workshops and training programs undertaken.</p> <p>Improving employee benefits by way of financial non financial incentives &amp; fringe benefits.</p> <p>Maintaining healthy relationships with trade unions through regular dialogues.</p> <p>Ensure compliance with all regulatory requirements with regard to the benefits applicable to the employees.</p> <p>Ensuring promotions from within, to senior positions as far as possible and</p>
Assets Risk	<p>Risks from fire, theft and breakdown of machinery &amp; equipment.</p> <p>Natural disaster, such as, caused by lightning, floods, insects, animals and elements.</p>	<p>Obtaining comprehensive insurance covers for all tangible assets.</p> <p>Adoption of stringent procedures with regard to the moving of assets from one location to another.</p> <p>Establishing fire gaps to prevent fire spreading in to our lands from outside and other available precautionary measures.</p> <p>Carrying out frequent preventive maintenance programs fire drills etc.</p> <p>Adopting good agriculture practices</p>
Capital Investments Risk	<p>Risk of not meeting with profit expectations and not receiving the desired returns on investment.</p>	<p>Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.</p>
Reputation Risk	<p>Insufficient and improper knowledge of principles, procedures, standards, rules and regulations pertaining to employments, tradings and other procedures of an establishment.</p> <p>Produces not meeting with consumer or market demands and standards.</p> <p>Lack of knowledge pertaining to the performance, targets and standards.</p>	<p>Ensuring effective communication with various stakeholders such as employees, bankers, customers, regulators,</p> <p>Ensure quality in product &amp; manufacturing process and compliance with the standards.</p> <p>Having in place a budgetary process &amp; a budgetary control mechanism on a monthly basis to ensure that the Company's performance is continuously in line with its targets.</p> <p>Customer feedbacks are obtained to ensure the service and product quality.</p>

## AUDIT COMMITTEE REPORT

It's statutory requirement to establish an Audit Committee for each government organization. This committee should comprise at least three non-Executive Board members, chaired preferably by a Treasury Representative or person possessing financial management skills. This Committee should meet on a regular basis at least once in three months with the Chief Internal Auditor as Convener and should submit its observations to the Board of Directors with recommendations for necessary action.

### The terms of reference

The Committee is governed by the specific Terms of Reference (TOR) set out by the Board of Directors in terms of the Public Enterprises Circular No: PED : 55. The Committee focuses on determination of the responsibilities of the internal audit unit, review of the annual audit programme, evaluate internal control systems, review internal audit & external audit reports, management letters etc.

### Composition

According to the provisions of Public Enterprises Circular No. PED:55 the Audit Committee of Chilaw Plantation

Limited comprises of three (03) Non- executive Board members, inclusive of Treasury Representative who chairs the committee.

Present Members of the Audit Committee are as Follows.

Mr. P.B.S.C. Nonis  
Director / Chairman of the Committee

Mr.A. Lakkadas  
Director

Mr.Ananda Pushpakumara  
Director

Corporate Advisory services, Board Secretary Functions as the Secretary to the Audit Committee and Mr. Wimal Hemachandhra, Chief Internal Auditor functions as the Convener to the Audit Committee.

### Meetings and Attendance

Audit Committee met on five occasions during the financial year 2017 and their attendances are as follows,

Name of AMC members	10th March	28th June	14th August	01st November	14th December
Mr. P.B.S.C. Nonis	√	√	√	√	√
Mr. A. Lakkdas	√	√	√	√	√
Mr. Ananda Pushpakumara	√	√	-	-	-

(Mr. Ananda Pushpakumara performed as a member of AMC up to 28th June 2017)

Members of the Board, Senior Managers, as well as the Auditor Generals are invited to be presented for meeting. During the year 2017 discussed routine audit reports of estates, special investigation reports progress of the projects of company and also audit quires raised by the Auditor General and replies given by the Management etc..

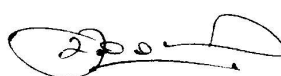
### Compliance

Committee has ensured the Board to act in compliance with the relevant legislations and the regulatory requirements and ensure that financial statement complies with the Sri Lanka Accounting Standards. The Committee assessed the adequacy of existing controls and risk management procedures and made recommendation to the Board, for additional controls and risk mitigating strategies necessary

to strengthen the existing internal control system. Further the Committee has reviewed the routine operations of company and assessed future prospects for its business operations and accordingly makes sure that the going concern assumptions of the financial statements, is appropriate.

### External Audit

Auditor General Acts as the External Auditor of the Chilaw Plantation Limited.



**P.B.S.C.Nonis**  
Chairman - Audit and Management Committee

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors are pleased to present the Annual Report pertaining to the Chilaw Plantation Ltd., together with the Audited Financial Statement of the company for the year ended 31<sup>st</sup> December 2017 and the Auditor General's Report thereon.

## Legal status

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

The registered office of the Company is located at No. 165, Puttalam Road, Chilaw and the Colombo office is located at J.R. Jayawardene Centre, 191, Dharmapala Mawatha, Colombo 07 whilst the Plantations are situated in the planting districts of Puttalam, Kurunegala and Gampaha

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

- ♦ Palugaswewa Estate
- ♦ Bingiriya Area Estates
- ♦ Chilaw Area Estates
- ♦ Madampe Area Estates
- ♦ Thambapanni Area Estates
- ♦ Divulapitiya Area Estates

## Principal Activities

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

## Financial Statements

The Financial Statements, approved by the Board of Directors of the Company, at the board meeting held on 10th August 2018 are given on Pages from 41 to 71

## Auditor's Report

The Auditor General's Report on the Financial Statements of the Company is given on page 37 to 40

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 45 to 55 and there were no changes in the Accounting Policies adopted compared to the previous years.

## Going Concern

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

## Directors

Directors of the Board, who served the Company during the year 2017 are given below:

### Board of Directors - year 2017

Mr.V.K.C. Herath (from 14.07.2016)	Chairman
Mr.M.K.B. Seneviratne (From 08.05.2015)	Executive Director
Mr. P.C. Wijewardhana (from 24.02.2017)	Working Director
Mr.P.B.S.C. Nonis (from 05.09.2016)	Director/ Treasury Representative
Mr.A. Lakkathas (from 19.05.2016)	Director
Mr.K.G.A. Pushpakumara (from 14.07.2016)	Director (Revoked on 24.02.2017)
Mr.H.M.N.C. Herath (From 20.03.2015)	Director

## Audit Committee

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

### Audit Committee - 2017

Mr. P.B.S.C. Nonis	Chairman (AMC)
Mr. A. Lakkathas	Member (AMC)
Mr. A. Pushpakumara (up to 24/02/2017)	Member (AMC)
Auditor General's Department	Observer

## Review of Performance

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



## Revenue

The Revenue of the Company for the year 2017 is Rs.516 Mn (2016- Rs. 383 Mn). The other operating income for the year is Rs. 59 Mn (2016-Rs 66 Mn).

The interest income earned during the year is Rs.18 Mn. details of which are given under the Audited Financial Statements.

## Financial Results

The company profit before taxation amounted to Rs 126.4 (2016-Rs. 84.8 Mn)

After deducting Rs 44.9 Mn for taxation, the company has recorded a Profit after Tax of Rs. 81.4Mn in the year 2017 (2016- Rs. 69.6 Mn). Details of the financial results are given in the Statement of Comprehensive Income.

## Fixed Assets

During the year 2017 the Company has invested Rs. 84 Mn (2016: Rs. 86Mn) on New/Under Plantations, management of Immature Plantations and Rs.30 Mn Invested on Property Plant and equipment (2016 : Rs.16 Mn).

Net Book value of non-current assets (Property Plant & Equipment, Leasehold Right, Biological Asset etc.) as at the Balance Sheet date in year 2017 is Rs. 1062Mn (2016 : Rs.978 Mn) and details are given in Notes 04-08 and 11 of the Audited Financial Statements.

## Short-term Investments

The Company's Short-term Investments are Rs.190.3 Mn at the end of 2017, compared to Rs.140.8 Mn in year 2016. This investment comprises Rs.102.3 Mn Fixed Deposits at Bank of Ceylon and Rs.88Mn in Treasury Bills (REPO) at Bank of Ceylon.

## Reserves

The Company Reserves as at 31st December 2017 are represented by Retained Profit of Rs. 665.5 Mn and Timber Reserves of Rs 82.3Mn.

The movement and composition of the Reserves are disclosed under the Statement of Changes in Equity of the Audited Financial Statements.

## Taxation

The company is liable to income tax at the rate of 10% on its agricultural profit and 28% on other sources of income. Further details of taxation are given in Note 23 to the Financial Statement.

## Stated Capital

The total Stated Capital of the Company as at 31 December 2017 is Rs. 200,000,010 comprising 20,000,001 Ordinary shares, inclusive of one Golden Share. No Share allotments were made during the year.

## Capital Commitments & Contingent Liability

Contingent Liabilities and Capital Commitments are disclosed in Note No 27 of the Audited Financial Statements.

## Events After The Balance Sheet Date

There were no events subsequent to the Balance Sheet date, which would have any material effect on the Company, other than disclosed in Note no 25 to the financial Statements.

## Directors' Interest in Contracts

The Directors have no direct or indirect interest in contracts with the company other than those declared in Note 26 to the Accounts.

## Directors' Share Holdings

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

## Employment

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

## Statutory Payments

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

## Auditors

The Accounts for the year 2017 have been audited by the Auditor General.

Audit opinion on the financial statement is given in the page No. 37 - 40. A qualified opinion has been given by the auditor general based on the facts mentioned therein (a), (b), (c) under basis for qualified opinion.

The following actions have already been taken by the management in regard to the same.

- (a) Drawing up of the plans are in progress and completed part of the estates by Survey General Department.
- (b) Provision for the impairment allowances have been made in the year 2014 accounts for the loan given to the government enterprises according to the accounting standards LKAS 39.

## Annual General Meeting

The Annual General Meeting is scheduled to be held at the Chilaw Plantations Ltd, Colombo office

No. 191, J.R. Jayawardhana Centre, Dharmapala Mw, Colombo 07 on 07th June 2019 at 2.00 Pm.

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

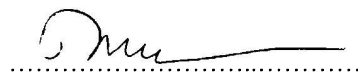
For and On-behalf of the Board of Directors of the Chilaw Plantations Ltd



V.K.C. Herath  
Chairman



M.K.B Senevirathna  
Executive Director



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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Financial Statements of the Company for the year ended 31st December 2017 included in this report, have been prepared and presented in accordance with the Sri Lanka Accounting standards and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards.

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

The Directors confirm their responsibility for ensuring that Company maintains accounting records, which are sufficient to prepare Financial Statements to disclose with reasonable accuracy, the financial position of the Company. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company as at 31st December 2017.

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

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

The Directors have provided the Auditors General, with every opportunity to carry out review and tests that they consider appropriate and necessary for the performance of their responsibilities.

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

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

By Order of the Board,



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



**විගණකාධිපති දෙපාර්තමේන්තුව**  
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය } PLA/A/CPL/01/17/ 01  
எனது இல. }

ඔබේ අංකය }  
உமது இல. }

දිනය } 11<sup>th</sup> September 2018  
திகதி }

To Shareholders of the Chilaw Plantation Limited.

**Report of the Auditor General on the Financial Statements of the Chilaw Plantation Limited for the year ended 31 December 2017.**

The audit of financial statements of the Chilaw Plantation Limited for the year ended 31 December 2017 comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 December 2017 and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**Board of Directors' Responsibility for the Financial Statements**

Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.







## Auditor's Responsibility

---

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

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

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

## Basis for Qualified Opinion

---

- (a) The Company was not acquired with plans relating to lands 5,733 hectares in extent valued at Rs.142,502,287, belonging to the Company.



- (b) Even though it had been mentioned that values of Rs.47,627,397 and Rs.23,610,959 respectively remained recoverable from Janatha Estates Development Board and Sri Lanka State Plantations Corporation as per the statement of financial position as at 31 December 2017, those values remained at sums of Rs.63,672,397 and Rs.31,610,959 respectively, according to the Letters of Confirmation of Balances furnished by the relevant Institutions as at 31 December 2017.
- (c) Letters of Confirmation of Balances relating to the confirmation of balances of Rs.10,000,000 and Rs.15,000,000 respectively recoverable as at 31 December of the year under review for short- term loans provided in the year 2010 to Sri Lanka Rubber Manufacturing and Export Corporation and to the Ministry of State Resources and Enterprise Development by the Company had not been furnished to audit.

### **Qualified Opinion**

---

In my opinion, except for the effects of the matters described in paragraph Basis for Qualified Opinion of this report, the financial statements give a true and fair view of the financial position of the Chilaw Plantations Limited as at 31 December 2017 and its financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

---

I state the following matters in terms of Section 163(2) of the Companies Act No.07 of 2007.

- (a) Basis for Qualified Opinion and the scope of audit and limitations are as given above.
- (b) I state that,



- ❖ I obtained all the information and explanations necessary for audit and that proper Accounting Reports had been maintained by the Company as indicated by my examination and,
- ❖ In my opinion, the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No.07 of 2007.

### **Tabling of Annual Reports**

---

My report will be tabled in Parliament in due course in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**Sgd./ H.M. GAMINI WIJESINGHE**  
**Auditor General**

H.M Gamini Wijesinghe  
Auditor General

# CHILAW PLANTATIONS LTD

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 <sup>st</sup> December	Notes	2017 Rs.	2016 Rs.
Revenue	19	516,178,934	383,089,914
Cost of Sales		(310,604,719)	(234,382,941)
<b>Gross Profit</b>		<b>205,574,215</b>	<b>148,706,973</b>
Other Operating Income and Gains	20	59,159,259	65,941,736
Administrative Expenses		(110,679,954)	(102,545,104)
Other Operating Expenses		(12,352,180)	(8,692,761)
<b>Profit from Operations</b>		<b>141,701,341</b>	<b>103,410,843</b>
Net Finance Income (Expenses)	21	(15,286,608)	(18,594,220)
<b>Profit before Tax</b>	22	<b>126,414,733</b>	<b>84,816,623</b>
Tax Expense (Provisions)	23	(44,968,495)	(15,144,615)
<b>Profit for the Year</b>		<b>81,446,237</b>	<b>69,672,008</b>
<b>Other comprehensive Income</b>			
Defined Benefit Plan Actuarial Gains/ (losses)		702,850.00	1,091,543
<b>Total Comprehensive Income for the year, Net of Tax</b>		<b>82,149,087</b>	<b>70,763,551</b>
Basic Earning Per Share	24	<b>4.07</b>	<b>3.48</b>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 45 to 71 form an integral part of these Financial Statements.

**Chilaw**  
**August 10, 2018**



# CHILAW PLANTATIONS LTD

## STATEMENT OF FINANCIAL POSITION

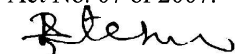
As at 31 <sup>st</sup> December	Notes	2017 Rs.	2016 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Leasehold Right to Bare Land of JEDB Estates	04	73,799,983	76,488,705
Leasehold Property Plant & Equipment of JEDB Estates (Other than Right-to-Use-Land and Leased bearer biological assets)	05	960,504	1,434,812
Leased Bearer Biological Assets of JEDB Estates	06	24,044,542	26,893,743
Improvements to Leasehold property	7.1	778,042,874	701,639,467
Biological Assets -Livestock	7.2	16,096,612	25,237,670
Consumable Biological Assets	7.3	54,522,442	42,245,501
Freehold Property Plant & Equipment	08	106,238,263	96,643,719
Other finance assets	11.1	8,384,410	7,598,658
		<u>1,062,089,630</u>	<u>978,182,276</u>
<b>Current Assets</b>			
Inventories	09	58,753,590	100,758,752
Trade and Other Receivables	10	34,686,633	48,435,673
Financial facility to State Enterprises	11		
Other Finance Assets	11.1	3,735,301	3,413,278
Other Current Assets		1,726,563	1,929,727
Short Term Investment	12	190,312,500	140,868,261
Cash in Hand and at Bank		4,465,074	5,087,898
		<u>293,679,661</u>	<u>300,493,589</u>
<b>Total Assets</b>		<b><u>1,355,769,291</u></b>	<b><u>1,278,675,864</u></b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	13	200,000,010	200,000,010
Retained Earnings		665,548,027	633,885,863
Timber Reserves		82,327,840	61,840,917
<b>Total equity</b>		<u>947,875,877</u>	<u>895,726,790</u>
<b>Non Current Liabilities &amp; Deferred Income</b>			
Deferred Tax Liability	14	101,325,132	61,850,251
Deferred Grants and Subsidies	15	6,395,901	6,791,464
Retirement Benefit Obligations	16	74,382,849	72,493,267
Liability to Make Lease Payment for the JEDB/SLSPC Estates	17	105,004,349	107,223,139
		<u>287,108,231</u>	<u>248,358,121</u>
<b>Current Liabilities</b>			
Trade and Other Payables	18	121,213,233	135,832,364
Income Tax Payable		(2,646,841)	(3,374,863)
Liability to Make Lease Payment for the JEDB/SLSPC Estates	17	2,218,790	2,133,452
		<u>120,785,182</u>	<u>134,590,953</u>
<b>Total Equity and Liabilities</b>		<b><u>1,355,769,291</u></b>	<b><u>1,278,675,864</u></b>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 45 to 71 form an integral part of these Financial Statements.

### Certification

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



**Mr. R.M.R.B. Ratnayake**

Senior Accountant

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements.

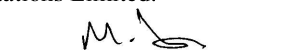
Approved and signed for and on behalf of the Board of Directors of Chilaw Plantations Limited.



**Mr. V.K.C. Herath**

(Chairman)

**Chilaw**  
**August 10, 2018**

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

# CHILAW PLANTATIONS LTD

## STATEMENT OF CHANGES IN EQUITY

For the Year ended 31<sup>st</sup> December, 2017

Description	Stated Capital	Timber Reserve	Accumulated Profit	Total
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1<sup>st</sup> January 2016</b>	200,000,010	56,686,451.67	598,276,777	854,963,239
Profit for the Year			69,672,008	69,672,008
Other Comprehensive Income	-		1,091,543	1,091,543
Transferred to Timber Reserve	-	5,154,465	(5,154,465)	
Total Comprehensive Income		5,154,465	65,609,086	70,763,551
Dividends for 2015			(30,000,000)	(30,000,000)
<b>Balance as at 31<sup>st</sup> December 2016</b>	<b>200,000,010</b>	<b>61,840,917</b>	<b>633,885,862.81</b>	<b>895,726,790</b>
Profit for the Year	-		81,446,237	81,446,237
Other Comprehensive Income			702,850	702,850
Transferred to Timber Reserve		20,486,923	(20,486,923)	
Total Comprehensive Income	200,000,010	82,327,839.84	695,548,027	977,875,877
Transferred to Timber Reserve				
Dividends for 2016			(30,000,000)	(30,000,000)
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>200,000,010</b>	<b>82,327,840</b>	<b>665,548,027</b>	<b>947,875,877</b>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 45 to 71 form an integral part of these Financial Statements.

**Chilaw**  
**August 10, 2018**

# CHILAW PLANTATIONS LTD

## STATEMENT OF CASH FLOW

**For the year ended 31st December**

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit before Tax

#### Adjustments for;

- Depreciation/Amortization
- Provision for Employee Profit Share
- Amortization of Grants
- Finance charge on Government Finance Lease
- Bad Debts Provision
- Finance Income
- Provision For Defined Benefit Plan Costs
- Profit on Disposal of Property, Plant and Equipment
- Gain (loss)-Consumable Biological Asset
- Profit on disposal of Coconut Trees

#### Changes in:

- Inventories
- Dairy Livestock
- Trade and other Receivables
- Other Current Assets
- Trade and other Payables

#### Cash generated from operating activities

- Defined Benefit Plan Costs paid
- Employee Profit Share Paid
- Finance costs Paid
- Finance Income Received
- Income Tax Paid
- Cash received from sales of valuable trees

#### Net Cash from Operating Activities

### CASH FLOWS FROM INVESTING ACTIVITIES

- Additions of Property, Plant & Equipment
- Field Development Expenditure
- Cash received from sales of coconut trees
- Staff loan Granted
- Staff loan recovered
- Short Term Investment
- Proceeds from Disposal of Property, Plant and Equipment

#### Net Cash used in Investing Activities

### CASH FLOWS FROM FINANCING ACTIVITIES

- Dividends Paid
- Capital settlement of Government Finance Lease

#### Net Cash Flows used in Financing Activities

#### Net Increase / (Decrease) in Cash & Cash Equivalents

A. Cash & Cash Equivalents at the Beginning of the Year

B. Cash & Cash Equivalents at the End of the Year

#### NOTE A

Cash & Cash Equivalents at the beginning of the Year

Short term Investments

Cash in Hand and at Bank

#### NOTE B

Cash & Cash Equivalents at the end of the Year

Short term Investments

Cash in Hand and at Bank

2017	2016
Rs.	Rs.
126,414,733	84,816,623
34,566,375	39,174,417
11,192,570	7,828,181
(395,563)	(398,962)
33,697,488	32,115,849
-	(421,258)
(18,410,880)	(14,193,632)
13,790,597	12,983,458
-	30,187
(20,486,923)	(5,154,465)
(16,884,139)	(17,356,052)
163,484,259	139,424,346
42,005,162	(57,386,187)
9,141,058	(11,490,500)
18,769,672	(9,994,653)
203,164	2,523,515
1,252,958	51,991,929
234,856,272	115,068,450
(11,198,165)	(7,232,768)
(7,817,498)	(8,868,397)
(59,112,074)	(32,115,849)
20,207,990	12,670,316
(4,765,592)	(3,569,391)
8,231,482	24,542
180,402,415	75,976,903
(30,597,470)	(16,344,955)
(84,058,761)	(86,367,236)
16,966,774	17,465,910
(5,520,550)	(6,528,200)
3,762,458	3,772,691
(37,312,500)	8,430,257
(136,760,048)	(79,601,720)
(30,000,000)	
(2,133,452)	(2,051,396)
(32,133,452)	(2,051,396)
11,508,915	(5,676,213)
80,956,159	86,632,372
92,465,074	80,956,159
75,868,261	79,215,885
5,087,898	7,416,487
80,956,159	86,632,372
88,000,000	75,868,261
4,465,074	5,087,898
92,465,074	80,956,159

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 45 to 71 form an integral part of these Financial Statements.

**Chilaw**  
**August 10, 2018**

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 1 CORPORATE INFORMATION

#### 1.1 Reporting Entity

##### 1.1.1 Domicile and Legal Form

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

The registered office of the Company is located at No. 165, Puttalam Road, Chilaw and the Colombo office is located at J.R Jayawardene Centre, 191, Dharmapala Mawatha, Colombo 07 and the Plantations are situated in the planting districts of Chilaw, Puttalam, Kurunegala and Gampaha.

##### 1.1.2 Principal Activities and Nature of Operations

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

##### 1.1.3 Parent enterprise and Ultimate parent Enterprise

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

#### 1.2 Date of Authorization for Issue

The Financial Statements of Chilaw Plantations Ltd. for the year ended December 31, 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 10<sup>th</sup> August 2018.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Basis of Measurement

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

#### 2.3 Functional and Presentation Currency

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

#### 2.4 Use of Estimates and Judgments

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



## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

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

### 2.5 Going Concern

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

### 2.6 Comparative Information

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

### 2.7 Events occurring after the Reporting date

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Assets and Bases of their Valuation

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

#### 3.1.1 Property, Plant & Equipment

##### 3.1.1.1 Recognition and Measurement

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

##### (a) Owned Assets

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

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

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

##### (b) Leased Assets

Assets obtained under the finance lease, (which effectively transfer substantial risks and benefits incidental to ownership of the leased item) are capitalized at an amount equal to the lower of their fair value and the

**Notes to the Financial Statements**For the Year ended 31<sup>st</sup> December, 2017

present value of minimum lease payments at the inception and depreciated/amortized over the period the Company is expected to benefit from the use of the leased assets.

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

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

**3.1.1.2 Subsequent Cost**

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

**3.1.1.3 De-recognition**

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

**3.1.1.4 Depreciation and Amortization****(a) Depreciation**

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

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

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

**(b) Amortization**

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

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

## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

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

#### 3.1.2 Biological Asset

##### 3.1.2.1 Immature and Mature Plantations

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

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

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

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

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

The cost of land preparation, rehabilitation, new planting, replanting, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity after 8 years), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (i.e. Coconut) which comes into bearing during the year, is transferred to mature plantations.

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

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

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

###### C) Consumable Biological Assets

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

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

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

*The main variables in DCF model concerns.*

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

### 3.1.2.2 Dairy Live Stock

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

### 3.1.3 Non-Current Assets Held for Sale

Non-current assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are measured at lower of their carrying amount and fair value less cost to sell. Non-current assets are classified as held for sale only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Property, Plant & Equipment once classified as held for sale are not depreciated or amortized.

### 3.1.4 Inventories

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

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

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



## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 3.1.5 Financial Assets

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

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

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

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

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

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

#### 3.1.5.2 Loans and Receivables

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

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

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

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

##### Trade and Other Receivables

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

- Interest free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any
- Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

##### Cash and Cash Equivalents

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

#### 3.1.5.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

The Company have held-to-maturity investments in year 2017 Rs.190,312,100/- (2016 Rs.140,868,261/-) shown under short term Investments.

### 3.1.5.4 Available-for-Sale Financial Investments

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

The Company does not have Available-for-Sale Financial Investments in year 2017 (2016 - Nil).

### 3.1.5.5 Impairment of Financial Assets

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

## 3.2 Liabilities and Provisions

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

### 3.2.1. Financial Liabilities

#### Initial Recognition and Measurement

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

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

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

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

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

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 3.2.1.2. Loans and Borrowings

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

### 3.2.2. Financial Risk Management Objectives and Policies

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

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

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

#### 3.2.2.1. Credit Risk

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

#### 3.2.2.2. Liquidity Risk

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

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

### 3.2.3. Employees' Benefits

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

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

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

#### (b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and staff turnover. Due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 16.

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

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 3.3. Deferred Income

#### Grants and Subsidies

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

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

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

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

### 3.4. Income and Expenses

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

#### 3.4.1. Revenue

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

- a) **Revenue from the sale of goods** is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.
- b) **Gains and losses on disposal of an item of Property, Plant & Equipment** are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within 'other operating income' in the Income Statements.
- c) **Interest income** is recognized using the Effective Interest Method as set out in LKAS 39.
- d) **Other Incomes** are recognized on accrual basis.

#### 3.4.2. Expenses

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

### 3.5. Income Tax

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

#### (a) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.



## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act and amendments thereto.

### (b) Deferred Tax

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

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

### 3.6. Segment Reporting

Segmental information is provided for the different business segments of the Company. Business segmentation has been determined based on the Geographical area of Plantations are situated. The activities of the segments are described in the Note 19 to the Financial Statements and Geographical area of Plantations are as follows,

#### Group I Estates

Chilaw Area  
Palugaswewa Estate  
Thambapanni Area

#### Group II Estates

Bingiriya Area  
Divulapitiya Area  
Madampe Area

### 3.7. Standards Issued But Not yet Effective

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

#### (i) SLFRS 9-Financial Instruments:

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

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

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

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 4. LEASEHOLD RIGHT TO BARE LAND OF JEDB ESTATES

Leases have been executed for all estates for a period of 53 years. All of these leases are retroactive with effect from June 22, 1992 the date of formation of the Company. The leasehold right to the land on all these estates have been taken into the books of the Company on June 22, 1992 immediately after the formation of the Company, in terms of the ruling on this matter obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose the Board decided at its meeting on 08th March 1995 that this bare land would be revalued at the value established for this land by valuation specialist, D.R. Wickramasinghe just prior to the formation of the company.

These assets are taken into the Balance Sheet as at 22nd June 1992 and amortized by equal amounts over a 53 year period and the unexpired period of the lease as at the Reporting date is 27.5 years.

	Gross Carrying Value	
	as at 31.12.2017 Rs.	as at 31.12.2016 Rs.
Leasehold Right to Bare land	<u>142,502,287</u>	<u>142,502,287</u>

	Amortization		
	as at 31.12.2017 Rs.	for the year Rs.	as at 01.01.2017 Rs.
Leasehold Right to Bare land	<u>68,702,304</u>	<u>2,688,722</u>	<u>66,013,582</u>

	Carrying Value	
	as at 31.12.2017 Rs.	as at 31.12.2016 Rs.
Leasehold Right to Bare land	<u>73,799,983</u>	<u>76,488,705</u>

## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

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

In terms of the ruling of the UITF of Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates, all immovable Assets in the JEDB/SLSPC estates under finance leases have been taken into the books of the Company retroactive with effect from 22nd June 1992. For this purpose the Board decided at its meeting on March 08, 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 Balance Sheet and the amortization of immovable estate assets up to 31st December 2017 are as follows.

At Valuation	Improvements to Land Rs.	Other Vested Assets Rs.	Buildings Rs.	Machinery Rs.	Water Supply Rs.	2017 Rs.	2016 Rs.
Capitalized Value	841,193	1,002,944	25,356,498	530	4,026,236	31,227,401	31,227,401
<b>Amortization</b>							
As at 1 January	58,701,82	820,209,8	24,886,911	530	4,026,236	29,792,588	28,742,541
Amortization for the Year	2,390	33,397	438,521	-	-	474,308	1,050,047
As at 31 December	61,092	853,606.8	25,325,432	530	4,026,236	30,266,897	29,792,588
<b>Carrying Amount</b>	<b>780,101</b>	<b>149,337,3</b>	<b>31,066</b>	<b>-</b>	<b>-</b>	<b>960,504</b>	<b>1,434,812</b>

#### 6. LEASED BEARER BIOLOGICAL ASSETS OF JEDB/SLSPC ESTATES

Revaluation	2017 Rs.	2016 Rs.
Mature Plantation	83,080,009	83,676,574
Disposal Adjustment	(547,798)	(596,565)
	<b>82,532,211</b>	<b>83,080,009</b>
As at 01 January	56,186,266	53,235,101
Amortization for the Year	2,766,565	3,437,873
Disposal Adjustment	(465,163)	(486,707)
As at 31 December	<b>58,487,669</b>	<b>56,186,266</b>
<b>Carrying Amount</b>	<b>24,044,542</b>	<b>26,893,743</b>

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

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 7. BIOLOGICAL ASSETS

#### 7.1 Improvements to Leasehold Property (Bearer Biological Assets)

	Mature Plantation					
Cost	Immature Plantation (Rs.)	Coconut Rs.	Cashew Rs.	Other Rs.	2017 Rs.	2016 Rs.
At the beginning of the - Year	472,088,652	190,413,296	87,056,399	5,792,859	755,351,206	669,003,078
Additions	84,037,261	-	-	-	84,037,261	86,348,127
Transferred from Immature		76,234,697.43	-	-	76,234,697	17,243,526
Transferred to Mature	(76,234,697)	-	-	-	(76,234,697)	(17,243,526)
Written off	-	-	-	-	-	-
At the end of the Year	479,891,215	266,647,993	87,056,399	5,792,859	839,388,467	755,351,206

#### Depreciation

At the beginning of the - year	26,617,751	26,586,326	507,661.39	53,711,738	46,373,076	
Charge for the Year	3,861,957	3,482,256	289,642	7,633,855	7,338,662	
At the end of the Year	<b>30,479,708</b>	<b>30,068,581</b>	<b>797,303</b>	<b>61,345,593</b>	<b>53,711,738</b>	
<b>Carrying Value</b>	<b>479,891,215</b>	<b>236,168,285</b>	<b>56,987,817</b>	<b>4,995,556</b>	<b>778,042,874</b>	<b>701,639,467</b>

#### Note :

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in Notes 4, 5 and 6 to the Financial Statements. Further investment in immature plantations taken over by way of leases are shown in this Note. When such plantations become mature, the additional investments since taken over to bring them to maturity will be moved from immature to mature under this Note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will be carried out under Note No. 6.

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

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalized during the year under Immature Plantations (2017 - Nil)

#### 7.2 Biological Assets - Livestock

		2017 Rs.	2016 Rs.
Dairy Livestock	07.2.1	10,929,500	20,997,000
Other Livestock	07.2.2	5,167,112	4,240,670
		<b>16,096,612</b>	<b>25,237,670</b>



## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

#### 7.2.1 Dairy Livestock

	Immature Cows (Calves/ Heirers) Rs.	Mature Cows (Milking and Dry Cows) Rs.	2017 Rs.	2016 Rs.
As at 1 <sup>st</sup> January	996,000	20,001,000	20,997,000	9,506,500
Additions during the Year	192,000		192,000	440,000
Gain/(Loss) on fair value for the Year	(402,000)	(7,146,500)	(7,548,500)	11,409,000
Value increase/decrease on physical changes	1,606,000	244,000	1,850,000	285,500
Death/Sales	(298,000)	(4,263,000)	(4,561,000)	(644,000)
As at 31 <sup>st</sup> December	<b>2,094,000</b>	<b>8,835,500</b>	<b>10,929,500</b>	<b>20,997,000</b>

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

#### 7.2.2 Other Livestock (Bearer Biological Assets)

	Buffalos (Rs.)	Cart Bull Rs.	Stud Bulls Rs.	Sheep Rs.	Neat Cattle Rs.	2017 Rs.	2016 Rs.
As at 1st January	1,563,000	781,670	133,500	1,437,500	325,000	4,240,670	3,932,100
Additions during the year	195,500	220,000		195,000	10,000	620,500	312,500
Transfer in and Out	(126,000)	-	126,000	-	-	-	-
Death/ Sales	(77,000)	(111,140)		(393,000)	(66,000)	(647,140)	(1,067,500)
Gain / Loss on fair Value for the year	958,880	33,702	(48,000)	8,500		953,082	1,063,570
	<b>2,514,380</b>	<b>924,232</b>	<b>211,500</b>	<b>1,248,000</b>	<b>269,000</b>	<b>5,167,112</b>	<b>4,240,670</b>

#### 7.3 Consumable Biological Assets - Timber Plantaitons

	Immature	2017 Rs. Malure	Total	Immature	2016 Rs. Mature	Total
Balance as at 1st January	2,784,550.90	39,460,950	42,245,501	2,765,443	34,331,027	37,096,469
Increase due to development/ Investment	21,500		21,500	19,108		19,108
Gain / (Loss) Arising from Changes in fair value less cost to sell		20,486,923	20,486,923		5,154,465	5,154,465
Decrease due to harvest		(8,231,482)	(8,231,482)		(24,542)	(24,542)
<b>Balance as at 31st December</b>	<b>2,806,051</b>	<b>51,716,391</b>	<b>54,522,442</b>	<b>2,784,551</b>	<b>39,460,950</b>	<b>42,245,501</b>

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.T.M.H. Muthaliph incorporated valuer Institiute of Valuers Sri Lanka, using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

### Note to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

#### Key assumption used in Valuation

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

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

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

#### Regulatory and environmental risks

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

#### Supply and demand risk

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

#### Climate and other risks

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

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 8. FREEHOLD PROPERTY PLANT & EQUIPMENTS

Cost/ Valuation	Buildings Rs.	Plant & Machinery Rs.	Motor Vehicles Rs.	Equipment Rs.	Furniture & Fittings Rs.	Fencing Rs.	Water Supply Rs.	2017 Rs.	2016 Rs.
As at 1 January	43,865,849	7,839,761	151,190,428	42,333,473	9,728,489	9,339,614	9,410,930	273,708,544	256,153,021
Additions	6,278,606	-	6,263,600	4,383,273	755,680	10,442,631	742,418	28,866,209	17,022,335
Transfers/Disposal	-	-	-	-	-	-	-	-	533,188
As at 31 December	50,144,455	7,839,761	157,454,028	46,716,746	10,484,169	19,782,245	10,153,348	302,574,753	273,708,544
<b>Depreciation</b>									
As at 1 January	7,409,894	2,068,235	123,535,715	30,293,549	6,675,751	3,542,444	3,659,241	177,184,829	152,525,715
Charge for the Year	1,111,566	489,667	12,485,221	3,152,195	645,245	2,685,888	433,144	21,002,926	24,659,113
Transfers/Disposal	-	-	-	-	-	-	-	-	-
As at 31 December	8,521,460	2,557,902	136,020,936	33,445,744	7,320,996	6,228,332	4,092,385	198,187,754	177,184,829
<b>Net Value</b>									
<b>Capital Work-in-progress</b>									
As at 1 January								120,003	1,330,571
Additions during the Year								1,731,261	156,374
Capitalized during the year & Transfer out								-	(1,366,942)
As at 31 December								1,851,264	120,003
<b>Carrying amount</b>								<b>106,238,263</b>	<b>96,643,719</b>

#### Note

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

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

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 9. INVENTORIES

	2017 Rs.	2016 Rs.
Input Materials	14,207,533	18,977,528
Growing Crop - Nurseries	3,796,902	2,389,310
Harvested Crop	35,248,838	70,040,667
Consumables and Spares	5,515,817	9,366,747
	<u>58,769,090</u>	<u>100,774,251.58</u>
Impairment allowance for Obsolete Stocks	<u>(15,500)</u>	<u>(15,500)</u>
	<u><b>58,753,590</b></u>	<u><b>100,758,751.58</b></u>

### 10. TRADE AND OTHER RECEIVABLES

	2017 Rs.	2016 Rs.
Produce Debtors	15,789,314	35,913,954
Staff Debtors	2,445,228	1,907,618
Other Debtors	17,017,468	11,179,478
Wair-Coir Project	<u>13,325,233</u>	<u>13,325,233</u>
	48,577,244	62,326,283.61
Impairment allowances for Wair-Coir Project	<u>(13,325,233)</u>	<u>(13,325,233)</u>
Impairment allowances for Bad Debts	<u>(565,378)</u>	<u>(565,378)</u>
	<u><b>34,686,633</b></u>	<u><b>48,435,672.89</b></u>

### 11. FINANCIAL FACILITY TO STATE ENTERPRISES

	Amount Granted Rs.	2017 Rs.	2016 Rs.
<b>Loan Receivables</b>			
Elkaduwa Plantations Ltd	20,000,000	23,519,452	23,519,452
Sri Lanka Rubber Manufacturing & Export Corporation Ltd	10,000,000	10,000,000	10,000,000
Sri Lanka State Plantations Corporation	20,000,000	23,610,959	23,610,959
Ministry of Estate Resources & Enterprise Development	15,000,000	15,000,000	15,000,000
Janatha Estate Development Board	<u>40,000,000</u>	<u>47,627,397</u>	<u>47,627,397</u>
	105,000,000	119,757,808	119,757,808
<b>Less:</b>			
Impairment Loss	<u>(105,000,000)</u>	<u>(119,757,808)</u>	<u>(119,757,808)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

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

Considering the fact that the company was unable to recover the interest income due from above state organizations, from the year 2010 to 2012, the board of directors of Chilaw plantations ltd decided not to recognize the unrecoverable interest income to the accounts of Chilaw plantation limited from the year 2013. However, if interest income from 2013 to 2017 is taken in to the 2017 accounts, total loan receivable balance would be Rs. 151,757,808.



## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

#### 11.1 Other Financial Assets

	2017 Rs.	2016 Rs.
<b>Non Current</b>		
Loans given to Employees	7,656,949	7,035,197
Pre paid Staff Benefits	727,461	563,461
	<b>8,384,410</b>	<b>7,598,658</b>
<b>Current</b>		
Loan given to Employees	3,117,749	2,931,522
Pre paid Staff Benefits	617,552	481,756
	<b>3,735,301</b>	<b>3,413,278</b>
<b>Total</b>	<b>12,119,711</b>	<b>11,011,936</b>

#### 11.1a. Loan Given To Employees

	2017 Rs.	2016 Rs.
Balance at the beginning of the year	9,966,720	7,535,619
Loan Granted During the year	5,520,550	6,528,200
Loan recovered during the year	(3,762,458)	(3,251,719)
	<b>11,724,812</b>	<b>10,812,100</b>
Transfer to prepaid staff benefits	(950,115)	(845,381)
Balance at the end of the year	<b>10,774,697</b>	<b>9,966,720</b>
Non current	7,656,949	7,035,197
Current	3,117,749	2,931,522
	<b>10,774,697</b>	<b>9,966,720</b>
<b>Pre-paid Staff Benefits</b>		
Non Current	727,461	563,461
Current	617,552	481,756
	<b>1,345,014</b>	<b>1,045,217</b>

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

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

	2017	2016
Distress Loans Interest rate Chilaw Plantations Ltd	5%	5%
Market Rate	14%	11%

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 12. SHORT TERM INVESTMENTS (Held to Maturity Investment)

	2017 Rs.	2016 Rs.
Fixed Deposit - BOC (Over three months)	102,312,500	65,000,000
Fixed Deposit - BOC (Below three months)		47,868,261
Treasury Bills and REPO (Below three months)	88,000,000	28,000,000
	<b>190,312,500</b>	<b>140,868,261</b>

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

The above fixed deposits with Bank of Ceylon represent Plan assets in respect of gratuity liability amounting to Rs. 74,382,849/-

### 13. STATED CAPITAL

#### Issued and Fully Paid Number of Shares

Ordinary shares including one golden Shares held by the Treasury which have Special rights	20,000,001	20,000,001
--	------------	------------

#### Value of Issued and Fully Paid Shares

Ordinary shares including one golden Shares held by the Treasury which have Special rights	200,000,010	200,000,010
--	-------------	-------------

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

### 14. DEFERRED TAX LIABILITY

At the beginning of the Year	61,850,251	49,092,652
Provision for the Year	39,474,881	12,757,599
At the end of the Year	<b>101,325,132</b>	<b>61,850,251</b>

	Temporary Difference Rs.	Tax Effect Rs.
Temporary difference of,		
-Property, Plant and Equipment	(43,532,352)	(6,529,853)
-Mature and Immature Plantation	(778,042,874)	(108,926,002)
-Consumable Biological Assets	(54,522,442)	(8,178,366)
-Impairment allowance for Obsolete Stocks	15,500	2,325
-Impairment allowances for Bad Debts	28,648,419	4,297,263
-Retirement Benefit Obligation	74,382,849	11,157,427
Carried forward Tax Losses	45,680,498	6,852,075
Carried forward Tax Credit		-
<b>Deferred Tax Assets / (Liability)</b>	<b>(727,370,402)</b>	<b>(101,325,132)</b>

The effective tax rate used to calculate deferred tax liability for all the temporary differences other than Mature and Immature Plantation as at 31 December, 2017 is 15% for the Company.

The effective tax rate used to calculate deferred tax liability for Mature and Immature Plantation as at 31 December, 2017 is 14% for the Company.

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 15. DIFERRED GRANTS AND SUBSIDIES

	2017 Rs.	2016 Rs.
At the beginning of the Year	6,791,464	7,190,426
Less : Amortization for the Year	(395,563)	(398,962)
At the end of the Year	<u>6,395,901</u>	<u>6,791,464</u>

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

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

### 16. RETIREMENT BENEFIT OBLIGATION

	2017 Rs.	2016 Rs.
At the beginning of the year	72,493,267	67,834,120
Interest Cost	7,611,793	6,783,412
Current Services Cost	6,178,804	6,200,046
Gratuity Payments for the Year	(11,198,165)	(7,232,768)
Actuarial (Gain) / Loss	(702,850)	(1,091,543)
At the end of the Year	<u>74,382,849</u>	<u>72,493,267</u>

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

According to the actuarial valuation report issued by the actuarial valuer as at 31 December 2017 the actuarial present value of promised retirement benefits amounted to Rs. 74,382,849. If the company had provided for gratuity on the basis of 14 days wages and half months salary for each completed year of service, the liability would have been Rs. 87,434,945.90. Hence, there is a contingent liability of Rs. 13,052,096.90, which would crystallise only if the company ceases to be a going concern.

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

- (i) Rate of Interest 10.5% p.a.
- (ii) Rate of Salary Increase
  - Monthly paid Staff 8.0% p.a.
  - Daily Paid Staff 9.0% p.a.
- (iii) Retirement Age
  - Monthly paid Staff 60 years
  - Daily Paid Staff 60 years
- (iv) Daily Wage Rate Rs. 555/-

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

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

	Repayable within 1 year Rs.	Repayable after one year		Sub Total Rs.	Total Rs.
		Repayable within two to five years Rs.	Repayable after five years Rs.		
Gross Finance Lease Liability	6,508,000	26,032,000	146,046,651	172,078,651	178,586,651
Less : Future Finance Charges	(4,289,210)	(16,233,106)	(50,841,196)	(67,074,302)	(71,363,512)
Net Finance Lease liability-2017	<u>2,218,790</u>	<u>9,798,894</u>	<u>95,205,455</u>	<u>105,004,349</u>	<u>107,223,139</u>
Net Finance Lease liability-2016	<u>2,133,452</u>	<u>9,422,013</u>	<u>97,801,126</u>	<u>107,223,139</u>	<u>109,356,591</u>

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

The contingent rental during the current year charged to the Income Statement amounted to Rs. 28,622,222/- which is based on GDP deflator of 3.6% (2016 - 27,616,892/- 2.1%)

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

Gross	=	1,762,756,796
Finance Charges	=	(1,159,410,576)
Net Liability	=	<u>603,346,219</u>

### 18. TRADE AND OTHER PAYABLES

	2017 Rs.	2016 Rs.
Trade Creditors (Refund, CDA Marketing Lot fee)	1,777,110	1,893,321
Others (Fertilizer, Contractors etc.)	62,646,308	78,237,600
Holiday Pay	3,337,364	3,462,585
Accrued Expenditure	7,636,052	10,679,021
Audit Fee	1,750,690	869,200
10% Profit Share Staff (RPC Agreement)	14,065,709	10,690,637
Dividend Payable to Treasury	30,000,000	30,000,000
	<u>121,213,233</u>	<u>135,832,364</u>



## 19. REVENUE

### 19.1 Summary

	2017 Rs.	2016 Rs.
Coconut	456,057,482	345,721,174
Copra	60,121,452	37,368,740
	<b>516,178,934</b>	<b>383,089,914</b>

### 19.2 Segment Information

Geographical Segment Results	Group 01		Group 02		Unallocated		Total
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.
Revenue	327,294,046	216,735,614	188,884,888	166,354,300	-	-	516,178,934
Revenue Expenditure	(169,329,811)	(116,156,569)	(126,852,710)	(104,483,034)	-	-	(296,182,521)
Depreciation	(8,845,107)	(9,081,159)	(5,577,091)	(4,662,179)	-	-	(14,422,198)
Segment Results	<b>149,119,129</b>	<b>91,497,886</b>	<b>56,455,086</b>	<b>57,209,087</b>	-	-	<b>205,574,215</b>
							<b>148,706,973</b>

Other Income and Gain  
Unallocated Expenses  
Finance Cost  
Finance Income  
Profit before Income Tax  
Income Tax Expenses  
**Net Profit for the Year**  
**As at 31st December,**

	59,159,259	65,941,736
	(123,032,134)	(111,237,865)
	(33,697,488)	(32,787,852)
	18,410,880	14,193,632
	126,414,733	84,816,623
	(44,968,495)	(15,144,615)
	81,446,237	69,672,008

**Segment Assets**  
Non Current Assets  
Current Assets  
**Total Assets**

	519,845,014	480,982,659	525,783,256	471,987,653	16,461,361	25,211,964	1,062,089,630	978,182,276
	48,009,818	91,688,930	31,349,330	50,445,963	214,320,513	158,358,696	293,679,661	300,493,588
	<b>567,854,831</b>	<b>572,671,589</b>	<b>557,132,586</b>	<b>522,433,616</b>	<b>230,781,874</b>	<b>183,570,660</b>	<b>1,355,769,291</b>	<b>1,278,675,864</b>

**Segment Liabilities**  
Non Current Liabilities  
Current Liabilities  
**Total Liabilities**

	40,090,961	35,472,805	41,563,133	35,332,547	205,454,137	177,552,769	287,108,231	248,358,121
	34,159,050	28,154,255	26,599,976	26,982,613	60,026,156	79,454,085	120,785,182	134,590,953
	<b>74,250,011</b>	<b>63,627,060</b>	<b>68,163,109</b>	<b>62,315,160</b>	<b>265,480,293</b>	<b>257,006,854</b>	<b>407,893,413</b>	<b>382,949,074</b>

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 20. OTHER INCOME AND GAINS

	2017 Rs.	2016 Rs.
Amortization of Grant	395,563	398,962
Profit from Livestock Project (Note 20.3)	(11,542,920)	9,434,603
Gain (Loss) arising from changes in fair value less cost to sell consumable Biological assets	20,486,923	5,154,465
Coconut Palms	16,884,139	17,356,052
Coconut Husks & Shells	22,910,315	7,617,682
Penalty	5,108,319	5,346,819
Seedlings & nursery plant (Note 20.4)	2,398,719	178,959
Paddy	2,088,002	2,246,473
Fire wood	1,890,789	2,228,857
Cashew (Note 20.1)	(5,157,554)	(924,385)
Other Intercrop (Note 20.2)	2,083,808	1,171,365
Desalting Tank (sale of Mud soil)	(67,000)	11,160,170
Other	1,680,157	4,571,712
	<b>59,159,259</b>	<b>65,941,736</b>
<b>20.1 Cashew</b>		
Cashew Sale	23,156,273	14,046,760
Cost of Sale	(28,313,827)	(14,971,144)
Profit/(Loss)	<b>(5,157,554)</b>	<b>(924,385)</b>
<b>20.2 Other Intercrop Income</b>		
Dragon Fruit	1,811,085	979,010
Pineapple	113,634	-
Pepper	177,600	937,260
Cinnamon	1,300,680	391,975
Rambuttan	946,000	375,000
	<b>4,348,999</b>	<b>2,683,245</b>
<b>Cost of Sales</b>		
Dragon Fruit	830,269	622,080
Pineapple	138,835	132,931
Pepper	451,855	210,393
Cinnamon	622,306	328,477
Rambuttan	221,926	217,999
	<b>2,265,191</b>	<b>1,511,880</b>
<b>Net Income</b>	<b>2,083,808</b>	<b>1,171,365</b>
<b>20.3 Profit from Livestock Project</b>		
Total income on Dairy livestock project	8,029,758	10,325,407
Cost of Sale	(13,908,178)	(12,157,505)
Gain/loss on fair value	(5,664,500)	11,266,700
	<b>(11,542,920)</b>	<b>9,434,603</b>
<b>20.4 Seedlings &amp; Nursery Plant</b>		
Income	7,097,899	604,664
Cost of Sale	(4,699,180)	(425,705)
	<b>2,398,719</b>	<b>178,959</b>

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 21. FINANCE INCOME

Interest on Fixed Deposits	12,258,517	6,932,319
Interest on Treasury bill/REPO	4,607,270	5,855,542
Interest income on Savings Account	309,802	214,888
Interest on Loan given to Staff	584,974	518,880
Unwinding of Pre-paid Staff Benefits	650,317	520,972
	<b>18,410,880</b>	<b>14,042,602</b>

#### Financial Cost

Land & Buildings (JEDB) Variable Lease Rental to PMD(MPI) Treasury	28,622,222	27,616,892
Lands & Buildings (JEDB) Lease Rental Interests to PMD(MPI) Treasury	4,374,548	4,456,604
Bank Charges	50,401	42,353
Amortization of Staff Cost	650,317	520,972
	<b>33,697,488</b>	<b>32,636,821</b>
Net Finance Income (Expenses)	<b>15,286,608</b>	<b>18,594,220</b>

### 22 PROFIT BEFORE TAX IS STATED AFTER CHARGING

#### Depreciation

- Leasehold Right to bare land	2,688,722	2,688,722
- Immovable Leased Assets	474,308	1,050,047
- Freehold Property, Plant and Equipments	21,002,926	24,659,113
- Biological Assets	10,400,420	10,776,535
Directors Remuneration	4,645,840	3,377,160
Auditors Remuneration	869,200	869,200
Defined Benefit Plan Costs	13,087,747	11,891,915
Defined Contributions Plan Costs - EPF & ETF	26,491,618	25,582,172
Salaries & Wages	186,412,836	186,349,070
Employees' 10% Profit Share	11,192,570	7,828,181
	<b>277,266,186</b>	<b>275,072,115</b>

### 23. INCOME TAX EXPENSE

**23.1** The major components of income tax expenses for the year ended 31 December 2017 are as follows.

#### Current Tax Expenses

Current Income Tax (Note 23.2)	3,177,281	2,387,016
Over provision of previous year Income Tax	2,316,333	-
Deferred taxation Charges / Provision	39,474,881	12,757,599
<b>Income tax expense reported in the Income statement</b>	<b>44,968,495</b>	<b>15,144,615</b>

# CHILAW PLANTATIONS LTD

## Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

### 23.2 Reconciliation between tax expenses and the product of accounting profit

	2017 Rs.	2016 Rs.
Profit before tax	126,414,733	84,816,623
Aggregate disallowable items	60,919,511	60,872,444
Aggregate allowable items	161,672,151	135,431,119
Adjusted Business profit / (Loss)	25,662,093	10,257,948
Interest Income	17,175,589	13,002,749
Statutory Income	42,837,682	23,260,697
<b>Less: Qualifying Payment</b>		
Deductions U.S 32	(14,993,189)	(8,141,244)
Taxable Income	<b>27,844,493</b>	<b>15,119,453</b>
Tax on Taxable Income at Special Rate 10%	2,566,209	1,025,795
Standard Rate - 28% (2016 - 28%)	611,072	1,361,221
Current Income Tax Expenses	<b>3,177,281</b>	<b>2,387,016</b>

### 24. EARNINGS PER SHARE

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

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

#### Amounts used as the Numerator :

	2017 Rs.	2016 Rs.
Net profit applicable to ordinary share holders for basic earnings per share	81,446,237	69,672,008
	81,446,237	69,672,008

#### Amounts used as the Denominator :

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

#### Basic Earning per share

<b>4.07</b>	<b>3.48</b>
-------------	-------------

### 25. EVENTS AFTER THE REPORTING PERIOD

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

### 26. RELATED PARTY DISCLOSURES

Details of significant Related Party Disclosures are as follows.

#### 26.1 Transactions with the key management personnel of the company.

LKAS 24 "Related party Disclosures", Key Management personnel are those having authority and responsibility for planing.

	2017 Rs.	2016 Rs.
Salaries and other Employment Benefits	4,645,840	3,377,160



## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

#### 26.2. Related Party Transactions

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

### 27. COMMITMENTS AND CONTINGENCIES

#### 27.1 Capital Commitments

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

#### 27.2 Contingent Liabilities

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

#### Legal case filed

Case No	Description	Present Status
1 DMR 03137/15 District Court Aluthkade	CPL is claiming Rs. 2,963,522.15 the cost for the coconuts from Bee Pee & David Pvt. Ltd.	Matter pending.
2 28/2051/14 Labour Tribunal Chilaw	Mr. W. M. P. Weerasekara a former Superintendent claiming re-employment.	Matter pending.
3 28/2052/14 Labour Tribunal Chilaw	Mr. B.M.S.S.Balasooriya a former Asst. Superintendent claiming re-employment.	Matter pending.
4 28/22183/16/y,d District Court of Chilaw	Mr. P.A. Chandrasena claiming re-employment and arrears.	Matter is pending.
5 A 3536 Industrial Court Colombo	S.C. George and 8 others ex- employees claiming arrears on salary revision.	Matter pending.
6 FR 343/2016 Status Court Colombo	Mr. Anuruddha Dissanayaka – Superintendent claiming damages on his interdiction.	Matter pending.
7 SC/FR/364 Status Court Colombo	A. A. Ananda, G A Dissanayaka, M.G.C. Dias and W.K. Pradeep contesting the procedures adopted in interview for AGM Plantations.	Matter pending.
8 IR/22/17/2013 Labour Department Narahenpita	Mrs. K.N.D Rajapaksha claiming payment of arrears for Rs. 1250/=.	Matter pending.
9 IR/07/15/2013 Labour Department Narahenpita	Ceylon Estates staff Union claiming permanency of employment and arrears payment for a few employees of CPL	Matter is pending.
10 IR/com/01/W/2016/21 Labour Department Narahenpita	Mr. S.L.J Paththinige a former Asst. Superintendent claiming for establishment of prescribed salary scale and relevant arrears.	Matter is pending.
11 IR/com/2016/133 Labour Department	Mr. S.K.D. Gunawardana a former Superintendent claiming for relief from punishment and for benefits of the assigned post.	Matter is pending.

## CHILAW PLANTATIONS LTD

### Notes to the Financial Statements

For the Year ended 31<sup>st</sup> December, 2017

Case No	Description	Present Status
12 IR/com/03/2017/48 Labour Department Narahenpita	Ceylon Estate Staff Union claiming proper salary scale.	Matter is pending.
13 CHW/101/C/2016 Chilaw Labour Office	Mr. M. M. Merly a Manager Estates claiming salary increments.	Matter is pending.
14 HRC/3858/16 Colombo Human Rights Commission	Mr. Anuruddha Dissanayaka a Superintendent claiming against	Matter is pending.
15 IR/Com/05/2017/230/	Interdiction (Cleon State Staff Union Vs. CPL)	Matter is Pending
16 ට/ක/01/කෘ.ආ/2016/12 (Labour Office Kuliyapitiya)	Recovering the Privileges Lost	Transfer to Narahenpita Labor Department
17 PC/57/5/5 (Labour Office Wennappuwa)	Recovering of Employees Provident Fund Contributions and Surcharges	Matter is Pending
18 CHW/131/F5/2016 – New No (IR/Com/ 01/W/2016 /21)	About Salary Arrears (S.L.T Paththinige)	Matter is Pending
19 IR/COM/05/2017/230	O.I.C Jayasena's Complaining (Establish code Can't Use for the Disciplinary Matter)	Matter is Pending

## Ten Year Summery

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Coconut Production Nuts '000</b>	11,651	16,522	12,517	12,969	9,595	15,808	14,528	18,256	18,632	16,280

<b>Trading Results</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Revenue	516,178	383,090	399,366	374,851	287,152	339,051	322,909	422,668	312,687	310,990
Gross Profit	205,574	148,707	148,748	152,726	112,890	123,733	163,228	172,166	115,805	171,458
Profit Before Interest and Tax	160,112	117,454	119,909	(31,966)	108,989	111,209	118,969	136,608	141,201	53,070
Profit Before Tax	126,415	84,817	88,293	(61,273)	81,820	86,225	95,771	114,163	120,693	35,271
Profit After Tax	82,149	70,764	81,444	(61,680)	72,919	77,975	77,670	75,256	98,097	10,509
Reserves	747,876	695,727	654,963	543,862	625,542	587,623	584,648	585,895	510,639	442,542
Dividend Paid		30,000	30,000		20,000	35,000	75,000	-	75,000	30,000
Dividend Total	456,650	456,650	426,650	396,650	396,650	376,650	341,650	266,650	266,650	191,650

### Financial Position

Fixed Assets	1,062,090	978,182	886,295	792,832	737,497	602,610	560,326	483,117	436,721	392,322
Mature / Immature Plantations	802,088	728,533	653,072	581,618	502,826	410,033	354,712	326,048	287,333	250,444
Current Assets	293,680	300,494	256,882	233,545	356,230	454,231	519,019	627,829	496,056	476,434
Total Asset	1,355,769	1,278,676	1,143,177	1,026,377	1,093,727	1,056,841	1,079,345	1,110,946	932,777	868,756
Inventories	58,754	100,759	47,613	73,432	71,398	82,606	94,295	28,526	44,770	50,041
Short Term Investment - Fixed Deposit	190,312	140,868	152,646	113,276	128,996	199,377	244,814	409,727	387,174	373,501
Current Liabilities	120,785	134,591	54,740	57,100	45,452	60,149	90,605	127,215	60,125	61,675
Long term Liabilities	287,108	248,358	233,474	225,414	222,734	209,070	204,092	197,836	162,012	164,539
Stated Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Shareholders' Funds	947,876	895,727	854,963	743,861	825,542	787,623	784,648	785,895	710,639	642,542

Current Ratio (Times)	2.43	2.23	4.69	4.09	7.84	7.55	5.77	4.94	8.25	7.72
Quick Rattio (Times)	1.94	1.48	3.82	2.80	6.27	6.18	4.69	4.71	7.51	6.91
Gross Profit Ratio %	39.83	38.82	37.25	40.74	39.31	36.49	44.71	40.73	37.04	55.13
Earning Per Share Rs.	4.07	3.48	3.93	(3.10)	3.69	3.90	3.88	3.76	4.90	0.53
Return on Average Equity (ROE) - %	8.91	8.08	10.19	(7.86)	8.80	9.92	9.86	10.06	14.50	1.65
Return on Capital Employed (ROCE) - %	12.96	10.27	11.02	(3.30)	10.40	11.16	11.97	13.89	16.18	6.58
Interest Cover - (times)	4.75	3.60	3.79	(1.09)	3.98	4.45	5.13	6.09	6.89	2.98
Shareholders Fund Ratio %	69.91	70.05	74.79	72.47	75.48	74.53	72.70	70.74	76.19	73.96
Debt Ratio	0.30	0.30	0.25	0.28	0.25	0.25	0.27	0.29	0.24	0.26

# CHILAW PLANTATIONS LTD

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Chilaw Plantations Limited will be held at Chilaw Plantations Ltd, Colombo office, No. 191, J.R. Jayawardhana Centre, Dharmapala Mw, Colombo 07 on 07th June 2019 at 2.00 Pm. For the following Purposes.

### AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31st December 2017 with the Report of the Directors and Auditors thereon.
2. To appoint Auditor General's Department as Auditor of the company for year 2018.
3. Deciding the final Dividend for the year 2017.

BY ORDER OF THE BOARD

CHILAW PLANTATIONS LIMITED



CORPORATE ADVISORY SERVICES (PVT) LTD

SECRETARIES - CHILAW PLANTATIONS LTD

Date 02.05.2019

### NOTES

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

# CHILAW PLANTATIONS LTD

## FORM OF PROXY

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

- |  |                |
|--|----------------|
| 1. Mr. Victor Kumara Charles Herath                      | or falling him |
| 2. Mr. Maneesha Kithsiri Bandara Seneviratne             | or falling him |
| 3. Mr. Pathirana Chandrapriya Wijewardene                | or falling him |
| 4. Mr. Paththinikuttige Bernard Sarath Christopher Nonis | or falling him |
| 5. Mrs. Aruni Shanika Ranasinghe                         | or falling her |
| 6. Mr. Jeewantha Buddika Kaluarachchi                    | or falling him |
| 7. Mr. Ananda Pushpakumara Kuliyapiti Gamlathge          | or falling him |

.....  
As my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 07th June 2019 at 2.00 pm and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

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

- |   | <b>FOR</b>               | <b>AGAINST</b>           |
|---|--------------------------|--------------------------|
| 1. To receive and consider the Statement of Accounts for the year ended 31st December 2017 with the Report of the Directors and Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To appoint Auditor General's Department as Auditor of the company for year 2018.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Deciding the final Dividend for the year 2017  | <input type="checkbox"/> | <input type="checkbox"/> |

Signature of Shareholder's:.....

Shareholders NIC No:.....

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

## INSTRUCTIONS AS TO COMPLETION

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



## CORPORATE INFORMATION

<b>Name of the Company</b>	:	Chilaw Plantations Limited (CPL)
<b>Head Office</b>	:	'Kapruka Sewana', No 165, Puttalam Road, CHILAW. 61000.
<b>Colombo City Office:</b>	:	J.R.Jayawardana Center No. 191, Dharmapala Mawata, Colombo 07.
<b>Date of Incorporation</b>	:	11th June 1992
<b>Company Registration No.</b>	:	PB 703 (under new Company Act 07 of 2007)
<b>Legal Status</b>	:	Chilaw Plantations Ltd. (the Company) is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company re-registered under the companies Act No 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Own Business Undertaking into Public Companies Act No. 23 of 1987.
<b>Shareholdings</b>	:	Full Shares (100%) and the 'Golden Shareholder' Status are allotted to the 'Secretary to the Treasury'- Ministry of Finance, on- behalf of the State of the Democratic Socialist Republic of Sri Lanka.
<b>Share Capital</b>	:	20,000,001 Shares of Rs Ten (Rs 10/=) including 'One Golden Share' held by the General Treasury with special rights.

### Board of Directors 2017

Mr. V.K.C. Herath	-	Chairman / CEO
Mr. M.K.B.Seneviratne	-	Executive Director
Mr. P.C. Wijewardhana	-	Working Director
Mr. P.B.S.C. Nonis	-	Director/ (Comptroller General - Ministry of Finance)
Mr. A. Lakkathas	-	Director/(Additional Secretary -Ministry of Public Enterprise Development)
Mr. K.G. Ananda Pushpakumara	-	Director (Revoked on 24.02.2017)
Mr. H.M.N.C. Herath	-	Director

<b>Auditors</b>	:	Auditor General's Department No. 306/72, Polduwa Road, Battaramulla.
<b>Bankers</b>	:	Bank of Ceylon
<b>Secretaries</b>	:	Corporate Advisory Services (Pvt) Ltd No. 47, Alexandra Place, Colombo 07



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

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