මගේ අංකය / எனது இல. / My No. PAL/C/KPL/01/2022/01 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 06 September 2023

Chairman
Kurunegala Plantations Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Kurunegala Plantations Limited for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kurunegala Plantations Limited ("Company") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) In terms of paragraphs 51 of Sri Lanka Accounting Standard 16 on property, plant and equipment, the useful life of non-current assets had not been reviewed annually and as such, fully depreciated assets such as of Rs. 13,134,390 equipment, Rs. 6,969,684 worth of furniture and Rs.3,825,790 computers had been further used by the Company by the end of the year under review. However, action had not been taken to revise the said estimated error and to indicate the accurate carrying amount in the financial statements in terms of Sri Lanka Accounting Standard 8.

(b) Deeds and plans relating to 16 estates divisions valued at Rs. 41,600,718 shown under the statement of financial position were not available with the company. As such company had failed to confirm the legal ownership of lands and clear title of 1,478 hectares in extent vested to the company in the year 1992.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 | +94 11 2 88 72 23 | ag@auditorgeneral.gov.lk | www.naosl.gov.lk

(c) The assets such as office building, net house and water supply system related to ornamental flower cultivation maintained in the Attanagalla estate had been given to a third party on lease basis for five years, and the related lease income was included in other income. However the amortization amount of Rs. 1,093,414 of the assets related to this project was included in the cost of sales. As a result the cost of sales had been overstated and the gross profit had been understated.

(d) According to the section 38(1) of the Inland Revenue act no 45 of 2022, income tax payable by a person for the year of assessment commencing on 1 April 2022, shall be calculated separately for the two period of assessment as first six months and second six months. However the company separated the year as first nine months and second three months. Further according the section 33 (3)(ii) of the above act, entity shall be tax at the rate of 24 per cent for the first six months of the year of the assessment commencing from January 1 , 2022 and for the second six months of the same year of assessment at the rate of 30 per cent. However entity had not complied with the above requirement, and as a result tax expense and payable balance had been understated by Rs.2,303,821.

(e) Company tax liability of Rs.1,554,274 had been underestimated due to other income of Rs.5,756,571 had not been considered as income.

(f) Differences were observed between the balances shown as biological assets amounting to Rs.546,632 in the statement of financial position and the amount shown as Rs. 1,643,921 under investment activities in the statement of cash flows.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to

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

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (a),(b),(c),(d),(e) and (f) described in the basis for qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained was limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018

2.2.2 To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for:

Reference to law/ direction	Description
(a) In terms of Sub-Section (5) (1) of Section 2 of the Payment of Gratuity Act No. 12 of 1983 and amended Act of Gratuity Payment of No. 62 of 1992.	In terms of sub-section (5) (1) of section II of the Payment of Gratuity Act No. 12 of 1983 and amended act of gratuity payment of No. 62 of 1992, the retirement or death of an employee, gratuity to such person in case of death of the employee should be paid to his or her heirs within thirty days from the date of termination of service. In the audit of employee gratuity payments for retirees of Kurunegala Plantation Limited, it was observed that the payable balance consists of outstanding gratuity of more than 180 days in the head office and 05 estates amounting to Rs.2,066,450. it was further observed that there were balances to be paid from the year 2016. The company had not taken proper action to settle those balances even by the 20 March 2023. It was observed that an amount of Rs.18,754,389 has to be paid to employees as surcharge by the end of the year 2022.

2.2.3 To state that the Company has not performed according to its powers, functions, and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 To state that the resources of the Company had not been procured and utilized economically, efficiently, and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for,

On the day of the acquisition of the company, there were 87 estate divisions' of 6,722 hectares and out of 71 estate divisions that were surveyed and it was revealed that a deficit of 533.58 hectares in 53 estate divisions and a surplus of 77.66 hectares in 18 estate divisions as at the end of the year under review.

W.P.C. Wickramaratne
Auditor General

Kurunegala Plantations Ltd.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2022

Kurunegala Plantations Limited
No.80, Dambulla Road
Kurunegala

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	2022 Rs.	2021 Rs.
Revenue	4	**1,065,494,048**	932,810,016
Cost of sales	5	**(549,558,623)**	(412,247,431)
Gross profit		**515,935,425**	520,562,586
Gain/(Loss) on Fair Value of Biological Assets	16.2	**35,448,638**	44,012,285
Other operating income	6	**65,261,823**	76,400,436
Administration & general expenses	7	**(223,251,034)**	(179,409,657)
Profit from operating activities		**393,394,852**	461,565,649
Net financial income / (expenses)	8	**118,144,550**	7,039,060
Profit before taxation		**511,539,402**	468,604,709
Income tax expense	9	**(39,164,963)**	(20,650,003)
Profit for the year		**472,374,439**	447,954,706

Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)		**18,654,998**	15,542,479
Revaluation Reserve		-	-
Reversal of Deferred Tax Liability (Note 26)		-	221,255,796
Total comprehensive income for the year		**491,029,437**	684,752,981

Earnings per share	10	**23.62**	22.40

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

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2022 Rs.	2021 Rs.
ASSETS			
NON-CURRENT ASSETS			
Right-of-use land	11	**58,767,078**	61,381,336
Immovable lease assets (other than bare lands)	12	**10,560,635**	13,557,461
Property, plant & equipment	13	**1,960,092,523**	1,828,453,962
Consumable biological assets	14	**288,723,832**	258,587,780
Other financial assets	15	**19,449,229**	18,581,623
		2,337,593,297	**2,180,562,162**
CURRENT ASSETS			
Produce on bearer biological assets	16.1	**18,932,784**	15,863,251
Inventories	16.3	**76,068,029**	83,512,055
Deposits	17	**4,122,470**	954,700
Pre-payments	18	**2,688,692**	1,789,824
Pre-paid expenditure on short term projects	19	**10,245,115**	11,719,944
Trade & other receivables	20	**164,772,917**	144,018,123
Other financial assets	15	**11,179,534**	10,381,478
Short term investments	21	**1,000,200,000**	775,200,000
Cash and bank balance	22	**66,682,758**	63,098,236
		1,354,892,300	1,106,537,611
Total assets		**3,692,485,597**	3,287,099,773
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Stated capital	23	**200,000,010**	200,000,010
Retained earnings		**2,314,340,656**	2,131,766,163
Biological asset valuation reserve		**455,152,239**	419,703,601
Revaluation Reserve Vehicle		**115,879,574**	115,879,574
Other reserves		**99,683,827**	81,028,829
		3,185,056,305	2,948,378,176
NON-CURRENT LIABILITIES			
Retirement benefit obligations	24	**117,802,881**	78,527,547
Net liability to lessor	25	**76,520,026**	80,085,230
Deferred tax liability	26	**-**	-
		194,322,907	158,612,777
CURRENT LIABILITIES			
Net liability to lessor	25	**3,565,204**	3,565,204
Advance received	27	**10,738,353**	4,989,074
Income tax payable		**18,388,943**	5,593,003
Trade and other payables	28	**280,413,885**	165,961,538
		313,106,385	180,108,819
Total equity and liabilities		**3,692,485,597**	3,287,099,773

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

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

DISSANAYAKE DIK
MANAGER - FINANCE

SAMARAKOON SMM
CHIEF EXECUTIVE OFFICER

The board of directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the board of directors of Kurunegala Plantations Limited.

JAYAWARDANA KGGFJ
CHAIRPERSON
Kurunegala, 27th February 2023

WIJEBANDARA WMD
DIRECTOR/ TREASURY REPRESENTATIVE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December

	Stated capital Rs.	Timber Reserve Rs.	Other Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at December 31, 2020	200,000,010	375,691,316	65,486,350	115,879,574	1,392,216,637	2,149,273,887
Net profit for the year 2021					455,652,543	455,652,543
Other Comprehensive Income			15,542,479		213557958.7	229,100,438
Revaluation Reserve				-		-
Transferred to Biological Assets Reserve		44,012,285			(44,012,285)	-
Dividend					(15,000,000)	(15,000,000)
Balance as at December 31, 2021	200,000,010	419,703,601	81,028,828	115,879,574	2,002,414,854	2,819,026,868
Net profit for the year 2022					472,374,439	472,374,439
Other Comprehensive Income			18,654,998		-	18,654,998
Revaluation Reserve				-		-
Transferred to Biological Assets Reserve		35,448,638			(35,448,638)	-
Dividend					(125,000,000)	(125,000,000)
Balance as at December 31, 2022	**200,000,010**	**455,152,239**	**99,683,826**	**115,879,574**	**2,314,340,655**	**3,185,056,305**

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

STATEMENT OF CASH FLOW

For the year ended 31st December	2022 Rs.	2021 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	511,539,402	468,604,709
Adjustments for		
Depreciation & amortization	84,162,950	82,108,607
Provision for retirement benefit obligations	20,326,144	15,450,607
Impairment of Bad & Doubtful Debts	5,076,634	-
Profit on disposal of property plant & equipment	(3,494)	(1,089,994)
Profit on sales bearer plants	(29,839,522)	(38,204,936)
Profit from sale of Timber Trees	(2,775,095)	
Gain arising from changes in fair value less cost to sell - consumable biological assets	(35,448,638)	(44,012,285)
Net finance income	(118,144,550)	(7,039,060)
Profit before working capital changes	434,893,833	475,817,648
Changes in working capital		
Inventories	7,444,026	(40,509,740)
Deposits	(3,167,770)	(75,000)
Pre-payments	(898,869)	18,921
Trade and other receivables	(37,787,259)	(67,912,215)
Pre-paid expenditure on short term projects	1,474,829	(3,644,934)
Advance received	5,749,279	1,051,022
Trade and other payables	39,452,347	45,583,330
Cash generated from operations	447,160,415	410,329,032
Payment of retirement benefit costs	(15,547,038)	(11,856,659)
Income tax paid	(26,369,023)	(3,812,760)
Net cash generated from operating activities	405,244,354	394,659,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(211,006,620)	(152,925,954)
Additions to consumable biological assets	(1,643,921)	(602,063)
Proceeds from disposal of property, plant & equipment	17,200	1,329,994
Proceeds from disposal of barer plants - coconut & rubber trees	30,642,008	38,225,438
Proceeds from sale of consumable biological assets	5,564,780	-
Net investment in term deposits	(225,000,000)	(280,000,000)
Interest received	88,593,884	23,686,592
Net cash flows used in investing activities	(312,832,669)	(370,285,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	(37,161,500)	(33,741,000)
Interst on short term borrowings	-	-
Loan given to staff	(15,392,460)	(23,114,950)
Staff loan recoveries	13,726,798	14,947,882
Dividend paid	(50,000,000)	(15,000,000)
Net cash flows used in financing activities	(88,827,162)	(56,908,068)
Increase/(decrease) in cash and cash equivalents	3,584,523	(32,534,448)
Cash and cash equivalents at the beginning of the year	63,098,236	95,632,684
Cash and cash equivalents at the end of the period (Note - A)	66,682,758	63,098,236

Note - A

Cash and Cash Equivalents as at	31.12.2022 Rs.	31.12.2021 Rs.
Term Deposits matured within 03 months at		
Bank of Ceylon	-	-
Peoples' Bank	-	-
National Savings Bank	-	-
Repo	83,000,000	38,000,000
Cash at Bank	(20,689,449)	20,099,032
Cash in Hand	4,357,467	4,989,029
Postage/Stamps	14,740	10,174
	66,682,758	63,098,235

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

ACCOUNTING POLICIES

01. GENERAL

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

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

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

Attanagalla	Dambadeniya
Dodangaslanda	Kurunegala
Katugampola	Narammala
Hiriyala	

02. BASIS OF PREPARATION

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

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

2.3 Basis of Presentation

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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

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

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

3.1.1 Property, Plant & Equipment

3.1.1.1 Recognition and Measurement
Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.
The cost for this purpose includes the cost of acquisition and any directly attributable expenditure incurred to bring the asset to its working condition or intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition or its intended use. This also includes cost of dismantling and removing the existing asset.
Capital Work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.
When property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Permanent Land Development Costs are costs incurred to make major changes to land contours, to build new access roads and on other major infrastructure development.
Gains and losses on disposal of an item of property, plant and equipment are determined as different between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized under other income in the statement of comprehensive income.

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

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

3.1.1.2 Subsequent Expenditure
Expenditure incurred on existing property, plant and equipment are capitalized when it is expected that such expenses would result in future economic benefits in excess of those originally assessed and its cost can be measured reliably. The carrying amount of the replaced asset is derecognized.
The costs of the day to day servicing/ maintenance of property, plant and equipment are recognized in Comprehensive Income Statement as incurred. When a revalued asset is disposed, the amount included in the revaluation surplus reserve is transferred to retained earnings.

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

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

3.1.1.5 Depreciation and Amortization
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in Statement of Comprehensive Income on a straight line basis over the estimated useful life of each asset, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land are not depreciated.
The estimated useful lives for the current and comparative periods are as follows:

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

3.1.1.8 Impairment of Non-Financial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.
An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

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

ACCOUNTING POLICIES

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

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

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

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

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

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

Disposal of trees are done on FIFO basis.

3.1.2.2 Infilling cost on Bearer Plants
The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period whichever is lower.
Infilling costs that are not capitalized have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

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

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

The main variables in DCF model concerns.

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

3.1.2.4 Recognition and Measurement

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

ACCOUNTING POLICIES

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

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

3.1.2.5 Produce Growing on Bearer Biological Assets

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

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

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

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

3.1.3 Financial Instruments

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

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

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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

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

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

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

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

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g., non-recourse features).

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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

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

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

Held-to-maturity financial assets
Measured at amortized cost using the effective interest method.

Loans and receivables
Measured at amortized cost using the effective interest method.

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

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

(c) Derecognition

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

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

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

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

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

Impairment policy: applicable from 1 January 2018Non-derivative financial assets

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the financial asset is more than 180 days past due.

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

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

ACCOUNTING POLICIES

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

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

Impairment Policy: applicable prior to 1 January 2018

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

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

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

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

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

Impairment Policy: Non-financial assets

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

ACCOUNTING POLICIES

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

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

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

Financial Risk Management

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties.
The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

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

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

3.1.4 Inventories

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

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

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

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

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

3.1.5 Cash & Cash Equivalents

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

3.2 Liabilities and Provisions

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

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

ACCOUNTING POLICIES

3.2.1 Employee Benefits

Defined Contribution Plans – EPF & ETF

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

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

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

Defined Benefit Plan – Retirement Gratuity

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

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

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

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

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

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

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

3.3 Capital Commitments and Contingencies

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

3.4 Deferred Income

3.4.1 Government Grants and Subsidies

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

3.5 Statement of Comprehensive Income

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

3.5.1 Revenue Recognition

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

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognized. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
Entities are required to apply five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue is recognized when or as an entity transfers control of

ACCOUNTING POLICIES

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

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

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

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

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

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

3.5.2 Expenditure Recognition

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

Finance Cost
Finance costs comprise of interest expense on external borrowings and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset recognized in Statement of Financial Position using the effective interest method. Payments made under operating leases are recognized in Statement of Financial Position on a straight-line basis over the term of the lease.
Tax Expense
Income Tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

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

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

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

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

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

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

3.6 Statement of Cash Flows

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

ACCOUNTING POLICIES

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

3.7 Earnings per Share

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

3.8 Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December		2022 Rs.	2021 Rs.
4	**REVENUE**		
	Coconut (Note 4.1)	875,075,681	798,886,281
	Rubber (Note 4.2)	54,570,949	37,397,369
	Coconut Husk	8,756,502	23,459,839
	Rambutan	8,868,953	3,116,731
	Pepper	7,860,486	7,044,014
	Cashew	25,752,625	12,443,162
	Mango	12,721,393	5,909,601
	Foliage & Ornamental Plants	-	-
	Coconut Oil	13,670,133	8,097,398
	Others	58,217,325	36,455,622
		1,065,494,048	932,810,016
4.1	**Coconut Income**		
	Green nuts	835,494,385	753,366,763
	Seed nuts No of Nuts 99,146	7,926,559	27,922,364
	Rejection Nuts	6,914,763	427,400
	Copra	24,739,973	17,169,754
		875,075,681	798,886,281
	Production (Nuts)	15,534,498	15,196,732
	Sales (Nuts)	16,038,589	14,477,968
	Net Sales Average (per 1000 nuts)	54,561	55,179
	Cost of Sales (per 1000 nuts)	28,320	22,811
4.2	**Rubber Income**		
	RSS	-	-
	Latex	52,522,508	35,580,909
	Scrap & Cuttings	2,048,441	1,816,461
		54,570,949	37,397,369
	Production (Kg)	95,572	90,543
	Sales (Kg)	96,167	87,801
	Net Sales Average (per 1 Kg)	567	426
	Cost of Sales (per 1 Kg)	419	389
5	**COST OF SALES**		
	Coconut	454,213,443	330,261,269
	Rubber	40,295,131	34,187,973
	Rambutan	2,875,284	2,725,256
	Pepper	3,445,995	5,855,760
	Cashew	7,450,607	6,334,651
	Mango	2,752,443	2,306,559
	Foliage & Ornamental Plants	1,093,414	1,555,443
	Loss on Impairment of Plantations	-	-
	Others	37,432,306	29,020,520
		549,558,623	412,247,431

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December		2022 Rs.	2021 Rs.
6	**OTHER OPERATING INCOME**		
	Profit on sales bearer biological assets (Note - 6.1)	29,839,522	38,204,936
	Profit / (Loss) on disposal & sale of Property Plant & Equipment	3,494	1,089,994
	Profit from sale of Timber Trees	2,775,095	3,552,713
	Late removal & payment charge -coconut	9,236,758	4,555,374
	Lease/ facility fee income	17,441,101	16,752,503
	Sand/ Soil	-	1,640
	Write back/ (Write off)	3,367,438	3,233,519
	Other miscellaneous income	2,598,416	9,009,757
		65,261,823	76,400,436
	6.1 Profit on sales bearer biological assets - Coconut Tree Sales	21,955,158	19,879,488
	Less: Cost of Tress disposed during the year	(279,840)	(373,649)
	Add: Accumulated depreciation as at 31st December	279,840	367,920
		21,955,158	19,873,759
	Profit on sales bearer biological assets - Rubber Tree Sales	8,686,850	18,345,950
	Less: Cost of Tress disposed during the year	(5,098,759)	(170,821)
	Add: Accumilted depreciation as at 31st December	4,296,273	156,047
		7,884,364	18,331,177
	Profit on sales bearer biological assets	29,839,522	38,204,936
7	**ADMINISTRATION & GENERAL EXPENSES**		
	Payroll Related Expenses	167,289,799	135,545,512
	Maintenance & Repairs	18,634,124	11,362,319
	Other Administration Expenses	37,327,110	32,501,827
		223,251,034	179,409,657

PROFIT FROM OPERATING ACTIVITIES
is stated after charging the following;

	2022 Rs.	2021 Rs.
Directors emoluments	3,306,160	2,607,886
Auditors fees on statutory audit	813,000	705,300
Donations	484,818	660,290
Depreciation/ Amortization-		
Leasehold rights to bare land of JEDB Estates	2,614,259	2,607,098
Immovable leased assets of JEDB Estates	2,996,826	3,455,953
Mature Plantation	23,412,725	20,833,753
Property, plant and equipment	55,139,142	55,211,802
Personal Cost includes		
Defined Benefit Plan - Retirement Gratuity	20,326,144	15,450,607
Defined Contribution Plan Cost - EPF and ETF	39,979,379	40,193,905
Performance incentive	89,623,016	77,187,465
Bonus	15,988,434	11,603,138
Holiday Pay	8,425,667	8,425,667
Medical Leave	7,324,471	7,469,615
Salaries & Wages	344,191,158	307,312,564

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2022 Rs.	2021 Rs.
8 NET FINANCIAL INCOME /(EXPENSE)		
FINANCE INCOME		
Interest on Term Deposits	134,432,405	32,825,383
Interest on REPOs	15,822,023	3,128,420
Interest on Loans given to Staff	1,486,418	1,261,053
Un-winding of Pre-paid Staff Benefits	2,510,459	1,769,355
	154,251,305	38,984,211
Less: FINANCE COST		
Interest on Lease - JEDB	33,596,296	30,175,796
Interest on short term Borrowings	-	-
Amortization of Staff Cost	2,510,459	1,769,355
	36,106,755	31,945,151
Net financial income /(expense)	118,144,550	7,039,060

9 INCOME TAX EXPENSE

Current Income Tax Expense (Note 9.1 & 9.2)	39,164,963	20,650,003
Deferred Taxation (Note 9.3 & 26)	-	-
	39,164,963	20,650,003

9.1 CURRENT INCOME TAX EXPENSE

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

9.2 Reconciliation between Accounting Profit to Income Tax

Accounting Profit Before Taxation	511,539,402	468,604,709
Income from other sources & exempt Income	284,001,926	(97,762,218)
	795,541,329	370,842,491
Aggregate Disallowable Items	-	98,656,992
Aggregate Allowable Items	-	(150,902,390)
Exempt Losses applicable to the Period of April 01,2019 to December 31, 2019	-	-
Adjusted Business Profit for the Year	-	-
Income from Other Sources	-	-
Assessable Income/(loss)	-	-
Qualifying payments	-	-
Taxable Income	-	-
Concessionary Rate predominantly engage in agriculture Act 24 of 2017	-	-
Taxable Income at Concessinary Rate - 48A - Act No. 06 of 2016) - 10%		
Other Income		
	-	-
Tax on Concessionary Rate predominantly engage in agriculture 14%	-	-
Tax on agricultural activities 0%	-	
Tax on other income 24%	39,164,963	20,650,003
Gross Income Tax Liability	39,164,963	20,650,003

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2022 Rs.	2021 Rs.

10 EARNINGS PER SHARE

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

10.1 Basic Earnings per Share

	2022 Rs.	2021 Rs.
Profit attributable to Ordinary Shareholders (Rs.)	**472,374,439**	447,954,706
Weighted average number of ordinary shares	**20,000,001**	20,000,001
Earnings Per Shares (Rs. Cts.)	**23.62**	22.40

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st December 2022.
Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

11 LEASEHOLD RIGHT TO BARE LAND OF JANATHA ESTATE DEVELOPMENT BOARD

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

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

11.3 Leasehold Right to Bare land (53 years)

	Rs.
COST	
Capitalized Value as at 18.06.1992	189,234,932
Disposals due to change in controlling interest from 18.06.1992 - 31.12.2021	(50,586,168)
Balance as at 31.12.2021	138,648,764
Disposals due to change in controlling interest from 01.01.2022- 31.12.2022	-
Balance as at 31.12.2022	138,648,764
AMORTIZATION	
Accumulated amortization as at 01.01.2021	74,660,328
Amortization for the year 2021	2,607,098
Accumulated amortization as at 31.12.2021	77,267,426
Amortization for the year 2022	2,614,259
Disposals due to change in controlling interest from 01.01.2022 - 31.12.2022	-
Balance as at 31.12.2022 (Note - A)	79,881,685
WRITTEN DOWN VALUE	
As at 31.12.2021	61,381,338
As at 31.12.2022	**58,767,079**

Note - A

No. of Days for the lease period from 18.06.1992 - 17.06.2045	*19,358*
No. of Days for the period from 18.06.1992 - 31.12.2022	*11,153*
Amortization as at 31.12.2022 (138,648,765 / 19,358 x 11,153)	*79,881,685*

NOTES TO THE FINANCIAL STATEMENTS

12 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

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

Revaluation	Life of the Asset years	As at 18.06.1992 Rs.	Transfer in/ (Out) Rs.	Disposals Rs.	Balance as at 31.12.2021 Rs.
Land Development Cost	30	1,127,305		(4,000)	1,123,305
Buildings	25	22,130,873		(4,437,121)	17,693,752
Machinery	15	34,841		-	34,841
Mature plantations	30	43,001,122	90,335,750	(31,259,778)	102,077,094
Immature plantations		90,647,222	(90,335,750)	(311,472)	-
		156,941,363	-	(36,012,371)	120,928,992

The carrying values for the year are as follows.

Revaluation	Balance as at 01.01.2022 Rs.		Disposals Rs.	Balance as at 31.12.2022 Rs.
Land development cost	1,123,305	-	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations	102,077,095	-	(279,840)	101,797,255
	120,928,993	-	(279,840)	120,649,154

Amortization	Balance as at 01.01.2022 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.12.2022 Rs.
Land development cost	1,105,980	17,325	-	1,123,305
Buildings	17,693,752	-	-	17,693,752
Machinery	34,841	-	-	34,841
Mature plantations (Note A)	88,536,959	2,979,500	(279,840)	91,236,619
	107,371,533	2,996,825	(279,840)	110,088,518

Carrying value	Balance as at 01.01.2022 Rs.	Balance as at 31.12.2022 Rs.
Land development cost	17,325	(0)
Buildings	-	-
Machinery	-	-
Mature plantations	13,540,136	10,560,636
	13,557,462	**10,560,635**

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

NOTES TO THE FINANCIAL STATEMENTS

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

Note - A Mature plantations

COST

Mature Plantations as at 18.06.1992

Balance as at 18.06.1992	43,001,122
Disposals of mature plantations	
due to change in controlling interest from 18.06.1992 - 31.12.2021	(6,979,587)
Value of Coconut Trees disposed (other than alienation) upto 31.12.2021	(12,501,398)
Value of Coconut Trees disposed (other than alienation) during the year 2022	(279,840)
Balance as at 31.12.2022 - [a]	23,240,297

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

Balance as at 18.06.1992	90,647,222
Disposals at immature stage due to change in controlling interest	(311,472)
Disposals after being transferred to mature plantations due to change in controlling interest	(8,730,966)
Value of Rubber Trees disposed (other than alienation) upto 31.12.2021	(3,047,825)
Value of Rubber Trees disposed (other than alienation) during the year 2022	-
Balance as at 31.12.2022 - [b]	78,556,959

Mature Plantations as at 31.12.2022 [c] - (a + b)	**101,797,255**

Note - B Alienation of Leased Lands

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

AMORTIZATION

Mature Plantations as at 18.06.1992

# Days for the Period from 18.06.1992 - 17.06.2022 (30 Years)	10,957
# Days for the period from 18.06.1992 - 18.06.2022	10,957
Amortization as at 31.12.2022 (23,240,297 / 10,957 x 10,957) - [d]	**23,240,297**

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

Economic Life time 30 Years

Year of Transfer	Description	Date of Disposal	COST Balance as at 18.06.1992	Alienation/ Disposal	Balance as at 31.12.2022	AMORTIZATION Balance as at 31.12.2022
12/31/1994	Value of the Immature plantation		37,756,930			
	Disposal - Korakaha - Disposed at immature stage			(311,473)		
	Disposal - Mahayaya	8/7/1997		(2,957,425)		
	Disposal - Malwatta	8/7/1997		(355,313)		
	Disposal - Ambana (Rubber)	9/10/1994		(223,374)		
	Disposal - Suriyapura	6/6/2000		(92,705)		
	Disposal - Polgammana	1/1/2016		(322,347)		
	Disposal - Polgammana	1/1/2016		(410,721)		
	Disposal - Rubber Trees 2013-2015	1/1/2016		(990,854)		
	Disposal - Rubber Trees - 2016	12/31/2016		(209,249)		
	Disposal - Rubber Trees - 2017	12/31/2017		(326,797)		
	Disposal - Rubber Trees - 2018	12/31/2018		(207,232)		
	Disposal - Rubber Trees - 2019	12/31/2019		(951,289)		
	Disposal - Rubber Trees - 2020	12/31/2020		(42,588)		
	Disposal - Rubber Trees - 2021	12/30/2021		(170,821)		
	Disposal - Rubber Trees - 2022	12/31/2022		-		
			37,756,930	**(7,572,187)**	**30,184,743**	**28,171,141**
12/31/1995	Value of the Immature plantation		8,429,585			
	Disposal - Mawathagama	8/15/1997		(493,832)		
	Disposal - Walbotale	5/31/2011		(721,401)		
	Disposal - Rubber Trees - 2018	12/31/2018		(18,018)		
			8,429,585	**(1,233,251)**	**7,196,334**	**6,476,569**
12/31/1996	Value of the Immature plantation		**12,394,880**	**-**	**12,394,880**	**10,742,154**
12/31/1997	Value of the Immature plantation		8,045,288			
	Disposal - Mawathagama	8/15/1997		(412,325)		
	Disposal - Pannala	4/9/1999		(748,578)		
	Disposal - Pethiyakanda	6/6/2000		(242,922)		
	Disposal - Rubber Trees - 2017	12/31/2017		(130,979)		
			8,045,288	**(1,534,803)**	**6,510,485**	**5,425,503**
12/31/1998	Value of the Immature plantation		9,962,094			
	Disposal - Polgammana	1/1/2016		(684,684)		
			9,962,094	**(684,684)**	**9,277,410**	**7,421,589**
12/31/1999	Value of the Immature plantation		8,676,654			
	Disposal - Mawathagama	8/15/1997		(420,467)		
	Disposal - Polgammana	1/1/2016		(604,222)		
			8,676,654	**(1,024,689)**	**7,651,965**	**5,866,413**
12/31/2000	Value of the Immature plantation		4,666,747			
	Disposal - Polgammana	1/1/2016		(40,648)		
			4,666,747	**(40,648)**	**4,626,099**	**3,392,416**
12/31/2001	Value of the Immature plantation		**715,044**		**715,044**	**500,537**
Total [e]			**90,647,222**	**(12,090,263)**	**78,556,959**	**67,996,323**

Amortization - Mature Plantations as at 31.12.2022 [f] - (d + e)	**91,236,620**

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

BEARER PLANTS

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

IMMATURE PLANTS

	Coconut Rs.	Rubber Rs.	Cashew Rs.	Cinnamon Rs.	Rambutan Rs.	Guava Rs.	Dragon fruit Rs.	Mango Rs.	Pepper Rs.	Cocoa Rs.	Durian Rs.	Ariconut Rs.	Waraka Rs.	Coffee Rs.	Total Rs.
Cost															
Balance as at 01.01.2022	438,862,498	7,036,889	4,387,287	24,948,224	6,642,107	43,797	-	15,423,136	29,356,664	-	6,380,255	831,412	885,226	-	534,797,495
Additions during the year	115,473,631	1,455,365	460,900	11,517,139	1,328,512	28,062	-	5,020,258	5,907,898	-	783,343	32,669	349,295	238,251	142,595,323
Transfers during the year	(68,418,164)	(8,492,254)	-	(421,593)	(664,439)	-	-	(6,480,654)	(11,980,076)	-	-	-	-	-	(96,457,180)
Disposals during the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2022	485,917,965	(0)	4,848,187	36,043,770	7,306,180	71,859	-	13,962,740	23,284,486	-	7,163,598	864,081	1,234,521	238,251	580,935,638

MATURE PLANTS

Cost Useful life of the asset	Coconut 50 years Rs.	Rubber 20 years Rs.	Cashew 20 years Rs.	Cinnamon 20 years Rs.	Rambutan 20 years Rs.	Guava 6 years Rs.	Dragon fruit 20 years Rs.	Mango 20 years Rs.	Pepper 20 years Rs.	Cocoa 20 years Rs.	Durian 20 years Rs.	Ariconut Rs.	Waraka	Coffee Rs.	Total Rs.
Balance as at 01.01.2022	783,572,626	119,161,138	21,591,410	11,752,137	4,287,487	191,347	3,472,230	2,854,726	13,274,477	5,936,675	4,656,518			153,769	970,904,540
Transfers during the year	68,418,164	8,492,254	-	421,593	664,439	-	-	6,480,654	11,980,076	-	-			-	96,457,180
Disposals during the year	-	(5,098,759)	-	-	-	-	-	-	-	-	-			-	(5,098,759)
Balance as at 31.12.2022	851,990,791	122,554,633	21,591,410	12,173,730	4,951,926	191,347	3,472,230	9,335,380	25,254,553	5,936,675	4,656,518	-	-	153,769	1,062,262,961
Amortization															
Balance as at 01.01.2022	107,670,203	43,370,009	7,280,723	4,261,039	1,527,708	127,564	830,847	977,521	4,216,641	2,346,345	824,311			130,700	173,563,611
Charge for the year	15,671,453	4,414,384	1,079,571	494,807	203,198	31,891	173,610	142,737	663,726	296,834	232,826			7,688	23,412,725
Disposals during the year	-	(4,296,273)	-	-	-	-	-	-	-	-	-			-	(4,296,273)
Balance as at 31.12.2022	123,341,655	43,488,120	8,360,294	4,755,846	1,730,906	159,455	1,004,457	1,120,258	4,880,367	2,643,179	1,057,137	-	-	138,388	192,680,062
Written down value															
As at 01.01.2022	675,902,424	75,791,129	14,310,687	7,491,098	2,759,779	63,783	2,641,383	1,877,205	9,057,836	3,590,330	3,832,207	-	-	23,069	797,340,930
As at 31.12.2022	**728,649,135**	**79,066,513**	**13,231,116**	**7,417,884**	**3,221,020**	**31,892**	**2,467,773**	**8,215,122**	**20,374,186**	**3,293,496**	**3,599,381**	-	-	**15,381**	**869,582,899**
TOTAL BEARER BIOLOGICAL ASSETS															
Written down value															
As at 01.01.2022	1,114,764,922	82,828,018	18,697,974	32,439,322	9,401,886	107,580	2,641,383	17,300,341	38,414,500	3,590,330	10,212,462	831,412	885,226	23,069	1,332,138,424
As at 31.12.2022	**1,214,567,100**	**79,066,512**	**18,079,303**	**43,461,654**	**10,527,200**	**103,751**	**2,467,773**	**22,177,862**	**43,658,672**	**3,293,496**	**10,762,979**	**864,081**	**1,234,521**	**253,632**	**1,450,518,536**

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT cont...

Following are the assets vested in the company vis a vis the Gazette notification on the date of formation of the company on June 18, 1992 and all additions thereafter. The assets taken over by way of estate leases are set out in Notes 11 and 12 to the accounts.

	Acquisition of land	Improvements to Land	Buildings	Shop Container	Wells	Fencing	Motor Vehicles	Machinery	Furniture & Fittings	Equipment	Computer Equipment	Irrigation	Electrification	Solar Power System	Total	Work-in-progress	Total
Useful life of the Asset (Years)			40	15	40	3	5	13 1/3	10	8	5	8	40	10			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost																	
Balance as at 01.01.2022	8,123,564	7,021,038	315,924,394	-	12,520,561	99,164,522	139,084,382	1,849,609	21,728,079	34,424,402	5,710,730	28,136,465	6,180,875	3,751,046	683,619,667	16,078,635	699,698,302
Additions during the year	-	1,262,966	13,263,600	1,539,730	323,835	6,832,135	10,085,834	-	1,622,621	7,778,253	1,537,350	8,287,488	393,900	-	52,927,711	34,631,023	87,558,734
Disposals during the year	-	-	-	-	-	-	-	-	-	(17,200)	-	-	-	-	(17,200)	(2,204,513)	(2,221,713)
Transferred (from)/ to		-	-	-	-	-	-		-	-		-	-	-	-	(16,942,925)	(16,942,925)
Balance as at 31.12.2022	8,123,564	8,284,004	329,187,994	1,539,730	12,844,396	105,996,657	149,170,216	1,849,609	23,350,700	42,185,455	7,248,080	36,423,953	6,574,775	3,751,046	736,530,179	31,562,220	768,092,399
Depreciation																	
Balance as at 01.01.2022	-	1,938,727	41,407,483	-	2,305,688	84,982,091	27,033,958	1,029,968	12,712,250	20,331,879	4,284,800	5,530,132	325,368	1,500,420	203,382,765	-	203,382,765
Charge During the year	-	772,495	8,023,217	68,467	310,695	8,491,814	27,607,882	138,721	1,698,342	3,177,631	621,830	3,689,806	163,137	375,105	55,139,142		55,139,142
Disposals during the year	-	-	-	-	-	-	-	-	-	(3,494)	-	-			(3,494)		(3,494)
Balance as at 31.12.2022	-	2,711,222	49,430,700	68,467	2,616,383	93,473,905	54,641,840	1,168,689	14,410,592	23,506,016	4,906,630	9,219,938	488,505	1,875,525	258,518,412	-	258,518,412
Written down value																	
As at 01.01.2022	8,123,564	5,082,311	274,516,911	-	10,214,873	14,182,431	112,050,424	819,641	9,015,830	14,092,523	1,425,930	22,606,333		2,250,626	480,236,903	16,078,635	496,315,538
As at 31.12.2022	**8,123,564**	**5,572,782**	**279,757,294**	**1,471,263**	**10,228,013**	**12,522,752**	**94,528,375**	**680,920**	**8,940,108**	**18,679,439**	**2,341,450**	**27,204,015**	**6,086,270**	**1,875,521**	**478,011,766**	**31,562,220**	**509,573,986**

TOTAL OF PROPERTY, PLANT AND EQUIPMENT

Written down value	
As at 01.01.2022	1,828,453,962
As at 31.12.2022	1,960,092,523

Acquisition of land

The land called Pollaththapitiya, 1.416 hectare in extent where the Head office of the company is situated is a land acquired by the Divisional Secretary - Kurunegala and handed over to Janatha Estate Development Board (JEDB) on July 15, 1987. Since the legal title of the land was not transferred to JEDB the land is now owned by the government. Compensation upon acquisition had not been paid to the original owners of the land , H.L. De Mel and Company. Based on a court of appeal order the company was requested by the Ministry of Plantation Industries to pay the legal compensation of Rs. 3.5 Mn. to H.L. De Mel and Company which it has paid through the Divisional Secretary, Kurunegala on condition suggested by the Ministry that the land will be transferred to the company by the government. The legal interest payable on Rs. 3.5 Mn. for delaying the payment for 18 years was calculated to be Rs. 4,623,563.92 and the company has agreed to pay this amount at the request of the Ministry of Plantation Industries. The total of the amount paid and payable relating to the acquisition of the land is, therefore, Rs. 8,123,563.92. The full amount is disclosed in these accounts as acquisition cost of the land. The title of land has been transferred to Kurunegala Plantations Ltd with effect from 2015.11.16 (Reg No. G146/78)

Revaluation of assets

The book value of Rs. 11,923,616/= motor vehiclas had been revaued for Rs. 127,803,190/= as at 31.12.2020.

Fully depreciated assets

The cost of fully depreciated Property, Plant and Equipment which are still in use as at date of Statement of Financial Position is as follows,

	31.12.2022	31.12.2021
	Rs.	Rs.
Fencing	85,985,056	71,403,872
Computer Equipment	3,825,790	3,379,350
Equipment	13,134,390	11,236,614
Furniture & Fittings	6,969,684	5,117,452
	109,914,920	91,137,288

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2022 Rs.	31.12.2021 Rs.

14 CONSUMABLE BIOLOGICAL ASSETS

14.1 TIMBER TREES

Balance as at the beginning of the year	**256,915,524**	209,525,875
Increase due to development	**546,632**	704,404
Cost of harvested timber trees	**(2,789,685)**	(1,018,808)
Gain / (loss) arising from changes in fair value less cost to sell	**32,171,925**	47,704,053
Balance as at the end of the year	**286,844,396**	256,915,524

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

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

Key assumption used in Valuation

1. The harvesting is approved by the Department of Forest & the Line Ministry
2. The Prices adopted are net of expenditure.
3. Discount rate is 14%

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

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

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

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

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

14.2 LIVESTOCK

Cattle

Balance as at the beginning of the year	**1,672,256**	1,613,831
Addition during the year	**98,550**	187,714
Gain / (loss) arising from changes in fair value for the Year	**11,093**	71,888
Death/Sale value	**97,538**	(201,176)
Balance as at the end of the year	**1,879,437**	1,672,256
Total Consumable Biological Assets	**288,723,833**	**258,587,780**

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

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER FINANCIAL ASSETS

	Loan Given to Employees Rs	Pre Paid Staff Benefit Rs	Total Rs
Balance at 01.01.2021	19,169,623	1,626,410	20,796,033
Loan granted during the year -2021	19,706,747	3,408,203	23,114,950
Loan recovered during the year -2021	(13,178,527)	(1,769,355)	(14,947,882)
Balance at 31.12.2021	**25,697,843**	**3,265,258**	**28,963,101**
Loan granted during the year -2022	10,998,746	4,745,870	15,744,616
Loan recovered during the year -2022	(11,568,493)	(2,510,459)	(14,078,952)
Balance at 31.12.2022	**25,128,095**	**5,500,670**	**30,628,765**
Non Current Balance as at 31.12.2021	16,914,924	1,666,698	18,581,622
Current Balance as at 31.12.2021	8,782,918	1,598,560	10,381,478
Balance at 31.12.2021	25,697,842	3,265,258	28,963,100
Non Current Balance as at 31.12.2022	16,583,030	2,866,199	19,449,229
Current Balance as at 31.12.2022	8,545,064	2,634,470	11,179,534
Balance at 31.12.2022	25,128,094	5,500,669	30,628,763

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

Distress Loans	**2022**	2021
Kurunegala Plantations Limited	**5.00%**	5.00%

Market interest rate of similar loans

01.12.2014 - 31.12.2014	11.50%
01.01.2015 - 31.12.2015	11.50%
01.01.2016 - 20.11.2016	13.00%
21.11.2016 - 31.12.2016	14.00%
01.01.2017 - 31.12.2017	14.00%
01.01.2018 - 31.12.2018	13.00%
01.01.2019 - 31.12.2019	12.50%
01.01.2020 - 31.12.2020	12.50%
01.01.2021 - 31.12.2021	13.50%
01.01.2022 - 31.12.2022	28.13%

AS AT	**31.12.2022 Rs.**	31.12.2021 Rs.

16 PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

16.1 Produce on Bearer Biological Assets

As at 1st January	**15,863,252**	19,613,444
Change in fair value less cost to sell	**3,069,532**	(3,750,192)
As at 31st December	**18,932,784**	15,863,252

Level 2 inputs were used when arriving above figures.

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

Consumable Biological Assets Gain/(loss) (Note 14.1)	**32,171,925**	47,704,053
Produce on Bearer Biological Assets Gain/(loss) (Note 16.1)	**3,069,532**	(3,750,192)
Livestock Gain/(loss) (Note 14.2)	**207,181**	58,425
Produce on Bearer Biological Assets Gain/(loss)	**35,448,638**	44,012,285

16.3 INVENTORIES

Produce Stocks	**42,448,128**	67,487,804
Input Materials, Spares & Consumables	**31,012,504**	12,121,733
Growing Nurseries	**2,607,397**	3,902,518
	76,068,029	83,512,055

NOTES TO THE FINANCIAL STATEMENTS

AS AT		31.12.2022 Rs.	31.12.2021 Rs.
17 DEPOSITS			
Deposits on purchase of Fuel		**1,030,000**	435,000
Deposits on purchase of other products & Services		**49,700**	49,700
Deposits for rented Colombo office		**285,000**	465,000
Deposit kept at Labour Tribunal for Gratuity		**1,942,770**	-
Others		**815,000**	5,000
		4,122,470	954,700
18 PRE-PAYMENTS			
Insurance		**1,061,938**	983,342
Pre-paid subscriptions		**99,044**	99,044
Pre-paid amount on service agreements		**60,456**	40,900
Others		**1,467,254**	666,538
		2,688,692	1,789,824
19 PRE PAID EXPENDITURE ON SHORT TERM PROJECTS			
Cut foliage Project - Attanagalla (Note 19.1)		-	1,093,414
Coconut Tricle		-	947,192
Ginger		-	120,673
Compost Manufacturing		**43,384**	924,185
Turmeric		**8,927,316**	8,590,600
Oil Manufacturing		-	-
Pasture		-	-
Husk Chip Project		-	43,879
Others		**1,274,416**	-
		10,245,115	11,719,944

19.1 This include Office Building, Net house, Land Development Cost, Watersupply System constructed entierly for the purpose of Foliage project & Foliage Plantations. Foliage project was leased out for a period of 5 years w.e.f. 01.12.2017. Hence, the Net book value of those assets as at 30.11.2017 amounting to Rs. 5,964,074 is ammortized over the lease period of 5 years at Rs. 1,192,815 per annum.

		31.12.2022 Rs.	31.12.2021 Rs.
20 TRADE AND OTHER RECEIVABLES			
Trade Debtors			
Produce Debtors - Coconut		**67,207,775**	120,204,562
Recoverable loss on sale of Coconut		**8,912,264**	3,910,630
Produce Debtors - Rubber		**5,306,905**	5,595,348
Produce Debtors - Others		**11,565,920**	880,042
Rent Receivables		**134,917**	312,100
Other Receivables			
Interest Receivable		**79,526,860**	16,379,897
Staff debtors		**1,782,219**	1,431,677
Cadastral Survey		-	965,586
Economic Service Charges Carried Forward		-	-
Sundry Debtors		**3,290,938**	3,587,918
		177,727,797	153,267,760
Less: Rejection provision (Produce Debtors - Coconut)		**(2,916,507)**	(4,287,898)
		174,811,290	148,979,862
Less: Impairment of Bad & Doubtful Debts	20.1	**(10,038,373)**	(4,961,739)
		164,772,917	144,018,123

20.1 Movement for Impairment of Bad & Doubtful Debts

At the beginning of the the year	**4,961,739**	5,181,377
Imparement provition	**5,076,634**	(219,638)
At the end of the the year	**10,038,373**	4,961,739

20.2 As at 31 December, the ageing of trade and other receivables is, as follows:

		Current	Past due			
	Total	0 - 30	31 - 60	61 - 90	91 - 180	> 180
	Rs.	Days Rs.	Days Rs.	Days Rs.	Days Rs.	Days Rs.
2022	177,727,797	129,318,004	5,991,002	9,987,732	12,804,264	19,626,796
2021	153,267,760	76,397,649	26,468,877	11,084,192	18,935,145	20,381,898

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2022 Rs.	31.12.2021 Rs.
21 SHORT TERM INVESTMENTS		
Matured within 03 months		
Term Deposits - Bank of Ceylon	-	-
	-	-
Matured after 03 months		
Term Deposits - Bank of Ceylon	200,000	75,200,000
Term Deposits - Peoples' Bank	600,000,000	500,000,000
Term Deposits - National Savings Bank	400,000,000	200,000,000
	1,000,200,000	775,200,000
	1,000,200,000	775,200,000
22 CASH & BANK BALANCES		
Stamps	14,740	10,174
Repo	83,000,000	38,000,000
Cash at Bank	(20,689,449)	20,099,032
Cash in Hand	4,357,467	4,989,029
	66,682,758	63,098,236
23 STATED CAPITAL		
Issued and Fully Paid		
20,000,000 Ordinary shares Rs. 10/- each	200,000,000	200,000,000
Golden share held by Secretary to the Treasury (Note 23.1)	10	10
	200,000,010	200,000,010

23.1 The Golden Shareholder

The Golden Share is currently held by Secretary to the General Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public Company. In addition to the rights of the normal ordinary shareholder, special rights are vested with the Golden Shareholder.

24 RETIREMENT BENEFIT OBLIGATIONS		
Balance as at the beginning of the year	78,527,546	90,476,077
Past Service Cost	53,151,226	-
Charged during the year	1,671,146	(91,872)
Gratuity paid /payable during the year	(15,547,038)	(11,856,659)
Balance as at the end of the year	117,802,881	78,527,546

The Company will continue as a going concern. The gratuity liability is fully internally funded.

The Valuation method used by the actuaries to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19,'Employee Benefits'. The actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2022 by Actuarial & Management Consultants (Pvt) Limited.

The movement in the retirement benefit obligations over the year is as follows.

Interest Cost	8,638,030	7,238,086
Current Service Costs	11,688,114	8,212,521
Total included in the staff cost (Note 07)	20,326,144	15,450,607
Past Service Cost		-
Actuarial (Gain)/Loss recognized immediately	(18,654,998)	(15,542,479)
Amount Recognized in the statement of other comprehensive income	(18,654,998)	(15,542,479)
Total recognized in the comprehensive income	1,671,146	(91,872)

NOTES TO THE FINANCIAL STATEMENTS

	AS AT	18.06.1996 Rs.	31.12.2022 Rs.	31.12.2021 Rs.
25	**NET LIABILITY TO LESSOR**			
	Gross lease liability	401,114,000	183,882,230	192,068,230
	Less: Finance charges applicable to future periods	(226,419,004)	(103,797,000)	(108,417,796)
	Net lease liability	174,694,996	80,085,230	83,650,434
	a) **Payable after 5 years;**			
	Gross Liability		142,952,230	151,138,230
	Less: Finance charges applicable to future periods		(80,693,020)	(85,313,816)
	Net Liability		62,259,210	65,824,414
	b) **Payable within 2 to 5 years;**			
	Gross Liability		32,744,000	32,744,000
	Less: Finance charges applicable to future periods		(18,483,184)	(18,483,184)
	Net Liability		14,260,816	14,260,816
	c) **Payable within 1 year;**			
	Gross Liability		8,186,000	8,186,000
	Less: Finance charges applicable to future periods		(4,620,796)	(4,620,796)
	Net Liability to the Lessor		3,565,204	3,565,204
			80,085,230	83,650,434
	Net liability to lessor			
	Non - current liability		76,520,026	80,085,230
	Current Liability		3,565,204	3,565,204
			80,085,230	83,650,434

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

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

The payment due in each subsequent 12 month period till the end of lease on June 18, 2045 is the current year's last two quarters' total lease payment increased by the previous year's GDP Deflator and the next year's first two quarters' total lease payment increased by the current year's GDP Deflator. The charge to the Income Statement during the current period is Rs. 30,175,796 which comprises the fixed interest portion and a contingent interest portion of the lease rental .

NOTES TO THE FINANCIAL STATEMENTS

24 RETIREMENT BENEFIT OBLIGATIONS cont...

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

	Financial Assumptions (2022)	Financial Assumptions (2021)
Rate of Interest	18% p.a	11% p.a
Rate of Increase of Salaries		
Executive Staff	10% p.a next increment due on 01/06/2023	5% p.a next increment due on 01/06/2022
Non Executive Staff - Head office	10% p.a next increment due on 01/06/2023	5% p.a next increment due on 01/06/2022
Estate Staff	15% or 20% p.a once in 3 years next increment due on 01/06/2023	15% or 20% p.a once in 3 years next increment due on 01/06/2023
Watchers	10% p.a next increment due on 01/06/2023	5% p.a next increment due on 01/06/2022
Daily Paid Staff	10% p.a. Next increment due on 01/06/2023	10% p.a. Next increment due on 01/06/2022
Daily Paid Staff's wage rates	Rs.740 or Rs. 1000 as applicable.	Rs.740 or Rs. 1000 as applicable.

Demographic Assumptions

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

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

Gratuity Formula

For monthly paid Staff:

Employees joined on or before 25th April 2016:

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

Employees joined after 25th April 2016:

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

For Executive and, Non Executive Staff - Head office:

Monthly Salary = Basic Salary + COLA (Rs. 7,800/-)
Matching Allowance of Rs. 10,000/- is added for the Executives, who entitles for the said allowance.

For Estate Staff & Watchers:

Monthly Salary = Basic Salary

For Daily Paid Staff/ Workers:

Employees joined on or before 25th April 2016:

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

Employees joined after 25th April 2016:

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

Sensitivity Analysis

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

	Impact on Retirement benefit obligations	
Percentage increase/decrease in discount rate	+ 1%	- 1%
As at 31 March 2022 - Monthly Paid	57,970,354	64,499,578
As at 31 March 2022 - Daily Paid	55,405,795	58,214,209
As at 31 March 2021 - Monthly Paid	35,019,346	39,640,293
As at 31 March 2021 - Daily Paid	39,805,445	43,053,008

	Impact on Retirement benefit obligations	
Percentage increase/decrease in salary / wage increment rate.	+ 1%	- 1%
As at 31 March 2022 - Monthly Paid	64,630,764	57,826,573
As at 31 March 2022 - Daily Paid	58,319,474	55,289,904
As at 31 March 2021 - Monthly Paid	39,663,207	34,976,855
As at 31 March 2021 - Daily Paid	43,062,180	39,770,375

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2022 Rs.	31.12.2021 Rs.
26 DEFERRED TAX LIABILITIES		
Balance as at the beginning of the year	-	-
Charged during the year	-	-
Balance as at the end of the year	-	-
Cliamable Loss	-	-
Bearer Biological Assets	-	-
Consumable Biological Assets	-	-
Property, Plant & Equipment	-	-
Provision for doubtful debts	-	-
Retirement Benefit Obligation	-	-
	-	-
Applicable Tax Rate	0%	0%
Net Deferred Tax Liabilities	-	1

As per the policy decision taken by the Government ,Business profit arising from Agro farming is exempt from income tax w.e.f April 1,2019.Therefore company has decided to reverse the brought forward deferred tax liability to statement of comprehensive income and not to recognize the deferred tax liabilty for future periods.

	31.12.2022 Rs.	31.12.2021 Rs.
27 ADVANCE RECEIVED		
For Sub Lease/ Land given on facility basis	3,386,508	4,142,824
Others	7,351,845	846,250
	10,738,353	4,989,074
28 TRADE AND OTHER PAYABLES		
Trade & Other Creditors & Accrued Expenses	98,369,585	17,131,270
Checkroll Wages	16,749,771	14,049,535
Refundable Bid Securities, Security Deposits & Retentions	22,136,177	24,365,067
Gratuity Payable	1,278,534	1,341,705
EPF Payable	4,082,819	4,303,052
ETF Payable	680,638	700,655
Medical Leave Payable	7,096,207	7,385,905
Economic Service Charge Payable	-	-
Provision for Brokerage-Coconut	1,003,714	1,522,925
Provision for Bonus Payment	12,000,000	12,000,000
Provision for Performance Incentives	90,000,000	77,295,733
Provision for Holiday Pay Payment	6,091,770	5,865,692
Chairman's Donation Fund	103,830	-
Gratuity Surcharge Payable	18,754,389	-
Gratuity Arrers Payable	2,066,451	-
	280,413,885	165,961,538

29 CAPITAL COMMITMENTS & CONTINGENCIES

29.1 Capital Commitment

The Company had no material capital commitments outstanding as at the Reporting date.

29.2 Contingent Liabilities

There were no contingent liability other than disclose as at the reporting date.

The company has relised lands for various purposes and its 1,750.88 Ha. (Note 12 B) (26% of extent).and lease rental for relase lands KPL is not Paid. However the adjustment of Lease rental and the approval for the reduce the rental had not given and unpaid Lease rental as fallows.

Lease rental for released Lands (1,750.88 Ha)	263,134,840	233,042,588
	263,134,840	233,042,588

29.2 Contingent Liability - Details of Legal Cases Filed

	Court Case	Discription	Present Situation
01	DMR/1366/18 - Commercial Court, Colombo.	Non Payment of Rs 1,414,441.40 by New Produce & General Brokers Company regarding the purchase of coconut parcels through CDA coconut Auction.	Relevant Case is Going on
02	M/13834 - District Court - Kurunegala.	Non Payment of Rs. 429,988.35 by W.A.K.N.Rodrigo regarding the purchase of coconut parcels of KPL.	Relevant Case is Going on
03	1970 M - Attanagalla Magistrate Court.	Non Payment of Rs. 375,000.00 by G.Kumuduni regarding the purchase of Rambutan harvest at attanagalla Area Estates.	Order has given to recover the cost Rs.375,000/-
04	1236/L - Attanagalla District Court	Deed has been given to G.S.M.Hilmi & his family by the LRC from Halgahapitiya Division (20.47 acre) of Attanagalla Area Estates without the concent of KPL. This party has filed the case againsed KPL at Attanagalla District Court for non providing of possession of the land to them by KPL.	Relevant Case is Going on
05	45/2016 - Court of Appeal, Colombo	Ven. Rajawela Nandarathana thero, Padmawathi Piriven Rajamaha viharaya, Keragala, Henegama has filed a case against KPL at Court of appeal to acquire 67 acres 3 roots and 24 perches from Danaukanda Division of Attanagalla Area Estates, Land Reform Commision has given concent and charged Rs. 306,410.42 from the Ven. Rajawela Nandarathana thero.	Case has over. Case has been appealed to Supreme court under case no. 183/2020
06	176/Land - Wariyapola District Court	R.M.Krishantha has filed a case at Wariyapola District Court against KPL for non providing of possession of 19 acres Wewagedara Division of Hiriyala Area Estates as he has a deed for this land extent.	Relevant Case is Going on
07	B/1918/17 - 2029 PC - Magistrate Court - Kurunegala	Lost of 4914 Coconut worth Rs. 175,358.50 at Kurunegala Area Estates.	Suspect has escaped from the area & Police Investigations are going on
08	23/K/10188/2016 - LT Kurunegala	Malpractices done by former Assistant Superintendent S.C.Wijethilaka while on duty. Claiming reinstatement or compensation for the same.	Relevant Case is Going on
09	B/57624 Magistrate Court - Kuliyapitiya	Lost of 5542 Coconut worth Rs.224,494.00 at Dambadeniya Area Estates.	Relevant Case is Going on
10	L/91/2020 - Gampaha District court	Lease out of 5 Acres of land for Metal quarry by the LRC to outside party at Danawkanda Division of Attanagalla Area Estates	Relevant Case is Going on

NOTES TO THE FINANCIAL STATEMENTS

30 EVENTS AFTER THE REPORTING PERIOD.

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

AS AT	31.12.2022 Rs.	31.12.2021 Rs.

31 RELATED PARTY TRANSACTIONS

There are no related party transaction during the year.

31.1 Key Management Personnel

Key Management Personnel includes all Board of Directors and Chief Executive Officer.

Short term employment benefits	**3,306,160**	2,607,886

32 GOVERNMENT GRANTS

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

33 FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:
* Credit risk
* Liquidity risk
* Market risks (Including currency risk and interest rate risk)

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

Risk Management Framework

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

Credit Risk

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

Loans and Receivables		
Trade and other Receivables	**164,772,917**	144,018,123
Short Term Investment	**1,000,200,000**	775,200,000
Cash and Cash Equivalents	**66,682,758**	63,098,236
	1,231,655,675	982,316,359

NOTES TO THE FINANCIAL STATEMENTS

AS AT	31.12.2022 Rs.	31.12.2021 Rs.

Liquidity Risk

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

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

FINANCIAL RISK MANAGEMENT

	31.12.2022 Rs.	31.12.2021 Rs.
Net liability to the lessor	80,085,230	83,650,434
Trade and other payables	280,413,885	165,961,538
	360,499,115	249,611,972

Market Risk

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

Interest Rate Risk

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