



Democratic Socialist Republic of Sri Lanka

Statement of Corporate Intent (SCI)
Kurunegala Plantations Limited

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

04th April 2023

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

Statement of Corporate Intent

among

General Treasury, Ministry of Plantation Industries
and Kurunegala Plantations Limited

2023 - 2025

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

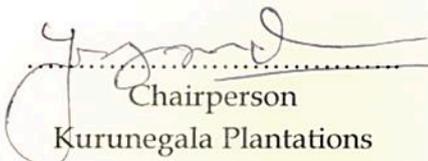
WHEREAS

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

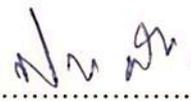
The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the board and management of the SOE of the agreed and freely negotiated performance targets set out in this statement.

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

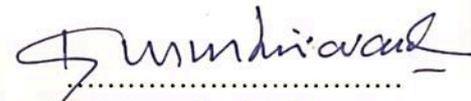
The parties are abiding by the responsibilities specified in the Guidelines for the Statement of Corporate Intent and subject to decisions taken by the Cabinet of Ministers as mentioned thereon or any other Government policy decisions.


.....
Chairperson
Kurunegala Plantations
Limited

Date: .04.2023


.....
Secretary
Ministry of Plantation Industries

Date: .04.2023


.....
Secretary to the Treasury

Date: .04.2023

i

K.G.G.F. Jenat Jayawardana (LLB.)
(Attorney - At - Law)
Chairman
Kurunegala Plantations Limited
No. 80, Dambulla Road,
Kurunegala.

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

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

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EXECUTIVE SUMMARY

Kurunegala Plantations Limited (KPL) is a fully government owned plantation management company. The business interests of the company continue to be in cultivation, production, processing and sale of coconut, rubber and ancillary crops with a portfolio of 07 area estates which span varying agro climatic zones in the districts of Kurunegala, Gampaha, Anuradhapura & Matale. Each estate is further broken up into small acreages known as divisions (86 divisions). The company provides direct employment to over 1,000 people and indirectly impacts the livelihood of many others.

The Statement of Corporate Intent (SCI) has been prepared by the KPL & presents its financial plans of its operations for the period of 2023-2025. As per the financial statements of year 2022, total revenue and net profit before tax of KPL was Rs. 1,065 Mn and Rs. 511 Mn, respectively.

KPL forecasts to achieve a total revenue of Rs. 1,294 Mn, Rs. 1,330 Mn & Rs. 1,366 Mn in 2023, 2024 & 2025 respectively. Actual outcome can be differed from the estimated figures due to external factors such as market trends, economic factors and climatic conditions.

In order to achieve the above stated financial results, KPL has allocated Rs. 476.2 Mn worth of capital investments for the year 2023, which is solely funded by internally generated funds.

KPL's main investments will be on coconut under plantations, intercrops, maintenance of existing immature plantations, office buildings, machinery, irrigation systems and other development activities and value addition projects such as coconut oil factory, cinnamon leaf oil factory, spice factory, water bottling, solar energy project, and sales outlets.

Apart from the financial performance, KPL has committed to improve its performance on other aspects of the business operations by making current business support systems such as ERP systems to carry out day to day functions efficiently & effectively with head office and other area estates

1. INTRODUCTION

1.1. Establishment

Kurunegala Plantations Limited, incorporated in 1992, is a fully owned government company, registered under the Companies Act, No. 07 of 2007. The company had been established by vesting lands managed by the Janatha Estates Development Board in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertaking into Public Companies Act, No. 23 of 1987 under then State Privatization Policy. The company operates as a single shareholder company being the Secretary to the General Treasury as the Golden Shareholder.

KPL, from its inception had its managerial roots embedded in the private sector. However, due to being economically non-viable and in a state of downfall owing to lack of proper management over a period of nearly 13 years, the government decided to reclaim the management of the company with effect from 01st January 2005. This move brought the plantation directly under the purview of the Ministry of Plantation Industries. Throughout the years, it changed hands under several ministries. From 27th May 2022, KPL has been operating under the purview of the Ministry of Plantation Industries.

1.2. Vision

“To be the model plantation and agri-business management company in the South East Asian region”.

1.3. Mission

“To manage the plantation and agribusiness productively, profitably and sustainably through effectively harnessing natural, physical and human resources in an environment-friendly and socially responsible manner to the benefit of all stakeholders and the country at large”.

1.4. Core Business/ Principal Activities

Cultivation, production, processing and sale of coconut, rubber and ancillary crops.

1.5. Market Share

The national production is mainly contributed by the small holding and domestic sector. Therefore, calculation of market share against the national production does not give a real picture. The KPL represents a share of around 1% of the total coconut extent of the country and 0.43% share on national coconut production. However, around 35% of the total coconut nuts offer for sale to the Coconut Development Authority (CDA) auction is from KPL.

The company claims a significant share of 38% of the coconut extent managed by estate sector of the country. KPL produces around 35% of the total production of coconut by the regional plantation companies and state plantations.

1.6. Performance of Past 10 Years and Cadre Information

1.6.1. Financial Performance

Table 1: Financial Performance & Financial Position

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Coconut										
Baring Extent (ha.)	3,292.82	3,264.04	3,186.82	3,108.97	3,107.94	3,124.60	3,127.23	2,984.28	2,955.64	3,008.65
Production (Nuts Mn)	13	16.7	14.07	16.65	10.65	12.55	16.3	11.41	15.2	15.53
Sales (Nuts Mn)	13.01	16.78	14.17	16.74	10.53	12.31	16.38	11.88	14.48	16.04
NSA (Rs.)	30.93	30.65	31.21	24.71	43.63	43.22	24.61	49.08	55.18	54.56
COP (Rs.)	16.39	15.98	18.5	15.25	23.59	24.07	19	28.78	22.81	28.32
Rubber										
Bearing Extent (ha.)	191.78	192.62	183.53	178.48	173.48	173.48	158.38	163.47	161.31	152.58
Production (Kg 000)	188.93	157.47	140.68	144.38	119.49	113.08	107.28	107.09	90.54	95.57
Sales (Kg 000)	186.12	161.38	140.25	141.84	113.41	111.11	119.2	104.61	87.8	96.17
NSA (per 1Kg)	330	246	218	211	309	243	271	287	426	567
COP (per 1Kg)	256	267	268	333	324	340	380	396	389	419
All figures in Rs Million										
Revenue	475.89	576.79	492.14	490.25	553.03	612.76	498.68	685.27	932.81	1,065.49
Cost of Sales	-268.8	-325.99	-316.64	-319.96	-316.04	-355.66	-385.72	-409.48	-412.25	-549.56
Gross Profit	207.09	250.8	175.5	170.29	236.99	257.1	112.96	275.79	520.56	515.94
Other Operating Income	95.83	95.92	121.73	78.41	100.43	68.6	93.29	58.92	120.41	100.71
Profit from Operating Activities	193.67	215.57	164.29	129.05	205.93	171.36	91.01	208.62	461.57	393.39
Net Financial Income/ (Expenses)	19.96	5.34	1.63	15.05	41.99	50.06	29.17	6.33	7.04	118.14
Income Tax Expense	-5.48	-13.78	-10.81	-17.51	-86.13	-32.42	-18.13	-28.31	-20.65	-39.16
Profit for the Year	208.93	206.45	163.21	165.1	173.03	189.52	104.94	299.78	684.75	491.03
Non-Current Assets	1,143.27	1,246.42	1,330.60	1,374.31	1,485.87	1,643.79	1,813.37	2,055.00	2,180.56	2,337.59
Current Assets	473.18	540.66	585.45	651.42	750.71	811.8	610.54	746.89	1,106.54	1,354.89
Total Assets	1,616.45	1,787.08	1,916.05	2,025.73	2,236.58	2,455.59	2,423.91	2,801.89	3,287.10	3,692.49
Total Equity	1,280.01	1,446.46	1,526.82	1,659.91	1,797.93	1,987.45	1,964.89	2,278.63	2,948.38	3,185.06
Total Liabilities	336.43	340.62	389.23	365.82	438.65	468.14	459.02	523.26	338.72	507.43
Total Equity & Liabilities	1,616.45	1,787.08	1,916.05	2,025.73	2,236.58	2,455.59	2,423.91	2,801.89	3,287.10	3,692.49
Dividends	40	50	35	40	38	50	15	50	75	-

Source: Kurunegala Plantations Limited

1.6.2 Cadre Information

Table 2 : Cadre Information

Employee Category	Approved Cadre	Actual Cadre
Senior Management Level	2	2
Middle Management Level	15	10
Junior Management Level	19	17
Management Assistants	6	5
Management Assistants - Estates	24	20
OIC - Estates	47	31
Driver, Tractor Driver	94	73
Mechanic, Office Aide	46	44
Total	267	208

1.7. Board of Directors' responsibility for operational and financial performance of the SOE

SOE's Board of Directors is responsible for the operational and financial performance of the company. This Statement of Corporate Intent (SCI) sets out the agreed and financial and non-financial targets of KPL for the 2023-2025 financial years.

2. MACRO ECONOMIC POLICY OF THE SECTOR

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

3. GOALS OF KURUNEGALA PLANTATIONS LIMITED

Goal 1: Revenue enhancement.

Goal 2: Cost reduction.

4. OBJECTIVES OF KURUNEGALA PLANTATIONS LIMITED

Goal 1: Revenue enhancement

1.1 To increase the total revenue by 21.5 % to Rs. 1,294 Mn in 2023.

1.2 Improving quality and productivity.

Goal 2: Cost reduction

2.1 To reduce variable cost.

5. KEY PERFORMANCE INDICATORS (KPIs)

Table 3: Key Performance Indicators

Objective 01: To increase the total revenue by 21.5 % to Rs. 1,294 Mn in 2023.				
KPI's	Baseline 2022	2023	2024	2025
Coconut income (Rs. Mn)	875.07	929.6	957.67	986.59
Rubber income (Rs. Mn)	54.57	69.7	71.11	72.54
Income from intercrops (Rs. Mn)	88.59	131.16	133.77	136.45
Other sundry income (Rs. Mn)	29.34	37.62	38.37	39.14
Income from value added products (Rs. Mn)	17.90	126.64	129.17	131.75
Total revenue (Rs. Mn)	1,065.49	1,294.72	1,330.11	1,366.49
Objective 02: To reduce variable cost.				
KPI's	Baseline 2022	2023	2024	2025
Coconut COP per nut (Rs.)	29.25	29.66	29.66	29.67
Rubber COP per kg (Rs.)	420.76	399.74	399.69	399.76
Objective 03: Improving quality and productivity.				
KPI's	Baseline 2022	2023	2024	2025
Net Sales Average - Coconut (Rs.)	54.56	54.68	55.78	56.89
To maintain fallen nut % for monthly picking; 15%-20%	24%	20%	20%	20%

Table 4: Entity Level Financial and Non-Financial KPIs

Description	2022	2023	2024	2025
A - Financial KPIs				
1 Gross profit ratio (%)	48%	42%	43%	44%
2 Net profit margin (%)	48%	44%	44%	45%
3 Net profit before tax (Rs. Mn)	511.4	573.1	590.8	608.9
4 Debtors collection period (days)	56	53	54	54
5 Return on assets (%)	13.85	13.93	12.91	11.77
B - Non-Financial KPIs				
6 Coconut crop/year (million nuts)	15.53	17.00	17.17	17.34
7 Rubber crop (kg)	95,756	126,756	128,023	129,303

6. FACTORS AFFECTING THE SCI

6.1 Revenue

KPL has budgeted crops based on the past performance. However, price of coconut will be fluctuated with the geographical conditions, economic factors (eg. availability of fertilizer) and the industrial behaviors.

6.2 Expenditure

During the year 2023, the collective agreement will be renewed. With that salary increase and increase in cost of other general overheads due to current economic condition of Sri Lanka, the operating cost may increase.

7. ASSUMPTIONS UNDERLYING THE SCI

Table 5: Assumptions Underlying the SCI

Underlying Performance Factors	Assumed Value	Sensitivity (provide an impact on 2023 results of changes in the underlying assumptions)
Net sales average - coconut	Rs. 54.68/ nut	+/- 10% in net sales average would increase/ decrease the profit by 18%.
Net sales average - rubber	Rs. 550/ kg	+/- 10% in net sales average would increase/ decrease the profit by 1%.

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

Table 6: Major Risks & Mitigation Strategies

Anticipating Risk	Mitigation Strategy
Climatic changes	Drip irrigation, husk pits and good agricultural practices.
Labor shortage	Contract labor and use of machinery.

9. COMPETITIVE NEUTRALITY

Not applicable.

10. NON-COMMERCIAL GOODS & SERVICES

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

11. FINANCING POLICY

The company expects to utilize internally generated funds to meet the recurrent and capital expenditure during the SCI period of 2023-2025.

12. DIVIDEND POLICY

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

13. FINANCIAL INFORMATION

13.1 Forecasted Financial Statements

13.1.1 Forecasted Income Statement

Table 7: Forecasted Income Statement

Rs.

PROFIT & LOSS STATEMENT (2023 - 2025)				
	2022 Actual	2023 Budget	2024 Forecast	2025 Forecast
Revenue				
Coconut	875,075,681	929,600,000	957,673,920	986,595,672
Rubber	54,570,949	69,715,800	71,117,088	72,546,541
Other	135,847,417	295,418,224	301,326,588	307,353,120
Total revenue	1,065,494,047	1,294,734,024	1,330,117,596	1,366,495,334
Cost of sales				
Coconut	(454,312,443)	(504,293,951)	(509,336,890)	(514,430,259)
Rubber	(40,295,131)	(50,672,326)	(51,179,049)	(51,690,839)
Other	(55,050,049)	(195,099,359)	(199,001,346)	(202,981,373)
Total cost of sales	(549,657,623)	(750,065,635)	(759,517,285)	(769,102,471)
Gross profit	515,836,424	544,668,388	570,600,311	597,392,862
Gain/(Loss) biological assets	35,448,638	11,423,500	11,766,205	12,119,191
Other operating income	65,261,823	79,601,252	81,989,290	84,448,968
Administrative expenditure	(223,251,034)	(257,799,619)	(270,689,600)	(284,224,080)
Profit from operating activities	393,295,851	377,893,521	393,666,206	409,736,942
Net financial income	118,144,550	195,224,033	197,176,273	199,148,036
Profit before tax	511,440,401	573,117,554	590,842,479	608,884,978
Income tax expenses	(39,164,963)	(56,229,040)	(56,791,330)	(57,359,244)
Profit for the year	472,275,438	516,888,514	534,051,149	551,525,734

Source: Kurunegala Plantations Limited

13.1.2 Forecasted Statement of Financial Position

Table 8: Forecasted Statement of Financial Position

STATEMENT OF FINANCIAL POSITION				
	2022	2023	2024	2025
	Actual	Budget	Forecast	Forecast
	Rs.	Rs.	Rs.	Rs.
ASSETS				
NON-CURRENT ASSETS				
Right-of-use land	58,767,078	56,151,435	53,985,792	51,370,149
Immovable lease assets (other than bare lands)	10,560,635	6,133,465	7,563,809	4,566,983
Bearer Biological Assets	1,450,518,537	1,968,166,932	2,241,569,654	2,608,653,014
Property, plant & equipment	509,573,986	617,575,186	740,585,806	890,735,806
Consumable biological assets	288,723,832	214,292,613	226,058,818	238,178,009
Other financial assets	19,449,229	16,500,000	17,325,000	18,191,250
	2,337,593,297	2,878,819,631	3,287,088,880	3,811,695,211
CURRENT ASSETS				
Produce on bearer biological assets	18,932,784	-	-	-
Inventories	76,068,029	83,854,037	76,465,525	89,727,918
Deposits	4,122,470	1,200,000	1,500,000	2,000,000
Pre-payments	2,688,692	800,000	1,000,000	1,500,000
Pre-paid expenditure on short term projects	10,245,115	3,479,074	4,000,000	4,200,000
Trade & other receivables	164,772,917	189,118,000	199,517,639	204,974,300
Other financial assets	11,179,534	13,500,000	14,175,000	14,883,750
Short term investments	1,000,200,000	930,000,000	976,500,000	1,025,325,000
Cash and bank balance	66,682,758	13,500,000	15,000,000	18,000,000
	1,354,892,300	1,235,451,111	1,288,158,164	1,360,610,969
Total assets	3,692,485,597	4,114,270,742	4,575,247,044	5,172,306,180
EQUITY & LIABILITIES				
CAPITAL & RESERVES				
Stated capital	200,000,010	200,000,010	200,000,010	200,000,010
Retained earnings	2,314,340,656	2,792,517,770	3,326,568,919	3,878,094,653
Biological asset valuation reserve	455,152,239	443,728,739	478,341,944	490,461,135
Revaluation Reserve Vehicle	115,879,574	115,879,574	115,879,574	115,879,574
Other reserves	99,683,827	68,427,191	102,674,341	105,754,572
	3,185,056,305	3,620,553,284	4,223,464,788	4,790,189,943
NON-CURRENT LIABILITIES				
Retirement benefit obligations	117,802,881	198,668,182	123,693,025	129,877,676
Net liability to lessor	76,520,026	72,954,822	69,389,618	65,824,414
Deferred tax liability	-	-	-	-
	194,322,907	271,623,004	193,082,643	195,702,090
CURRENT LIABILITIES				
Net liability to lessor	3,565,204	3,565,204	3,565,204	3,565,204
Advance received	10,738,353	2,000,000	2,500,000	300,000
Income tax payable	18,388,943	56,299,040	56,791,330	57,359,244
Trade and other payables	280,413,885	160,230,210	95,843,079	125,189,699
	313,106,385	222,094,454	158,699,613	186,414,146
Total equity and liabilities	3,692,485,597	4,114,270,742	4,575,247,044	5,172,306,180

Source: Kurunegala Plantations Limited

13.1.3 Forecasted Statement of Cash Flows

Table 9: Forecasted Statement of Cash Flows

<i>for the year ended 31st December</i>	2023 Budget Rs.
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before income tax expense	573,117,554.52
<i>Adjustments for</i>	
Depreciation & amortization	86,737,460.17
Provision for retirement benefit obligations	36,199,633.00
Gain arising from changes in fair value less cost to sell - consumal	(11,423,500.00)
Net finance income	(195,224,033.33)
Profit before working capital changes	489,407,114.35
Changes in working capital	
Inventories	56,500,027.45
Deposits	800,000.00
Pre-payments	1,000,000.00
Pre-paid expenditure on short term projects	7,048,070.00
Trade and other receivables	(38,202,000.00)
Advance received	(2,000,000.00)
Trade and other payables	18,176,871.98
Cash generated from operations	532,730,083.78
Payment of retirement benefit costs	
Income tax paid	(56,299,040.00)
Net cash generated from operating activities	476,431,043.78
CASH FLOWS FROM INVESTING ACTIVITIES	
Addition to property, plant & equipment	(186,345,445.00)
Additions to consumable biological assets	(289,953,391.33)
Proceeds from disposal of barer plants - coconut & rubber trees	51,060,000.00
Net investment in term deposits	(100,000,000.00)
Interest received	158,913,521.15
Net cash flows used in investing activities	(366,325,315.18)
CASH FLOWS FROM FINANCING ACTIVITIES	
Lease rental paid	(39,355,300.00)
Loan given to staff	(13,167,350.00)
Staff loan recoveries	11,996,228.00
Dividend paid	(100,000,000.00)
Net cash flows used in financing activities	(140,526,422.00)
Increase/(decrease) in cash and cash equivalents	(30,420,693.40)
Cash and cash equivalents at the beginning of the year	73,920,693.40
Cash and cash equivalents at the end of the period (Note - A)	43,500,000.00
Note - A	
Cash and Cash Equivalents as at	31.12.2023
	Rs.
Term Deposits matured within 03 months at	30,000,000.00
Cash at Bank	13,500,000.00
	43,500,000.00

Source: Kurunegala Plantations Limited

13.2 Capital Investment Plan

Table 10: Capital Investment Plan

	Rs.		
	2023	2024	2025
Establishment and Maintenance of Immature Plantations:-			
Coconut	218,301,734	245,293,908	275,958,299
Cinnamon	21,097,518	25,212,270	29,611,497
Rambutan	3,808,172	4,840,989.20	5,325,088.12
Cashew	2,531,640	3,592,804	4,523,084.40
Pepper	8,153,773	16,855,150	20,511,665
Durian/ Rambutan	1,372,423	1,509,665.30	1,660,631.83
Mango	20,808,625	25,298,488	29,802,336
Waraka	815,818	897,399.80	987,139.78
Dragon fruit	5,617,871	6,179,658.10	6,797,623.91
Lemon	687,930	756,723	832,395
Guava	100,050	110,055	121,061
Coffee	199,297	219,227	241,149
Areca nut	102,300	112,530	123,783
Sub Total	283,597,151	330,878,866	376,495,753
	2023	2024	2025
Other Capital Investments:-			
Land development	1,050,000	2,000,000	2,000,000
Irrigation	3,400,000	3,000,000	3,000,000
Fencing	30,016,500	25,000,000	25,000,000
Wells	1,750,000	2,000,000	2,000,000
Buildings	46,131,945	25,000,000	37,000,000
Electrification	5,215,000	6,000,000	6,000,000
Furniture	2,002,000	2,000,000	2,000,000
Equipment/ machinery	1,621,000	3,000,000	3,000,000
Computer equipment	959,000	1,000,000	1,000,000
Computer package	7,500,000	3,000,000	3,000,000
Vehicles	6,700,000	10,000,000	10,000,000
Special projects	80,000,000	60,000,000	60,000,000
Sub Total	186,345,445	142,000,000	154,000,000
Grand Total	469,942,596	472,878,866	530,495,753

Note: All Capital Expenditure is funded by KPL

Source: Kurunegala Plantations Limited