

Annual Report **2018/19**



**Mahaweli Coconut Plantations Limited**







Our Plantation





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# Historical Background

Mahaweli Coconut Plantations Limited (MCPL) is a Limited Liability Company domiciled in Sri Lanka incorporated on 29 October 1996 under the Companies Act No.17 of 1982 and was re-registered on 6 February 2008 under the Companies Act No. 7 of 2007.

In mid Nineties, a Group of Entrepreneurs who were involved in desiccated coconut processing industry had the foresight to observe that the country could face a severe shortage of coconuts in the future as there was no national level strategy for development of plantations. Such timely thinking brought about some fruitful dialogue with the policy makers who were wise enough to recognize the need of the hour and to set up a Company to undertake a mega plantation project (Located in Pimburettewa, Aralaganvila in the Polonnaruwa District, 551.38 Hectares Leasehold land and the lease terminating in end November 2028) using uncultivated land in Mahaweli zone. Although the original intention was to set up a private-public joint venture, it finally turned out to be a limited liability Company incorporated under the blessings of the Government, whose capital was generated from a fund created by a contribution from a Cess collected from all desiccated coconut manufacturers. Accordingly, such Cess funds collected at the export point were released to MCPL, through the Coconut Development Authority with the details of such exporters, which formed the share capital of MCPL, and those exporters became shareholders of the Company in proportion to their export volumes.

## Current Business Activities

Presently MCPL harvesting an annual crop of 04 Million to 05 Million coconuts which are being sold to Sri Lankan Companies for manufacture of Desiccated Coconuts, Coconut Cream, Coconut Milk and Coconut Water solely for export purposes. Teak trees which were planted as wind breakers are now growing satisfactorily and expect to harvest within the next five years.

The Objects for which the Company is established are:-

- To take over land and building on lease or on any other mode from the Mahaweli Authority.
- To take over all rights powers privileges and interest arising out of the properties
- To cultivate, grow, produce coconut and all types of agricultural produce, plants, trees, bushes and crops; and to carry out any research or developmental projects or operations in connection therewith
- To rear, breed and farm livestock and any other living organisms.
- To improve, manage, develop, make use of and in any manner whatsoever exploit land, other movable property, resources of land, water resources, wind power and solar power.
- To market, sell, distribute and export the products of the Company

## Achievements during the past 23 years:

Since its incorporation in 1996, MCPL had been successful in developing over 1,300 acres of bare land in to a fully- fledged coconut plantation, making it one of the biggest of its kind (if not the biggest) in Sri Lanka. The Company records a mark of appreciation to its past and present members of the Board of Directors under the guidance of the Past Chairman Mr. Sunil Watawala, for all such achievements. One of the biggest challenges faced by the Company is securing sufficient water to plantation areas, since the Mahaweli lands are situated in the dry zone where the rainfall is scarce. Considerable sums had to be spent on different irrigation systems to supply sufficient water to the plants.

The management of MCPL has made history by successfully facing the challenge of water scarcity by introducing a “drip irrigation system” consultation with an Israel Company, which already had the technology in place, experts visited the project and introduced drip irrigation systems to major part of the plantation, which is the first of its kind in Sri Lanka.

Being a hardship location, retaining quality manpower had also been a challenge to the management. Despite all such hardships MCPL had been successful in reaching its targets.

Mahaweli Coconut Plantations Ltd was listed with the Colombo Stock Exchange under the Diri Savi Board on 3<sup>rd</sup> June 2019. According to the CSE Chairman ours was the first real agriculture based coconut plantation that has been listed.





# Corporate Information

<b>Name of the Company</b>	Mahaweli Coconut Plantations Limited																				
<b>Legal Form</b>	Public Limited Liability Company upto 02.06.2019 & a Listed Public Limited Liability Company from 03.06.2019																				
<b>Date of Incorporation</b>	29th October 1996																				
<b>Registered Office</b>	No. 1/82, Kimbulapitiya Road, Bolawalana, Negombo																				
<b>Contact Nos.</b>	Tel :031-4924553/031-4936163, Fax:031-2233304, E mail : mcpl@sltnet.lk																				
<b>Company Registration Number</b>	P B 191																				
<b>Date, Place and Authority of Incorporation</b>	A Limited Liability Company incorporated in Sri Lanka on 29th October 1996 under the Companies Act No.17 of 1982 and re-registered on 6th February 2008 under the Companies Act No. 7 of 2007																				
<b>Directors</b>	<table><tr><td>Mr. S. D. W. Asitha Gunasekera</td><td>Chairman, Non- Executive Non-Independent Director</td></tr><tr><td>Mr. J. F. Fernandopulle</td><td>Managing Director, Executive Non- Independent Director</td></tr><tr><td>Mr. M. A. C. Hilarian Munaweera</td><td>Non- Executive Independent Director</td></tr><tr><td>Mr. N.B.Weerasekera</td><td>Non- Executive Independent Director</td></tr><tr><td>Prof. T.S. Gamini Fonseka</td><td>Non- Executive Independent Director</td></tr><tr><td>Mr. S. D. Senerath Gunasekera</td><td>Non- Executive Non- Independent Director</td></tr><tr><td>Mr. A.J. Shamendra Jayakody</td><td>Non-Executive Non-Independent Director</td></tr><tr><td>Mr. G. J. L. Neomal Perera</td><td>Non-Executive Non- Independent Director</td></tr><tr><td>Mr. M.D.J.P. Nilantha Perera</td><td>Non-Executive Non-Independent Director</td></tr><tr><td>Mr. S.J. Watawala</td><td>Non-Executive Non-Independent Director</td></tr></table>	Mr. S. D. W. Asitha Gunasekera	Chairman, Non- Executive Non-Independent Director	Mr. J. F. Fernandopulle	Managing Director, Executive Non- Independent Director	Mr. M. A. C. Hilarian Munaweera	Non- Executive Independent Director	Mr. N.B.Weerasekera	Non- Executive Independent Director	Prof. T.S. Gamini Fonseka	Non- Executive Independent Director	Mr. S. D. Senerath Gunasekera	Non- Executive Non- Independent Director	Mr. A.J. Shamendra Jayakody	Non-Executive Non-Independent Director	Mr. G. J. L. Neomal Perera	Non-Executive Non- Independent Director	Mr. M.D.J.P. Nilantha Perera	Non-Executive Non-Independent Director	Mr. S.J. Watawala	Non-Executive Non-Independent Director
Mr. S. D. W. Asitha Gunasekera	Chairman, Non- Executive Non-Independent Director																				
Mr. J. F. Fernandopulle	Managing Director, Executive Non- Independent Director																				
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Prof. T.S. Gamini Fonseka	Non- Executive Independent Director																				
Mr. S. D. Senerath Gunasekera	Non- Executive Non- Independent Director																				
Mr. A.J. Shamendra Jayakody	Non-Executive Non-Independent Director																				
Mr. G. J. L. Neomal Perera	Non-Executive Non- Independent Director																				
Mr. M.D.J.P. Nilantha Perera	Non-Executive Non-Independent Director																				
Mr. S.J. Watawala	Non-Executive Non-Independent Director																				
<b>Secretary</b>	Mr K. A. Lakshman Rupasinghe FCA No. 85, Senanayake Avenue, Nawala, Rajagiriya.																				
<b>Auditors</b>	Kreston MNS & Co Chartered Accountants 1st & 2nd Floors Advantage Building, 74 A, Dharmapala Mawatha, Colombo 07.																				
<b>Lawyers</b>	Paul Ratnayake Associates International Legal Consultants, Solicitors and Attorneys-at-Law No.59, Gregory's Road, Colombo 07.																				
<b>Bankers</b>	Commercial Bank of Ceylon PLC Seylan Bank PLC Peoples Bank																				





# Financial Highlights

		31.03.2019	31.03.2018	% Change
<b>Earnings Highlights</b>				
Revenue	Rs	158,697,141	212,930,998	(25%)
Gross Profit	Rs	71,535,554	106,458,551	(33%)
Profit from Operations	Rs	103,707,207	140,754,832	(26%)
Profit before Tax	Rs	119,724,180	153,093,326	(22%)
Tax Expense	Rs	(16,901,734)	(35,703,107)	53%
Profit after Tax	Rs	102,822,446	117,390,219	(12%)
Dividends	Rs	(93,038,785)	(124,911,091)	26%
Retained Earnings	Rs	173,134,237	162,882,671	6%
<b>Financial Position Highlights</b>				
Total Assets	Rs	706,653,545	611,981,540	15%
Total Debt	Rs	14,910,480	15,829,670	(6%)
Total Shareholders Fund	Rs	547,212,973	536,961,407	2%
No. of Shares in Issue	Nos	33,832,285	33,832,285	0%
<b>Cash Flows Highlights</b>				
Operating activities	Rs	145,734,031	138,214,397	5%
Investing Activities	Rs	(39,363,179)	(57,720,808)	32%
Financing Activities	Rs	(98,678,972)	(72,299,024)	(36%)
Total Net Inflow/(Outflow) for the year	Rs	7,691,880	8,194,565	(6%)
Cash & Cash Equivalents at the end	Rs	34,910,882	27,219,002	28%
<b>Key Indicators per Ordinary Shares</b>				
Earnings per Share	Rs	3.04	3.76	(19%)
Net Assets per Share	Rs	16.17	15.87	2%
Dividend per Share	Rs	2.75	4.00	(31%)
<b>Key Ratios</b>				
Gross Profit to Turnover	%	45%	50%	(10%)
Operating Profit to Turnover	%	65%	66%	(1.5%)
Interest Cover	Times	64	5590	(99%)
Return on Equity (ROE)	%	19%	22%	(14%)
Return on Assets	%	15%	19%	(21%)
Dividend Cover	Times	1.11	0.94	18%
Debt/Equity (Book Value)	%	2.72%	2.95%	(8%)
Equity/Asset	%	77.44%	87.74%	(12%)
Debt/Asset	%	2.11%	2.59%	(19%)
Dividend Payout Ratio	Times	0.90	1.06	(15%)
Current Ratio	Times	3.14	8.97	(65%)
Quick Asset Ratio	Times	2.69	7.89	(66%)
<b>Plantation Sector Highlights</b>				
Yield per hectare	Nuts/hect	9,928	7,054	41%
Turnover per Employee	Rs.	961,801	1,314,389	(27%)





# Chairman's Message

## Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Mahaweli Coconut Plantations Ltd (MCPL) for the year ended 31 March 2019. I also take pride in informing you that we who were a Public Unquoted Company have now converted into a Public Listed Company. MCPL is the largest publicly owned coconut plantation Company in the island. Shareholders will now be able to freely trade shares of MCPL while benefitting from enhanced corporate governance standards of a Public Listed Company.

## Company and the Industry Performance

From the inception, we have utilised the best plantation management technologies and we have converted this Company to a model that can be emulated by any other plantation Company. We are providing a successful and proven management model for a country that has limitations on land ownership and have shown how economies of scale can be achieved. We moved out of the coconut triangle and proved coconut can be grown anywhere in the country provided water and other soil conditions are conducive. We have achieved an average yield of 11 nuts per plant per harvest whereas elsewhere in Sri Lanka the average crop is 4 nuts per plant. We have used solar power to irrigate, wherever capital was available. We are averaging 60 plants per acre compared to the national average which is way below.

## Compliance and Risk Management

The Board maintains oversight of the strategic and operational affairs and the management of strategic and operational risks across the Company. The Board is committed to excellent corporate governance and conducts monthly Board meetings where operational and strategic matters are discussed, and informed decisions taken in the best interests of the shareholders. Our Directors have considerable knowledge and experience of the plantation sector and bring other relevant experience to the Board to assist the Company in achieving its strategic goals. We follow and comply with the prescribed governance codes and standards.

## Future Prospects

The financial year 2019/2020 would be a challenging one for MCPL due to lower prices of coconuts and effect of the prolonged drought, we expect this year our crop would be lower. We will continue to improve on our best practices of the past and maintain our commitment to introducing new productivity improvement methodologies whenever opportunities to do so become available.

We believe we are in a position to increase our income by further processing coconut husks. Our crop is substantial enough to get into value-added production on our own. Growing medium is the most important element in green house crop production, nurseries and horticulture which call for a number of enriching inputs. Absence of physical properties like aeration, drainage and water holding capacity makes soil unsuitable for the production of plants in containers. To improve this situation several soilless growing media have been developed. One such media is the coir pith, a multi purpose growing medium that provides new opportunities for potting mix suppliers, seedling nursery operators, hydroponic growers, home gardens, green houses and other farming communities.

## Conclusion

I wish to express my sincere gratitude to my fellow Directors for their support and guidance. I commend Mr. Felix Fernandopulle, our Managing Director, for his leadership in steering the Company forward. I wish to express my sincere appreciation to the MCPL team for their commitment and hard work. My gratitude is extended to our shareholders for the trust placed in us.

**Mr. S.D.W. Asitha Gunasekera**  
Chairman

22nd July 2019







# Managing Director's Message

## Dear Share Holder,

The Year 2018/19 has been a remarkable year for Mahaweli Coconut Plantations. We have achieved the highest crop in our history. The crop of 5,429,150 nuts was 40% above our crop in 2017/18. The yield 9928 per hectare is well above the national yield of 5500 to 6000 nuts per hectare in 2018.

On 3rd of June 2019 our Company was listed in the Stock Exchange and now we are a Listed Company under the Diri Savi Board. Ours was the 1st Company to obtain listing for the last 15 months. The listing has enabled us to increase our shareholder base and also provided an opportunity to our longstanding shareholders who wish to dispose some of their holdings to do so at very attractive market prices. The fact that our shares has been traded at prices between Rs. 25/- and 65/- bears eloquent witness to the reputation our Company has earned over the years. The listing no doubt enhances the quality of governance of the affairs of the Company which would in turn add value to the investment of the shareholder.

## Coconut

Our Company has the biggest Coconut Plantation in the private sector in Sri Lanka consisting of 551 hectares. We are situated at Aralaganwila in the Dry Zone in the North Central Province outside the traditional coconut growing areas. We have installed drip and canal irrigation system to feed our trees with Mahaweli Waters. The rainfall in this area is much lower than in the Traditional areas. The average rainfall is around 1,600 mm.

In the year 2018/19 we recorded our highest crop of 5,429,150 coconuts. While the National Average in 2018 recorded a 10% increase, we recorded a marvelous improvement of 40%.

As mentioned in our previous report the favorable weather from August 2017 to May 2018 along with sound agricultural practices contributed immensely towards this increase.

Even-though our crop increased the revenue recorded a drop in view of the lower coconut prices in 18/19. The average sale price in 18/19 was Rs. 36.94 per nut against Rs. 54.54 per nut in 17/18.

The drop in revenue on coconuts was Rs. 52.3 million in the year 18/19.

## Teak Plantation & Other Crops

The teak plantation continues to grow satisfactorily and the valuation in the year under review has increased from 103.8 million to Rs.144.9million. This, in spite of losing 275 trees due to elephant attacks and wind damages. As some trees have grown to harvesting levels we hope to harvest them in the near future which would enhance our liquidity position.

Our Pilot Projects on Cinnamon and Cashew are being monitored and based on the results we could decide on expansion. Other crops such as Ginger, Betel, Gliricidia and Paddy are pursued in small scale.

## Weather

Currently, 17 districts in Sri Lanka are going through a very severe drought. The North Central Province is no exception. We have had just 218.8mm rain since January to July 2019 against the rainfall figure of 797.8mm in January to July 2018. In view of the increased demand and preference given to paddy cultivators along with drop in Mahaweli Water levels due to the drought we face difficulties in obtaining sufficient water to our Plantation. This would have negative effects in our crop in 19/20.

## Dividends

We have paid a cash interim dividend of Rs. 2/- in March 2019 and hope to declare a further dividend of Rs. 1/50 consisting of -/50 cts. cash and Rs. 1/- script dividend.

Accordingly, the dividend paid to shareholders in 18/19 would be Rs.3/50. The total dividend cost to the Company is 118.4 million.

## Decline in Prices

Currently the Coconut Crop in the Coconut Triangle has increased tremendously and this has resulted a steep drop in coconut prices. The current price is around Rs. 20/- in the coconut area and since we are situated further away have a disadvantage of obtaining the current market prices.

Unless the price increases and the weather improves immediately, we would have to face the consequences in 19/20.

## Our Outlook

The Coconut Trees have now reached the bearing stage and also since the life span of a tree is 60 years, we could look forward to a brighter future. Good Agricultural practices would be continued to ensure that we achieve our targets.

The Teak Plantation is reaching harvestable levels and would be able to dispose them in stages in the coming years.

We would always explore the possibilities of planting other subsidiary crops that would generate more income.

We have signed a Memorandum of Understanding with Euro Substrates (Pvt) Ltd. to sell our excess husks for the manufacture of value added products. This would contribute positively to our profit in the future.

## Acknowledgement

I would like to express my appreciation to our Chairman and my fellow Directors for their valuable contribution and co-operation extended to me during the year.

I wish to convey my gratitude and appreciation to the Manager and the team together with all employees at Aralaganwila and the staff at Head Office for their unstinted support, dedication and commitment.

Mr. J.F. Fernandopulle  
Managing Director

22nd July 2019



# Board of Directors



**Mr. Senarath Dias Widhanaralalage Asitha Gunasekera - BSc. (Business Administration)**  
**(Chairman, Non-Executive Non-Independent Director)**

Senarath Dias Widhanaralalage Asitha Gunasekera, is currently working as the Chairman/ Managing Director of Boyagane DC Mills (Pvt) Limited and Boyagane Apparels (Pvt) Limited. He has been in the coconut industry since 1984. He is a holder of BSc in Business Administration.



**Mr. Joseph Felix Fernandopulle - FCA, FCMA**  
**(Managing Director, Executive Non-Independent Director)**

Mr.J.F. Fernandopulle is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Fellow member of Certified Management Accountants of Sri Lanka. He is the present Chairman of Richard Pieris Finance Ltd and a Director of Richard Pieris & Co Ltd. He had also worked in the capacity of Finance Director at Mahaweli Coconut Plantations Ltd prior to becoming the Managing Director. He is also the Managing Partner of Kudawewa DC Mills. He has served as a Director of the Coconut Development Authority and Coconut Research Institute and has also served on the Advisory Committee on Coconut at the Ministry of Plantation Industries and Coconut Industries. He has represented Sri Lanka's Desiccated Coconut Manufacturers Association at the Asian & Pacific Coconut Council.



**Mr. Sunil Jayalath Watawala**  
**(Non-Executive Non-Independent Director)**

Founder Chairman and Managing Director of Mahaweli Coconut Plantations Ltd and held office for 10 years in that capacity. He is the Managing Partner of Siriyangani DC Mills and has been attached to Siriyangani DC Mills for the past 50 years. He has held office as District Governor of Lions Club 306A and was International Director of Lions International for 04 years.



**Mr. Samankumara Dias Senerath Gunasekera- Barrister -at-Law (ACT)**  
**(Non-Executive Non-Independent Director)**

Mr. S D S Gunasekera is a Barrister-at-Law (ACT.) and a Director of Beligala Coconut Products (Pvt) Ltd. former Director General of National Chamber of Exporters of Sri Lanka and also former President and Secretary of Sri Lanka Desiccated Millers Association.



**Mr. Gamamedaliyange Joseph Lalith Neomal Perera-MBA**  
**(Non-Executive Non-Independent Director)**

Mr. Gamamedaliyange Joseph Lalith Neomal Perera was a Sri Lankan parliamentarian from year 2000. He was a Deputy Minister of External Affairs during the period of November 2010 - January 2015, Deputy Minister of Fisheries & Aquatic Resources during the period of January 2007- January 2010 and Deputy Minister of Co-operatives & Internal Trade during the period of April 2010- November 2010. He is a Managing partner in St.Anne's Salt Daluwa (Pvt) Ltd, St.Anne's Factory & St.Anne's Enterprises.







## Board of Directors [Contd.]



**Mr. Ashok Jerom Shamendra Jayakody**  
(Non-Executive Non-Independent Director)

Mr. Ashok Jerome Shamendra Jayakody, is currently working as the Managing Director of Jayakody Mills (Pvt) Ltd. He has been employed in the coconut industry since 1992 and counts over 26 years experience in this field.



**Mr. Madurawalage Don John Pradeep Nilantha Perera- BA.Economics**  
(Non-Executive Non-Independent Director)

Mr. Madurawalage Don John Pradeep Nilantha Perera is a holder of a BA in Economics. He is a Partner at Baththuluoya Mills, manufacturers of desiccated coconut and all kernel related products and the Chairman of Sinha Auto Services (Pvt) Ltd-Lanka IOC fuel station. He is a Former Director/Chairman at Chilaw Finance PLC.



**Mr. Nissanka Bandara Weerasekera- BSc (Hons), MA, FCMA**  
(Non-Executive Independent Director)

Mr. Nissanka Weerasekera is an independent Private Equity (PE) Investment Advisor. He was the Regional Managing Partner for Central and South Asia of Aureos Capital, a leading PE fund manager focusing on small and mid-cap enterprises in emerging markets worldwide, from 2003 until the merger of Aureos Capital with the Abraaj Group in 2013. He also functioned as the Group Operations Director of Aureos Capital while serving on the Board of the parent Company of Aureos in the UK. Mr. Nissanka started his PE career in the mid-nineties as the CEO of the pioneer Sri Lankan venture capital firm PVIC. He is a past-President of the Venture Capital Association of Sri Lanka. He is an FCMA. He also has an MA in economics from the University of Colombo and a BSc (Hons) in physics from the University of Peradeniya.



**Prof. Thiththalapitige Sunil Gamini Fonseka- Ph.D, M.Sc., B.Sc**  
(Non-Executive Independent Director)

Prof. T.S.G. Fonseka is a Professor Emeritus in Food Science & Technology, Faculty of Livestock, Fisheries & Nutrition, Wayamba University of Sri Lanka. He holds a B.Sc. from University of Colombo, M.Sc. in Microbiology from University of Kelaniya and Ph.D in Food Microbiology from University of Nottingham. He held many positions including worked as a Fish Technologist in Ministry of Fisheries, research officer in The National Aquatic Resources Research and Development Agency (NARA), Professor of Food Technology in Rajarata University of Sri Lanka, Officer in Charge Marine Products in Quality Control Division. Served as the Acting Vice Chancellor of the Wayamba University of Sri Lanka from 16 September 2000 for a period of one month, Dean, Faculty of Agricultural Sciences, Wayamba Campus, Rajarata University of Sri Lanka from 16.02.1999- 03.03.2000 and Dean, Faculty of Agriculture & Plantation Management, Wayamba University of Sri Lanka, Makandura, Gonawila (NWP) from 03.03.2000- 01.06.2001 He is a Member of Sri Lanka Association for the Advancement of Science and Founder member, Joint Secretary of the Sri Lanka Association for Fisheries and Aquatic Resources.



**Mr. Munaweera Aratchige Chithral Hilarian Munaweera - MBA, B.Sc**  
(Non-Executive Independent Director)

A career Agriculturist specialized in Livestock Integrated Plantations with a wide range of work experience in the Semi Government and the Corporate Sector. The Ex General Manager of the National Livestock Development Board, the CEO/Director, of the Mahaweli Livestock Enterprises and also served as the CEO of the Ambewela Dairy Complex of Lanka Milk Foods (CWE) PLC. He currently functions as a Senior Consultant to the All Island Dairy Association and The Public Trustees Department of Sri Lanka. He holds a Master's Degree in Business Administration (MBA) from the Faculty of Business Studies and Finance, Wayamba University, and a B.Sc Degree in Plantation Management from the Faculty of Agriculture & Plantation Management, Wayamba University. Further he possesses a Post Graduate Diploma in Business Administration, a Diploma in Agriculture from the Aquinas University College, and the National Diploma in Plantation Management awarded by the National Institute of Plantation Management.





# Statement of Directors' Responsibility

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in their report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these financial statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors consider that in preparing the financial statements the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that financial statements comply with the Companies Act. No. 07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Statement of Financial Position date, are paid or where relevant, provided for.

By Order of the Board,

**Mr. S.D.W. Asitha Gunasekera**  
Chairman

**Mr. J.F. Fernandopulle**  
Managing Director

22nd July 2019







# Corporate Governance

Corporate Governance is the system by which companies are managed and controlled. Mahaweli Coconut Plantations Ltd is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. A comprehensive view of the Governance System in the Company is given below.

The governance framework of the Company provides clear directions on decision making which facilitates the progress of the Company whilst promoting a culture of openness, productive dialogue, constructive dissent, employee empowerment and engagement and creating value to all stakeholders.

## Board Composition and Skills

The Board comprises ten Directors. six of them are Non-Executive Directors, three of them are Independent Non-Executive Directors, and one Executive Director. The Company policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the relevant rules and codes. The Board brings in a wealth of diverse exposure in the fields of management, business administration, finance, economics, and human resources. All Directors possess the skills, expertise and knowledge needed, complementing a high sense of integrity and independent judgment.

Director	Executive	Non-Executive	Independent
Mr. S.D.W. Asitha Gunasekera		✓	
Mr. J.F. Fernandopulle	✓		
Prof. T.S. Gamini Fonseka			✓
Mr. S.D. Senerath Gunasekara		✓	
Mr. A.J. Shamendra Jayakody		✓	
Mr. G.J.L. Neomal Perera		✓	
Mr. M.D.J.P. Nilantha Perera		✓	
Mr. S.J. Watawala		✓	
Mr. N.B. Weerasekera			✓
Mr. M.A.C. Hilarian Munaweera			✓

The Board's responsibilities include:

- o Providing strategic direction and guidance to the Company in the formulation of sustainable, high-level, medium-and long-term strategies which are aimed at promoting the long-term success of the Company
- o Reviewing and approving annual and long-term business plans, tracking actual progress, formulate short- and long-term strategies and monitor implementation.
- o Ensuring operations are carried out within the scope of the Company Risk Management framework.
- o Proper stewardship of the Company's resources and towards this, monitoring systems of governance and overseeing systems of internal control and risk management.
- o Ensuring the highest standards of information- particularly financial information, business ethics and integrity.
- o Reviewing and approving major acquisitions, disposals and capital expenditure.
- o Ensuring all Related Party Transactions are compliant with the statutory obligations.
- o Institute effective internal control systems to safeguard the assets of the Company.
- o Ensure compliance with rules and regulations.
- o Approve the financial statements of the Company.

During the year under review eleven Board meetings were convened. The Directors are provided with relevant information and background material as per the agenda prior to every meeting to enable them to make informed decisions. Board papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval.





## Corporate Governance [Contd.]

Board Meeting Attendance			
Director	Date of Appointment	Eligible to Attend	Attended
<b>Independent Non-Executive</b>			
Prof. T.S. Gamini Fonseka	26-07-2018	7	7
Mr. N.B. Weerasekera	21-06-2018	8	8
Mr. M.A.C. Hilarian Munaweera	30-10-2018	4	3
<b>Non-Executive</b>			
Mr. S.D.W. Asitha Gunasekera	28-09-2018 (Re-Appointment)	11	11
Mr. S.D. Senerath Gunasekera	15-09-2016 (Re-Appointment)	11	10
Mr. A.J. Shamendra Jayakody	26-09-2017 (Re-Appointment)	11	10
Mr. G.J.L. Neomal Perera	15-09-2016 (Re-Appointment)	11	8
Mr. M.D.J.P. Nilantha Perera	26-09-2017 (Re-Appointment)	11	6
Mr. S.J. Watawala	28-09-2018 (Re-Appointment)	11	0
<b>Executive</b>			
Mr. J.F. Fernandopulle	28-09-2018 (Re-Appointment)	11	11

### Delegation of Authority

The Board is responsible for the overall governance, conduct and implementation of sound business strategies for the Company. The Board exercises its ordinary and extraordinary powers in carrying out its duties within the relevant laws/regulations of the country, regulatory authorities, professional institutes and trade associations to achieve the corporate objectives of the Company. The Board assesses the effectiveness of the Management Team through periodic review of their performance and compliance to best corporate practices.

### Board Committees

The Board has delegated some of its functions to the Subcommittees, whilst retaining the rights of final decision. Members of these Subcommittees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Directors dedicate sufficient time at such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification, in addition to familiarising themselves with the economic factors, legal and political risks and changes.

The three Board Subcommittees are as follows:

1. Audit Committee
2. Remuneration Committee
3. Related Party Transactions Review Committee

The Board Subcommittees comprise predominantly independent Non-Executive Directors. The committees are provided with all resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to these committees. The minutes of each committee meeting are circulated to all Directors on completion.







## Corporate Governance (Contd.)

The attendance of the three Board Subcommittees is as follows:

Others Meetings - MCPL							
Name of Director	Audit Committee		Total Attendance	Remuneration Committee	Total Attendance	Related Party Transactions Committee	Total Attendance
	30-10-2018	24-01-2019		21-03-2019		24-01-2019	
Mr. S.D.W. Asitha Gunasekera	N/A	N/A	N/A	✓	1/1	N/A	N/A
Prof. T.S. Gamini Fonseka	✓	✓	2/2	✓	1/1	✓	1/1
Mr. S.D. Senerath Gunasekera	0	✓	1/2	N/A	N/A	✓	1/1
Mr. A.J. Shamendra Jayakody	N/A	N/A	N/A	✓	1/1	N/A	N/A
Mr. G.J.L. Neomal Perera	✓	0	1/2	N/A	N/A	0	0/1
Mr. M.D.J.P. Nilantha Perera	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. N.B. Weerasekera	✓	✓	2/2	✓	1/1	✓	1/1
Mr. M.A.C. Hilarian Munaweera	N/A	✓	1/1	✓	1/1	✓	1/1

### Audit Committee

The Board has appointed an Audit Committee consisting of three Independent Non-Executive Directors and two Non-Executive Directors, chaired by Mr. N. B. Weerasekera. The Managing Director and the Finance Officer attend the meetings by invitation and the Company Secretaries serve as the Secretary to the Committee. A comprehensive report of the Audit Committee appears on page 19.

The Audit Committee is responsible for monitoring and supervising the financial reporting process defined by the management ensuring:

1. Review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with Sri Lanka Accounting Standards
2. The compliance with Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange, Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka and other relevant laws and regulations
3. The independence of both External and Internal Auditors and recommendation of re-appointment of External Auditors.
4. Review of the adequacy and effectiveness of the Internal Control and Risk Management systems over financial reporting process.
5. Review of the adequacy and effectiveness of the internal audit arrangements.

### Remuneration Committee

The Board has appointed Remuneration Committee consisting of three Independent Non-Executive Directors and two Non-Executive Directors, chaired by Mr. A.C. Hilarian Munaweera. The remuneration policy and its role are discussed in the report of the Remuneration Committee given on page 21.

The Committee is responsible for determining and agreeing with the Board a framework for remuneration of Directors and Management Team. They consider industry benchmark principles for any performance-related schemes to determine total remuneration package. Employee performance is measured through key performance indicators including financial and non-financial measures of performance and links a significant component of pay to individuals and the Company's performance.





## Corporate Governance (Contd.)

### Related Party Transactions Review Committee

The Committee comprises three Independent Non-Executive Directors and two Non-Executive Directors.

The Committee is headed by Professor T.S.Gamini Fonseka; the Report of the Related Party Transactions (RPT) Review Committee is given on page 22. The Managing Director and Finance officer attend the meetings by invitation and the Company Secretaries serve as the Secretary to the Committee.

The objective of the Committee is to ensure on behalf of the Board, the compliance with Code on Related Party Transactions, that all related party transactions with its parent, associate companies, and/or any key management persons are undertaken and disclosed in a manner consistent with the Code on Related Party Transactions.

The Committee has developed and recommended a policy for adoption by the Board on RPTs of the Company with its parent, associate Companies and others which is in line with the Operating Model. The Committee updates the Board on related party transactions on a quarterly basis following the reporting templates, specifying recurrent and non-recurrent transactions which require discussion in detail.

The Committee in discharging its functions has introduced a process whereby periodic reporting of the Company is required, with a view to ensuring compliance with the Code, that shareholder interests are protected, and that fairness and transparency are maintained at all times.

### Accountability and System of Internal Control

The Board has taken necessary steps to ensure the integrity of accounting and financial reporting systems and that internal control systems remain robust and effective with the review and monitoring of such systems on a periodic basis. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board has taken steps to obtain reasonable assurance that systems designed to safeguard the Company assets, maintain proper accounting records and provide management information, are in place and are functioning as planned. Effectiveness of the internal control system is reviewed quarterly by the Audit Committee and major observations are reported to the Board through the reports of internal audit.

The Board, having reviewed the system of internal controls, is satisfied with the Company's adherence to and effectiveness of them for the period up to the date of signing of the Financial Statements.

### External Audit

The external auditor is a qualified independent external party whose objective is to determine whether the Financial Statement of the Company represents a true and fair view of its financial performance, position and cash flow status. The audit firm Kreston MNS & Co., Chartered Accountants, was re-appointed at the AGM in 2018 as external auditors of the Company for the financial year 2018/2019. The Audit Committee reviews the annual audit plan with the recommended work approach.

The knowledge and experience of the Audit Committee ensures effective usage of the expertise of the auditors, while maintaining independence, in order to derive transparent Financial Statements. The Company maintains independence from financial and non-financial interest between auditors and re-assesses the same on a regular basis. The fees paid to audit and non-audit services are separately disclosed in the notes to the Financial Statements.

### Internal Audit

The internal audit function is outsourced to the audit firm BDO partners, Chartered Accountants from year 2019/20 01st Quarter.







## Corporate Governance [Contd.]

### Statement of Compliance under Section 168 of Companies Act No. 07 of 2007

CSE Rule	Requirements	Compliance Status	Reference to the Annual Report
168.(1) (a)	The nature of the business of the Company and any change thereof during the accounting period	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 24
168.(1) (b)	Signed Financial Statements of the Company for the accounting period completed – section 151	complied	Financial Statements, page 29
168.(1) (c)	Auditors' Report on Financial Statements of the Company	complied	Independent Auditors Report, page 27
168.(1) (d)	Accounting policies and any changes therein	complied	Notes to the Financial Statements, page 33
168.(1) (e)	Particulars of the entries made in the Interests Register during the accounting period	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 25
168.(1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	complied	Notes to the Financial Statements, page 57
168.(1) (g)	Corporate donations made by the Company during the accounting period	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 24
168.(1) (h)	Information on the Directorate of the Company at the end of the accounting period	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 25
168.(1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	complied	Notes to the Financial Statements, page 57
168.(1) (j)	Auditors' relationship or any interest with the Company	complied	Audit Committee Report, page 20
168.(1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	complied	Statement of Directors' Responsibility, page 10

### Statement of compliance under section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures\*

CSE Rule	Requirements	Compliance Status	Reference to the Annual Report
7.6(i)	Names of persons who were Directors of the Entity.	complied	Board of Directors, pages 8 & 9
7.6(ii)	Principal activities of the Entity during the year, and any changes therein.	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 24
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	complied	Shareholders Information, page 63
7.6(iv)	The public holding percentage	not applicable for the year 2018/19	
7.6(v)	A statement of each Director's holding of shares of the Entity at the beginning and end of Entity at the beginning and end of each financial year	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 26
7.6(vi)	Information pertaining to material foreseeable risk factors of the Entity	complied	Risk Management, page 23
7.6(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	not applicable	
7.6(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	complied	Annual Report of the Board of Directors on the Affairs of the Company, page 25



## Corporate Governance (Contd.)

CSE Rule	Requirements	Compliance Status	Reference to the Annual Report
7.6(ix)	Number of shares representing the Entity's stated capital	complied	Notes to Financial Statements, page 54
7.6(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	complied	Shareholders Information, page 63
7.6(xi)	Financial ratios and market price information	Complied, Market Price not applicable	Financial Highlights, page 05
7.6(xii)	Significant changes in the Company's fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Notes to Financial Statements, page 50
7.6(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	not applicable	
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	not applicable	
7.6(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules"	Complied	Refer pages 16 & 17 of this Annual Report
7.6(xvi)	Related Party Transactions exceeding 10 percent of the equity or 5 percent of the Financial Statements, whichever is lower	Complied	Notes to Financial Statements, page 60

### Statement of compliance under section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance\*

CSE Rule	Requirements	Compliance Status	Mahaweli's adoption level
7.10 (a,b,c)	Compliance	complied	Compliance with Corporate Governance Rules
7.10.1 (a,b,c)	Non-Executive Directors	complied	Nine of ten are Non-Executive Directors
7.10.2 (a)	Independent Directors – 2 or 1/3 of NEDs, whichever is higher, should be independent	complied	Three out of nine Non-Executive Directors are Independent.
7.10.2 (b)	Independent Directors – each NED should submit a signed and dated declaration of independence or non-independence	complied	All NEDs, have submitted their confirmation on Independence in line with regulatory requirements
7.10.3 (a,b)	Disclosure Relating to Directors – the Board shall annually determine the independence or otherwise of the NEDs	complied	Directors are given in page 11 and criteria for independence have been met
7.10.3 (c)	Disclosure relating to Directors – a brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise	complied	The Company has disclosed under Board of Directors, in the Annual Report pages 8 & 9
7.10.3 (d)	Disclosure relating to Directors – provide a brief resume of new Directors appointed to the Board along with details	complied	The Company has disclosed under Board of Directors, in the Annual Report pages 8 & 9





## Corporate Governance [Contd.]

CSE Rule	Requirements	Compliance Status	Mahaweli's adoption level
7.10.4 (a to h)	Criteria for Defining Independence –requirements for meeting criteria to be an independent Director	complied	The Company has established through independence statement.
7.10.5	Remuneration Committee (RC)	complied	The Company has established a Remuneration Committee
7.10.5(a)	Composition of Remuneration Committee – shall comprise NEDs, a majority of whom shall be independent; one NED shall be appointed as Chairman of the Committee	complied	3 out of 5 Non-Executive Directors of the Committee are Independent
7.10.5(b)	Functions of Remuneration Committee –The RC shall recommend the remuneration of the CEO and Executive Director and Senior Management Staff	complied	The Committee is responsible to the Board for recommending Remunerations to MD, Executive Director, all categories of Management and non-executive Staff attached to the Company
7.10.5(c)	Disclosure in Annual Report relating to Remuneration Committee – Names of the Directors comprising the RC, statement of policy, aggregated remuneration paid to EDs and NEDs	complied	Refer Remuneration Committee Report page 21.
7.10.6	Audit Committee (AC)	Complied	The Company has established an Audit Committee.
7.10.6(a)	Composition of Audit Committee shall comprise NEDs, a majority of whom shall be independent. A NED to be the Chairman of the Committee; CEO and FD to attend AC meetings, Chairman of the AC or one member should be a member of a professional accounting body	Complied	The Audit Committee comprises three independent Non-Executive Directors and two Non-Executive Directors. The Managing Director and the Finance Officer attend meetings of the Audit Committee by invitation
7.10.6 (b)	Audit Committee Functions – Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS); compliance with financial reporting requirements; ensuring that internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS; assessment of the independence and performance of the external auditors; make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors; and approve the remuneration and terms of engagement of the external Auditors	Complied	Refer page 19 for the functions of Audit Committee.
7.10.6(c)	Disclosure in Annual Report relating to AC – Names of Directors comprising the AC; the AC shall make a determination of the independence of the Auditors and disclose the basis for such determination; the Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	complied	Refer Audit Committee Report page 19.







## Corporate Governance (Contd.)

### Statement of compliance under section 9.3.2 of the Listing Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions\*

CSE Rule	Requirements	Compliance Status	Reference to the Annual Report
9.3.2(a)	Details pertaining to Non-Recurrent Related Party Transactions	complied	Notes to Financial Statements, page 60
9.3.2(b)	Details pertaining to Recurrent Related Party Transactions	complied	Notes to Financial Statements, page 60
9.3.2(c)	Report of the Related Party Transactions Review Committee	complied	Report of the Related Party Transaction Review Committee, page 22
9.3.2(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related party transactions or a negative statement otherwise.	complied	Declaration obtained

\* The listing rules applies only from the date the Company was listed in the Diri Savi Board which was on 03<sup>rd</sup> June 2019.





# Audit Committee Report

## Role of the Audit Committee

The Audit Committee Charter provides a clear understanding of the committee's role, structure, processes, and membership requirements. This conveys the framework for the committee's organization and responsibilities that can be referred to by the Board, committee members, management and external and internal auditors.

The Audit Committee was constituted on 21st June 2018. At the time of listing the Company on the Colombo Stock Exchange (CSE), the committee comprised of three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. Profiles of the members are given on pages 8 & 9. Mr. K.A.L Rupasinghe, the Company Secretary, functions as the Secretary to the Audit Committee.

## Meetings of the Audit Committee

The Audit Committee met twice during the year. The attendance of the members at these meetings is as follows:

Name of the Director	Status	Attendance	Remarks
Mr. N.B. Weerasekera – Chairman	Independent Non-Executive	02 of 02	
Prof. T.S.Gamini Fonseka	Independent Non-Executive	02 of 02	
Mr. M.A.C.Hilarian Munaweera	Independent Non-Executive	01 of 01	Appointed w.e.f 30.10.2018
Mr. S.D.Senerath Gunasekera	Non-Independent Non-Executive	01 of 02	
Mr. G.J.L. Neomal Perera	Non-independent Non- Executive	01 of 02	

The Managing Director and the Finance Officer attend meetings of the Audit Committee by invitation. The Audit Committee reports to the Board.

## The Duties and Responsibilities of the Audit Committee

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2019.

## Financial Reporting

Reviewed the quarterly and year-to-date financial results of the Company, focusing particularly on significant changes, if any, to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

Reviewed the annual report and the annual audited financial statements of the Company prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the listing requirements of Sri Lanka Financial Reporting Standards, provisions of the Companies Act, No. 7 of 2007, CSE and any other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Committee discussed with the Managing Director, Finance Officer and External Auditor the significant accounting policies, estimates and judgments applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the financial statements.





## Audit Committee Report [Contd.]

### Internal Control and Risk Management and Internal Audit

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on page 23.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls. During the year, the Committee evaluated competitive proposals for an outsourced Internal Audit Function and appointed the outsourced Internal Auditor on 01st May 2019. The Committee reviewed and approved the annual internal audit plan for the ensuing year, prepared taking into consideration the required controls and risks attached to different areas of operation. It will review the reports from the outsourced Internal Auditor summarizing the audit findings and recommendations and describing actions taken by management to address any shortfalls. It will review the level and nature of outstanding audit weaknesses with reference to the risk rating assigned to those issues by the Internal Auditor and invite management to the Committee to further understand progress where necessary.

It also encourages the management to establish a suitable whistle blowing mechanism to facilitate anonymous complaints and feedback.

### External Audit

Reviewed the scope of the external auditors, audit strategy and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management letter including Management's responses to the findings of the External Auditors.

Discussed with External Auditors, the impact of new or proposed Sri Lanka Accounting Standards and regulatory requirements applicable to the Company.

Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Company and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the external auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

Reviewed the performance of the External Auditors, Messrs. Kreston MNS & Co and recommended their re-appointment to the Board for financial year ended 31st March 2020 subject to the approval of the shareholders at the next Annual General Meeting.

### Regulatory Compliance

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Managing Director along with the Finance Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

### Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded, and the financial position of the Company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

On behalf of the Audit Committee;

**Mr. N B Weerasekera**  
Chairman- Audit Committee  
22<sup>nd</sup> July 2019







# Remuneration Committee Report

The Remuneration Committee of the Board of Directors of Mahaweli Coconut Plantations Ltd consists of the two Directors Mr. S.D.W. Asitha Gunasekera, Mr. A.J. Shamendra Jayakoddy and three Independent Non-Executive Directors Mr. A.C. Hilarian Munaweera, Mr. N.B. Weerasekera and Prof. T.S. Gamini Fonseka. The aforesaid Committee is responsible to the Board for recommending Remunerations for all categories of Management and non-executive Staff attached to the Company.

The Company's Remuneration policy determines and recommends to the Board the remuneration levels of Executive Directors/Estate and Head office Executives and other Staff members. This exercise is based on a structured methodology in evaluating their performance annually. It is ensured that the remuneration at each level is competitive, based on performance and rewarded in a fair manner.

The remuneration policy of the Company is to attract, motivate and retain high quality executive talent by reference to Corporate Goals and Objectives resolved by the Company from time to time.

Proceedings of the remuneration Committee meetings are circulated to the full Board of the Company.

Directors receive a fee for attendance at Board Meetings and for serving on Subcommittees. They do not receive any performance or incentive payments. Total remuneration to Directors is shown in note 30.1 to the Financial Statements on page 60.

**Mr. A.C. Hilarian Munaweera**

Chairman

Remuneration Committee

22<sup>nd</sup> July 2019





# Related Party Transactions Review Committee

The Related Party Transactions Review Committee which is appointed by the Board of Directors of the MCPL, consists of the three Independent/ Non-Executive Directors who possess in depth expertise and knowledge in Finance as well as in the Plantation Industry:

The Related Party Transactions (RPT) Review Committee consist of three (3) Non Executive Directors Prof. T.S.Gamini Fonseka (Chairman of the Committee), Mr. N.B.Weerasekara and Mr. M.A.C.Hilarian Munaweera and two (2) Independent Non Executive Directors Mr. G.J.L. Neomal Perera and Mr. S.D. Senerath Gunasekera

The Company Secretary serves as the Secretary to the Committee.

## Meetings of the RPT Review Committee

This RPT Review Committee met once during the year. The attendance of the members at this meeting is as follows:

Name of the Director	Status	Attendance
Prof. T.S. Gamini Fonseka	Independent Non-Executive	01 of 01
Mr. S.D. Senerath Gunasekera	Non-Independent Non-Executive	01 of 01
Mr. G.J.L. Neomal Perera	Non-independent Non- Executive	00 of 01
Mr. N.B. Weerasekara	Independent Non-Executive	01 of 01
Mr. M.A.C. Hilarian Munaweera	Independent Non-Executive	01 of 01

## Committee Charter

The Related Party Transactions Review Committee was established to assist the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance. Accordingly, except for exempted transactions all other Related Party Transactions are required to be reviewed by the Related Party Transactions Review Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

## Terms of Reference of The Committee

Terms of Reference (TOR) covers the responsibilities of Related Party Transactions Review Committee in terms of the CSE Listing Rules. The TOR mentions the constitution and the composition of the Committee; that the Chairman should be a Non- Executive Independent Director; at least once in every quarter the Committee should meet, and these are in conformity with the provisions of the said Section in the Listing Rules. It sets out the guidelines on Related Party transactions and its reporting. The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually as per regulatory and operational requirements. The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules. The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

## Objectives & Responsibilities

Being a Company originally formed by getting together of an industry group, for the future benefit of their own industry, majority of stakeholders were falling under the definition of "Related Parties" and the Related Party Transaction Review Committee is entrusted with a daunting task of safeguarding the interest of the public shareholders in entering in to transactions with such related parties. In order to achieve this objective, our committee has identified our responsibilities and have committed to carry out our duties by, obtaining declarations from the concerned parties wherever identifiable, setting up policies to review Related Party Transactions and reviewing all such transactions, assessing whether the Related Party Transactions are transacted in the best interests of the Company and its public Shareholders as a whole. We have also set out guidelines and methods for capturing and reviewing of Related Party Transactions based on the nature of such transactions in line with the business of the Company and identifies them by Recurrent & Non-Recurrent Related Party Transactions in order to update the Board of Directors on the RPT of the Company on a quarterly basis.

The Related Party Transactions Review Committee in planning to ensure that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, issues guidelines to the senior management setting the necessary processes to identify, approve, disclose and monitor all such transactions and the terms and conditions applicable to them.

These measures would ensure that the related party transactions would be made equivalent to those that would prevail in arm's length transactions.

**Prof. T.S. Gamini Fonseka**  
Chairman  
Related Party Transactions Review Committee

22nd July 2019





# Risk Management

Risk Management is the identification, assessment and prioritization of the effects of uncertainty on objectives. Mahaweli Coconut Plantations Ltd recognizes the importance of Risk Management within the organization and its operational environment.

The Board of Directors assumes the overall responsibility of formulating policy and implementing effective systems of control in financial and operational objectives of the Company and in complying with legal regulations enforced by statutory bodies.

The Company has established an integrated risk management process to identify the types of risk specific to the industry in which we operate, to measure those potential risks and to develop strategies to mitigate them. Risk management is an essential element of our corporate governance structure and strategic development process. Therefore, appropriate systems, policies and procedures are in place in all areas of operations and they are periodically reviewed to ensure adequacy and adherence.

Risk management, being an integrated discipline, plays a pivotal role in balancing strategic planning with business execution and compliance. This facilitates informed decision making and a conscious evaluation of opportunities and risks. The Company's overall risk management process is overseen by the Board through the Audit Committee as an important part of corporate governance.

However, we also recognize that risk management is a shared responsibility of all employees of the Company, rather than being a separate and stand-alone process. Hence it is integrated into overall business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.

Having the right people to execute strategies is imperative for the success in new and diverse opportunities emerging in growth markets. The Board recognizes the crucial role of human capital since talent, culture and work attitude are arguably the biggest drivers of competitive advantage. The Board plays an important role in ensuring that the leadership stays focused on building the talent strategy.

## Climate Change

The change in weather pattern would result in loss of revenue since the weather conditions are becoming more and more unpredictable globally due to the effects of climate change. As a result the production of Coconut becomes more vulnerable to the changing weather conditions. This will have a negative impact on the cost of production. Further, extreme weather conditions could result in natural disasters, which would disrupt the crop formation process and cause physical damages to fields.

## Production Risks

Production risks relate to the possibility that yield or output levels will be lower than projected. Major sources of production risks arise from adverse weather conditions such as drought, or excessive rainfall at harvest or planting stage. Production risks may also result from damage due to insect pests and disease despite control measures employed, and from failure of equipment and machinery such as an irrigation pump.

Coconut plantations are affected by different pests and diseases. Some major epidemics have been observed in past years.

## Escalation of Cost of Production

The increase in cost of inputs and difficulties in achieving economies of scale would have a negative impact on the cost of production. The cost of other inputs would include cost relating to wages, fertilizer, energy, pesticides and expenses related to field maintenance. The increases in local energy prices and fertilizer costs could have a significant contribution towards the total cost of production.

## Elephant Attacks

Wild elephants are active in the plantation area and last year 167 nos of trees damaged by elephant attacks. A systematic program by the Wild life Department to drive away the elephants in to jungle area would mitigate this risk. Installation of an elephant fence in the estate would minimize the damage to the estate.







# Annual Report of the Board of Directors on the Affairs of the Company

## General

The Board of Directors of Mahaweli Coconut Plantations Ltd takes pleasure in presenting its Annual Report to the shareholders for the financial year ended 31 March 2019, together with the audited financial statements of the Company, for the said year and the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No 7 of 2007. The Report is also guided by the recommended best practices on Corporate Governance.

Mahaweli Coconut Plantations Ltd is a Public Limited Liability Company incorporated in Sri Lanka in 1996 under the previous Companies Act No 17 of 1982 and re-registered as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PB 191.

The issued shares of the Company were listed on the main Diri Savi Board of the Colombo Stock Exchange in Sri Lanka in June 2019.

The registered office is located at 1/82, Kimbulapitiya Road, Bolawalana, Negombo

The financial statements were reviewed and approved by the Board of Directors on 22nd July 2019.

## Principal Activities

The Company is engaged in Cultivating coconuts and Sale of coconuts & Copra. The Coconut Estate is situated in Aralaganvila in the Polonnaruwa District. The Coconut Estate land of 551.38 Hectares is on lease.

## Review of Business

A review of the Company's performance during the financial year is given in the Chairman's Review on page 6 and the Managing Director Review on page 7.

## Financial Statements

The Financial Statements of the Company, have been prepared in accordance with Sri Lanka Accounting Standards laid down by the CA Sri Lanka and comply with the requirements of Companies Act No. 07 of 2007.

The Financial Statements of the Company are given on pages 29 to 62 of this Annual Report

## Summarized Financial Results

	2018/2019 Rs.	2017/2018 Rs.
Turnover	158,697,141	212,930,998
Profit before Taxation	119,724,180	153,093,326
Taxation	(16,901,734)	(35,703,107)
Profit After Taxation	102,822,446	117,390,219
Retained Earnings b/f	162,882,671	170,719,163
Declared Dividend	(93,038,785)	(124,911,091)
Retained Earnings c/f	173,134,237	162,882,671

## Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 27 & 28.

## Accounting Policies and changes during the year

The Company prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 33 to 47.

During the year under review the Company carried out an impact assessment on SLFRS 15- Revenue from Contract with customers, and SLFRS 9-Financial Instruments. The Company concluded that there were no impacts on adoption other than the classification changes in the Financial Instruments.

## Donations

The Company made donations amounting to Rs. 159,390/- (2017/18 - Rs. 196,070/-) during the year under review for charitable purposes.

## Taxation

A detailed statement of the income tax reconciliation of the accounting profits with the taxable profits is given in note 24 of the Financial Statements. It is the policy of the Company to provide for deferred taxation on all known material timing differences between the carrying amounts of assets and liabilities for financial reporting purposes.





## Annual Report of the Board of Directors on the Affairs of the Company [Contd.]

### Capital Expenditure

The carrying value of Property, Plant and Equipment as at 31st March 2019 amounted to Rs. 39,824,112/- (2018- Rs. 42,671,120/-)  
The extents, locations, valuations and the number of buildings on the Company's land are as follows.

Estate	Location	Extent	Number of Buildings	Value (Rs)
Mahaweli Coconut Plantations Ltd	Negombo	23.65P (Land)	1	20,095,000
		1,480 sqft (Building)	1	4,580,000

The movement of Property, Plant and Equipment during the year is given in Note 5 to the Financial Statements.

### Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2019 was Rs. 355,622,230/- (2018- Rs. 355,622,230/-). The number of shares issued by the Company stood at 33,832,285 fully paid ordinary shares.

The movement of reserves during the year are given under the Statement of Changes in Equity on page 31.

### Dividend on Ordinary Shares

The Final Dividend for 2017/18 of Rs. 0.75 (Seventy Five cents) per share totaling to Rs. 25,374,215 was paid during the year.  
The interim dividend amounting to Rs. 2/- per share and the total dividend amounts to Rs. 67,664,570/- as at 31 March 2019. Further the Directors also recommended a final dividend of Rs. 1.50 per Ordinary Share for the year ended 31st March 2019. This will be paid by Rs. 50 cents in the form of cash dividend and Rs. 1/- in the form of scrip dividend.

### Register of Directors and Secretaries

As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.

### Major Shareholders, Distribution Schedule and other Information

Information on the distribution of shareholding, analysis of shareholders, earnings, dividends, net assets per share, twenty largest shareholders of the Company, are given on pages 63 to 64 under Share Information.

### Board of Directors

The following Directors held office during the year under review.

Mr. S.D.W.Asitha Gunasekara	- Chairman/Non-Executive Non-Independent Director
Mr. J.F.Fernandopulle	- Managing Director/ Executive Non-Independent Director
Mr. N.B.Weerasesekera	- Non-Executive Independent Director
Mr. M.A.C.Hilarian Munaweera	- Non-Executive Independent Director
Prof. T.S.Gamini Fonseka	- Non-Executive Independent Director
Mr. S.D.Senarath Gunasekara	- Non-Executive Non Independent Director
Mr. A.J.Shamendra Jeyakody	- Non-Executive Non Independent Director
Mr. G.J.L.Neomal Perera	- Non-Executive Non Independent Director
Mr. M.D.J.P.Nilantha Perera	- Non-Executive Non Independent Director
Mr. S.J.Watawala	- Non-Executive Non Independent Director

### Independence of Directors

The Board has made a determination as to the independence of each non-executive director and confirms that three out of the nine non-executive directors meet the criteria of independence.

Each of the independent directors have submitted a signed and dated declaration of his independence against the specified criteria

### Directors' Interests in Contracts

The Directors' have no direct or indirect interest in any other contract or proposed contract with the Company except for the transactions referred to in Note 30 to the Financial Statements.





## Annual Report of the Board of Directors on the Affairs of the Company [Contd.]

### Directors' Interest in Shares

The relevant interest of Directors in the shares of the Company as at 31st March 2019 and 31st March 2018 is as follows:

Directors' Name	No. of Shares as at 31.03.2019	No. of Shares as at 31.03.2018
Mr. S.D.W.Asitha Gunasekera	1,052	1,052
Mr. J.F. Fernandopulle	733,639	733,639
Mr. S.D.Senerath Gunasekera	11,122	11,122
Mr. S.J. Watawala	852,521	852,521
Mr. G.J.L. Neomal Perera	751,869	751,869
Mr. A.J. Shamendra Jayakody	45,012	45,012
Mr. M.D.J.P.Nilantha Perera	271,176	271,176

### Directors' Remuneration

Director's remuneration and other benefits in respect of the Company for the financial year ended 31st March 2019 is given in Note 30 to the Financial Statements.

### Events occurring after the date of the Statement of Financial Position

Please refer Note 29 for events after the date of Statement of Financial Position, which would require adjustments or disclosure in the Financial Statements.

### Going Concern

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors have a reasonable expectation that the Company possess adequate resources to continue its operations without any disruption in the foreseeable future. Accordingly, the Financial Statements of the Company is prepared based on the going concern concept.

### Auditors

The Accounts for the year ended 31st March 2019 have been audited by Kreston MNS & Co, Chartered Accountants. Fees paid to the Auditors are disclosed on page 57 in the Financial Statements. As far as the Directors are aware, the auditors do not have any relationship (other than as Auditors) with the Company other than those disclosed above. The auditors do not have any interest in the Company.

### Risk Management

Specific steps adopted by the Company are detailed on page 23 of this Annual Report

### Audit Committee

The composition of the Audit Committee and their Report is given on pages 19 to 20 of this Annual Report.

### Corporate Governance

The Corporate Governance practices of the Company are set out on pages 11 to 18 of this Annual Report. The Directors acknowledge their responsibility for the Company's Corporate Governance and its system of internal controls.

### Annual General Meeting

The 22nd Annual General Meeting of the Company will be held on 26<sup>th</sup> September 2019 at the Paradise Beach Hotel, Negombo at 11.00 a.m.

### Notice of Meeting

Details of the Annual General Meeting are given in the Notice of Meeting.

### Acknowledgment of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007 the Board of Directors hereby acknowledge the contents of this Report.

For and on behalf of the Board,

**Mr. S.D.W. Asitha Gunasekera**  
Chairman

**Mr. J.F. Fernandopulle**  
Managing Director

22<sup>nd</sup> July 2019







# Auditors Report



Knowing you.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF MAHAWELI COCONUT PLANTATIONS LIMITED

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the Financial Statements of **MAHAWELI COCONUT PLANTATIONS LIMITED** ("the Company"), which comprise the Statement of Financial Position as at 31st March 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 29 to 62.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Code of Ethics issued by CA of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 31st March 2019, but does not include the Financial Statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

##### 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 determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

## Kreston MNS & Co Chartered Accountants

Head Office at 1st & 2nd Floors, Advantage Building, 74A, Dharmapala Mawatha, Colombo 07.

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##### Partners

Ms. Y Shirani de Silva FCA, FCMA | S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA | Ms. H D S C A Tillekeratne FCA, ACMA  
K I Skandadasan B.Sc. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, ACA, ACMA





## Auditors Report [Contd.]

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.

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

Our objectives are 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the Audit. We 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 our 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Kreston MNS & Co

**CHARTERED ACCOUNTANTS  
COLOMBO**

22nd July 2019





# Statement of Financial Position

As at	Note	31.03.2019 Rs.	31.03.2018 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Right to use of Land on Lease	4	2,714,858	3,030,539
Property, Plant & Equipment	5	39,824,112	42,671,120
Intangible Asset	6	316,264	-
Bearer Biological Assets	7	238,571,922	263,816,176
Consumable Biological Assets	8	144,952,743	103,800,000
<b>Total Non-Current Assets</b>		<b>426,379,899</b>	<b>413,317,835</b>
<b>Current Assets</b>			
Inventories	9	39,535,329	23,882,080
Right to use of Land on Lease	4	315,681	315,681
Trade & Other Receivables	10	16,732,711	15,592,253
Short Term Investments	11	187,233,042	131,654,689
Income Tax Refund due	19	1,546,001	-
Cash at Bank & In Hand	12	34,910,882	27,219,002
<b>Total Current Assets</b>		<b>280,273,646</b>	<b>198,663,705</b>
<b>Total Assets</b>		<b>706,653,545</b>	<b>611,981,540</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Stated Capital	13	355,622,230	355,622,230
Retained Earnings		173,134,237	162,882,671
<b>Total Equity</b>		<b>528,756,467</b>	<b>518,504,901</b>
Advance Received for Allotment of Shares		18,456,506	18,456,506
Shareholders Funds		547,212,973	536,961,407
<b>Non-Current Liabilities</b>			
Obligation under Finance Lease	14	-	-
Obligation under Right to use of Land on Lease	15	9,300,001	9,879,671
Retirement Benefit Obligation	16	8,532,045	7,395,183
Deferred Tax liability	17	52,444,900	35,600,628
<b>Total Non-Current Liabilities</b>		<b>70,276,946</b>	<b>52,875,482</b>
<b>Current Liabilities</b>			
Trade & Other Payables	18	83,553,147	12,614,195
Obligation under Finance Lease	14	-	339,514
Obligation under Right to use of Land on Lease	15	5,610,479	5,610,485
Income Tax Liability	19	-	3,580,457
<b>Total Current Liabilities</b>		<b>89,163,626</b>	<b>22,144,651</b>
<b>Total Liabilities</b>		<b>159,440,572</b>	<b>75,020,133</b>
<b>Total Equity &amp; Liabilities</b>		<b>706,653,545</b>	<b>611,981,540</b>

Figures in bracket indicate deductions.

The accounting policies and the notes from pages 33 to 62 form an integral part of these Financial Statements.

I certify that the above Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

  
**Ms. Christina J. Joseph**  
Finance 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.

  
**Mr. S. D. W. Asitha Gunasekera**  
Chairman

  
**Mr. J. F. Fernandopulle**  
Managing Director

22nd July 2019





# Statement of Comprehensive Income

For the year ended	Note	31.03.2019 Rs.	31.03.2018 Rs.
Turnover	20	158,697,141	212,930,998
Cost of Sale		(87,161,587)	(106,472,447)
<b>Gross Profit</b>		71,535,554	106,458,551
Other Income	21	11,497,041	13,431,609
Gain on change in Fair Value of Biological Assets		41,152,743	38,800,000
Administration Expenses		(19,826,280)	(17,435,895)
Other Expenses		(651,851)	(499,433)
<b>Operating Profit</b>		103,707,207	140,754,832
Finance costs	22	(1,623,040)	(25,179)
Finance income	22	17,640,013	12,363,673
<b>Profit before Taxation</b>	23	119,724,180	153,093,326
Taxation	24	(16,901,734)	(35,703,107)
<b>Profit for the year</b>		102,822,446	117,390,219
<b>Other Comprehensive Income for the Year, Net of Tax</b>			
Actuarial Gains / (Losses) on Defined Benefit Plans		410,443	(276,860)
Tax effect on Actuarial Gains / (Losses) on Defined Benefit Plans	24	57,462	(38,760)
<b>Total Other Comprehensive Income for the Year, Net of Tax</b>		467,905	(315,620)
<b>Total Comprehensive Income for the Year</b>		103,290,351	117,074,599
<b>Earnings per Share (Rs.)</b>			
- Basic	25	3.04	3.76
- Diluted	25	3.04	3.76
<b>Dividend per Share (Rs.)</b>	26	2.75	4.00

Figures in bracket indicate deductions.

The accounting policies and the notes from pages 33 to 62 form an integral part of these Financial Statements.







# Statement of Changes in Equity

For the year ended 31<sup>st</sup> March 2019

	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance on 01st April 2017</b>		298,113,716	170,719,163	468,832,879
Issue of Ordinary Shares	13	1,300,000	-	1,300,000
Dividend				
Final Cash dividend for 2016/17	33	-	(30,324,712)	(30,324,712)
Final dividend for 2016/17 satisfied for in the form of issue and allotment of new shares	13	27,292,160	(30,325,563)	(3,033,403)
First Interim Cash dividend for 2017/18	33	-	(32,129,493)	(32,129,493)
First Interim dividend for 2017/18 satisfied for in the form of issue and allotment of new shares	13	28,916,354	(32,131,323)	(3,214,969)
		56,208,514	(124,911,091)	(68,702,577)
Transactions with owners		57,508,514	(124,911,091)	(67,402,577)
Profit for the year		-	117,390,219	117,390,219
Other comprehensive income for the year		-	(315,620)	(315,620)
Total comprehensive income for the year		-	117,074,599	117,074,599
<b>Balance on 31st March 2018</b>		355,622,230	162,882,671	518,504,901
Issue of Ordinary Shares		-	-	-
Dividend				
Final Cash dividend for 2017/18	33	-	(25,374,215)	(25,374,215)
First Interim Cash dividend for 2018/19	33	-	(67,664,570)	(67,664,570)
		-	(93,038,785)	(93,038,785)
Transactions with owners		-	(93,038,785)	(93,038,785)
Profit for the year		-	102,822,446	102,822,446
Other comprehensive income for the year		-	467,905	467,905
Total comprehensive income for the year		-	103,290,351	103,290,351
<b>Balance on 31st March 2019</b>		355,622,230	173,134,237	528,756,467

Figures in bracket indicate deductions.

The accounting policies and the notes from pages 33 to 62 form an integral part of these Financial Statements.





# Statement of Cash Flows

For the year ended	Note	31.03.2019 Rs.	31.03.2018 Rs.
<b>OPERATING ACTIVITIES</b>			
Net Profit before Taxation		119,724,180	153,093,326
<b>Adjustments for :</b>			
Finance Income	22	(17,640,013)	(12,363,673)
Finance Cost	22	1,623,040	25,179
Depreciation of Property, Plant & Equipment	5	3,899,773	4,153,265
Loss on Property, Plant & Equipment written off	5	-	43,266
Amortisation of Intangible Assets	6	55,811	-
Amortisation of Right to use of Land on Lease	4	315,681	315,681
Depreciation on Bearer biological Assets	7	25,244,254	25,244,253
Provision for Gratuity	16	2,000,105	1,895,534
Provision for Ground Rent	15	3,097,956	3,097,963
(Gain) / Loss on Fair Valuation of Consumer biological Assets	8	(41,152,743)	(38,800,000)
Allowance for impairment	10	616,750	-
Profit from operations before changes in working capital		97,784,794	136,704,794
(Increase) / Decrease in Inventories	9	(15,653,249)	(193,994)
(Increase) / Decrease in Trade & Other Receivables	10	(1,757,208)	9,973,255
Increase / (Decrease) in Trade & Other Payables	18	70,938,952	986,939
<b>Cash Generated from Operations</b>		151,313,289	147,470,994
Gratuity Paid	16	(452,800)	(476,280)
Tax Paid	19	(5,126,458)	(8,780,317)
<b>Net Cash from Operating Activities</b>		145,734,031	138,214,397
<b>INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant & Equipment	5	(504,529)	(30,265,613)
Expenditure on Capital Work In Progress	5	(548,236)	(131,818)
Purchase of Intangible Asset	6	(372,075)	-
Net Investment in Fixed Deposits	11	(55,578,352)	(39,687,050)
Interest Received	22	17,640,013	12,363,673
<b>Net Cash used in Investing Activities</b>		(39,363,179)	(57,720,808)
<b>FINANCING ACTIVITIES</b>			
Lease Instalment Paid	14	(349,391)	(602,058)
Payment to Mahaweli Authority of Sri Lanka	15	(5,290,796)	(4,294,389)
Share issues		-	57,508,514
Dividend Paid	33	(93,038,785)	(124,911,091)
<b>Net Cash used in Financing Activities</b>		(98,678,972)	(72,299,024)
<b>Net Increase / (Decrease) in Cash and Equivalents</b>		7,691,880	8,194,565
<b>Cash and Cash Equivalents at the beginning of the year</b>	12	27,219,002	19,024,437
<b>Cash and Cash Equivalents at the end of the year</b>	12	34,910,882	27,219,002

Figures in bracket indicate deductions.

The accounting policies and the notes from pages 33 to 62 form an integral part of these Financial Statements.





# Notes to the Financial Statements

## 1 REPORTING ENTITY

### 1.1 Domicile and Legal Form

Mahaweli Coconut Plantations Ltd is a Public Limited Liability Company, incorporated on 29th October 1996 under the Companies Act No. 17 of 1982 and domiciled in Sri Lanka. The Company was re-registered under the Companies Act No. 07 of 2007 on 06th February 2008. (Registration No. (PB) 191). The registered office of the Company is located at No. 1/82, Kimbulapitiya Road, Bolawalana, Negombo. The Coconut Plantation is on lease land obtained from the Mahaweli Authority of Sri Lanka and is situated in Mahaweli System B Pimburettewa. Aralaganvila.

### 1.2 Principal Business Activities and Nature of Operations

During the period, the Principal Activity of the Company was Cultivation & Sale of coconuts & Copra.

### 1.3 Date of authorization of issue.

The Financial Statements for the year ended 31st March 2019 were authorised for issue by the Board of Directors on 22nd July 2019

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with Sri Lanka Accounting Standards, which comprises Sri Lanka Accounting Standards (LKAS / SLFRS) and Statement of Alternative Treatment (SoAT) and in compliance with the requirement of the Companies Act No. 07 of 2007.

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items appearing in the statement of financial position:-

- Defined benefit obligation has been recognized based on Projected Unit Credit method (Note 16)
- Consumable biological assets are measured at fair valuation. (Note 8)
- Harvested crop attached to bearer biological assets is measured at fair value less cost to sell (Note 9)

### 2.3 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes:

Designing, Implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 2.4 Comparative Information

Except when a standard permit or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification or items in the financial statements are amended, comparative amounts are reclassified unless it is impracticable.

### 2.5 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.





## Notes to the Financial Statements [Contd.]

### 2. BASIS OF PREPARATION (CONTD.)

#### 2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

#### 2.7 Use of estimates and judgements

The preparation of financial statements in conformity with LKAS/SLFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results form the basis of making the judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in respective note to the financial statements.

#### 2.8 New Accounting Standards, interpretations and amendments adopted by the Company.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements in the previous financial year except for the adoption of new standards effective as of 1st January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, SLFRS 15, Revenue from Contracts with Customers and SLFRS 9, Financial Instruments that require restatement of previous financial statements.

Several other amendments and interpretations apply for the first time in 2018/19, but do not have an impact on the financial statements of the Company.

##### 2.8.1 SLFRS 9 - "Financial Instruments"

SLFRS 9 replaces LKAS 39.

##### Changes to classification and measurement

SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' cash flow characteristics in order to determine their classification and measurement.

Classification and measurement categories as per LKAS 39 for financial assets (FVTPL, HTM, L&R and AFS) have been replaced by, financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI) and financial assets measured at fair value through profit or loss (FVTPL).

The details of Recognition, classification, measurement, derecognition and impairment of the financial assets as per SLFRS 9, are set out in Note 3.16.

However, the measurement of Company's financial assets has not been affected due to the application of SLFRS 9 and as such, figures in comparative periods remain unchanged. The classification of financial assets and liabilities is given in Note 3.25. The main effects resulting from this reclassification are as follows.







## Notes to the Financial Statements [Contd.]

### 2. BASIS OF PREPARATION (CONTD.)

#### 2.8.1 SLFRS 9 - "Financial Instruments" (Contd.)

	FVTPL	FVOCI	Held to maturity	Available for sale	Amortised Cost	Loans & Receivables
Closing balance as at 31st March 2018 as per LKAS 39	-	-	131,654,689	-	-	42,656,644
Opening balance as at 1st April 2018 as per SLFRS 9	-	-	-	-	174,311,333	-

#### 2.8.2 SLFRS 15 - "Revenue from Contracts with Customers"

SLFRS 15 replaces LKAS 18- "Revenue", LKAS 11- "Construction Contracts", IFRIC 13, 15, 18 and SIC 31.

The standard sets out a comprehensive framework for determining whether, how much and when the revenue is recognized. The standard also requires new disclosures, to enable users of financial statements to understand the nature, timing, amount and uncertainty of revenue and cash flow arising from contracts with customers.

The recognition of revenue as required by SLFRS 15 is set out in Note 20.

The effects of the application of SLFRS 15 on current period and comparative period are as follows;

	31.03.2019 Rs.	31.03.2018 Rs.
<b>Revenue</b>		
Revenue as per LKAS 18	158,697,141	212,930,998
Adjustment due to SLFRS 15	-	-
Amount Reported as per Revenue Note	158,697,141	212,930,998

#### 2.9 Functional & Presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency.

#### 2.10 New Standards and amendments effective after 1st January 2019.

##### SLFRS 16-Leases

A new accounting standard, SLFRS 16, has been issued but is not yet effective as at the reporting date. Accordingly, this accounting standard has not been applied in preparing these financial statements

New Standard	Summary of the Requirement	Possible impact on the Financial Statement
SLFRS 16	SLFRS 16 eliminates the classification of leases as either operating or finance for lessees and instead, introduces a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying LKAS 17.  SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019	The Company is assessing the potential impact on its financial statements resulting from the application of SLFRS 16.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Overall Considerations

The significant accounting policies that have been used in the preparation of these Financial Statements are summarised below.

#### 3.1 Fair Value Measurement

The Company measures non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Managed Consumable Biological Assets- Note 8
- Harvested crop attached to Bearer biological assets- Note 9

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability  
Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income. Monetary assets and liabilities balances are translated at year end exchange rates.

#### 3.3 Right to Use of Land on Lease

The leasehold right to land comprising of land use rights obtained on a long- term basis is classified as Right to use of Land on Lease and stated at the amount of the discounted liability to make lease payments, plus any initial direct costs incurred. Such, carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter. The Right to use of Land on Lease is disclosed under non current assets. Revaluation of Right to use of Land on Lease is not permitted under Statement of Alternative Treatment (SOAT) on Right-to-use of Land on Lease issued by Institute of Chartered Accountants of Sri Lanka. The value taken into the Statement of Financial Position and amortisation of the Right to use of Land on Lease up to 31st March 2019 is shown in Note 4 to Financial Statements.

#### 3.4 Property, Plant and Equipment

##### 3.4.1 Cost

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the asset can be measured reliably. All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. The cost includes expenditure that is directly attributable to the acquisition of assets. The cost of self-constructed assets includes the cost of materials direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removing and restoring, the site on which they are located.

##### 3.4.2 Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, the cost of the item can be measured reliably.

All other repairs & maintenance are charged to the statement of comprehensive income as an expense as incurred.

##### 3.4.3 Derecognition

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

##### 3.4.4 Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Assets held under finance lease are amortised over the shorter of the lease term and their useful lives in equal amounts. The following useful lives are used for the depreciation of Property, Plant & Equipment:

Freehold Assets	Years
Buildings	30
Motor Vehicles	5
Furniture & Fittings	10
Equipments	8-13 1/3

Leasehold Assets	Years
Leased Motor Vehicles	5

Depreciation of an asset begins from the month the asset is available for use and ceases at the month in which the asset is disposed

The assets residual values and, useful lives are reviewed and adjusted if appropriate at the end of each financial year.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.4.5 Impairment of 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 indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit 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 or groups of assets (the "cash generating unit, or CGU").

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

In respect of other assets, impairment losses recognized in prior periods are 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 amortisation, if no impairment loss had been recognized.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are expensed in the statement of comprehensive income.

#### 3.4.6 Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use.

#### 3.5 Intangible Assets

Intangible assets include computer software carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over their estimated useful lives of 5 years. Residual values are assumed to be zero.

All amortisation charges are expensed to the Statement of Comprehensive Statement.

#### 3.6 Biological Assets

Biological assets are classified in to 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.

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of 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.







## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.6.1 Bearer biological asset (Coconut Plantation)

Bearer biological asset includes coconut trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. The costs of new planting are classified as immature plantations up to the time of harvesting the Crop. The costs of areas coming into bearing are transferred to mature plantations at the time the Bearer biological asset is ready to harvest and are depreciated over their useful life period, in terms of LKAS16- Property, Plant and Equipment.

The useful life used for this purpose,  
Coconut Plantation 20 Years

#### 3.6.2 Infilling Cost

Where Infilling results in an increase in the economic life of relevant fields beyond its previously assessed standard of performance, the costs are capitalised in accordance with Sri Lanka Accounting Standard LKAS 16 Property, Plant & Equipment and depreciated over useful life applicable to mature plantations.

Infilling costs that are not capitalised are charged to the Statement of Comprehensive Income in the year in which they are incurred.

#### 3.6.3 Consumable biological asset (Teak Plantation)

Consumable biological assets include managed teak trees those that are to be harvested as agricultural produce or sold as biological assets. The managed teak 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. Cost of sell include all cost that would be necessary to sell assets, including transportation cost if any. The Fair Value of consumable biological assets is determined based on a valuation carried out by a qualified valuer. When determining the fair value of biological assets, the number of trees in the plantations are physically verified together with their height and girth.

The gain or loss arising on recognition of consumer biological assets at fair value less cost to sell and from the change in fair value less cost to sell of biological assets are included in the Statement of Comprehensive Income for the period in which it arises.

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. All other assumptions and sensitivity analysis are given in Note 8.

The main variables in DCF model are as follows.

The main variables in DCF model concerns	
Variable	Comment
Currency valuation	Rs.
Timber content	Estimated based on physical verification of girth & height of the trees
Economic useful life	Estimated based on the normal life span of each tree
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 16.5%

#### 3.6.4 Nursery Cost

Nursery cost includes the cost of direct material, direct labour and an appropriate proportion of directly attributable overheads of other inter plants. Nurseries are measured at cost less accumulated impairments.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.7 Inventories

##### 3.7.1 Produce Stocks

Agricultural produce harvested from the Company's biological assets are measured at its fair value less cost to sell at the point of harvest.

##### 3.7.2 Finished goods manufactured from agricultural produce of biological assets (Copra)

These are valued at the lower of cost and estimated net realizable value. Net realisable value is the estimated selling price at which stock can be sold in the ordinary course of business after allocating for cost of realisation and / or cost of conversion from their existing stock to saleable conditions, after making due allowance for obsolete and slow-moving items.

##### 3.7.3 Consumables Stock

At actual cost on weighted average basis.

##### 3.7.4 Nursery Stock

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads of other inter plant.

#### 3.8 Trade & Other Receivables

Trade & Other receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

#### 3.9 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand from an integral part of the Company's cash management and are included as a component of Cash and Cash Equivalents for the purpose of the Statement of Cash Flow.

#### 3.10 Stated Capital

The total amount received by the Company or due and payable to the Company in respect of the issue of shares are referred to as "Stated Capital".

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### 3.11 Finance leases

Leases of property, plant and equipment where the company assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance lease is charged to the statement of comprehensive income as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### 3.12 Employee Benefits

The Company provides post-employment benefits through various defined contribution plans and defined benefit plans.

##### 3.12.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident Fund or Estate Staff Provident Society, Ceylon Planters Provident Society and Employee Trust Funds covering all employees are recognised as an expense in profit or loss as incurred. The Company contributes 12% and 3% of gross emoluments of employees as Employee Provident Fund or Estate Staff Provident Society and Trust Fund contribution respectively.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.12.2 Defined Benefit Plan - Retirement Benefit Obligations

The liability recognised 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.

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

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.

#### 3.13 Trade & Other Payables

Trade & other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade & Other Payables are stated at their cost.

#### 3.14 Taxes

Tax expense recognised in Statement of Comprehensive Income comprises the sum of deferred tax and current income tax not recognised in other comprehensive income or directly in equity.

##### 3.14.1 Current Income Tax

Current income tax assets and/or liabilities comprise those obligations to or claims from the Department of Inland Revenue relating to current or prior reporting periods that are unpaid at the reporting date. Current income tax is payable on taxable profit, which differs from profit or loss in the Financial Statements.

Current Income Tax relating to items recognised directly in equity is recognised in equity and not in the Statement of comprehensive income. Management periodically evaluates position taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

Current income tax assets and liabilities, or deferred tax assets and liabilities, are offset only when the Company has a legally enforceable right to offset the amounts and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

##### 3.14.2 Deferred Tax

Deferred tax is calculated on temporary differences between the carrying amounts of Assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.15 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

##### 3.15.1 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be measured reliably. Provisions are not recognised for future operating losses.

Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material. All known liabilities and provisions have been accounted for in preparing the financial statements.

#### 3.16 Financial Instruments

##### 3.16.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

##### 3.16.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- debt instruments at amortised cost
- debt instruments at fair value through other comprehensive income (FVTOCI)
- debt instruments, derivatives and equity instruments at fair value through profit and loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVTOCI)

##### Debt instruments at amortised cost

A financial asset is measured at amortised cost if both the following conditions are met.

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit and loss. The losses arising from impairment are recognised in the profit and loss. This category generally applies to trade and other receivables, loans and other financial assets.

##### Debt instruments at FVTOCI

A financial asset is measured at FVTOCI if both the following conditions are met.

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







## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.16.2 Classification and subsequent measurement of financial assets (Contd.)

##### Debt instruments at FVTOCI (Contd.)

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

##### Debt instruments, derivatives and equity instruments at FVTPL

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

#### 3.16.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset expires or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or the Company neither transfers nor retains substantially all the risks and rewards of the asset, but transfers control of the asset.

When the Company transfers a financial asset, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

#### 3.16.4 Impairment of financial assets

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade Receivables.

The application of simplified approach does not require the Company to track changes in credit risk, rather, it recognises impairment loss allowance based on lifetime expected credit losses (ECLs) at each reporting date, right from its initial recognition.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the, expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.16.5 Classification and subsequent measurement of financial liabilities

The Company classifies financial liabilities as described below:

- Financial liabilities at fair value through profit or loss (FVTPL)
- Financial liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

##### **Financial liabilities at FVTPL**

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Gains or losses on liabilities held for trading are recognised in the profit and loss.

The Company has not designated any financial liability as at fair value through profit and loss.

##### **Financial liabilities at amortised cost**

The financial liabilities which are not designated at FVTPL are classified as financial liabilities at amortised cost.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit and loss. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

#### 3.16.6 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

#### 3.16.7 Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

#### 3.16.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### STATEMENT OF COMPREHENSIVE INCOME

#### 3.17 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Company is in the business of cultivation of coconut, manufacture of copra and other crops (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

##### 3.17.1 Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer generally at the customer and the acceptance of the goods by the customer.

##### 3.17.2 Other Income

Revenue recognition criteria for the other income earned by the company are as follows;

##### Interest Income

Interest income is recognized on an accrual basis, using the effective interest method.

##### Gains and Losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognized within 'other income' in the statement of comprehensive income.

##### Other income

Other income is recognized on an accrual basis.

##### Gain arising from changes in fair value of Biological Assets.

Gains or Losses arising on initial recognition of biological assets and agricultural produce at fair value less estimated point of sale costs are recognised in profit or loss.

Gains or Losses arising on change in fair value due to subsequent measurements are recognised in profit or loss in the period in which they arise.

#### 3.18 Expenditure Recognition

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

For the purpose of presentation of Statement of Comprehensive Income, the Directors are of the opinion that function of expenses method present fairly the elements of the Company's performance, hence such presentation method is adopted.





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.19 Finance Income and Finance Costs

Finance income which are recognised in Income Statement comprises interest income on funds invested.

Finance costs which are recognised in Income Statement comprise interest expense on borrowings.

##### **Borrowing Costs**

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.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Income Statement.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23- 'Borrowing Costs'.

#### 3.20 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 07 "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balances with banks.

Interest paid is classified as operating cash flow while Interest received is classified as investing cash flows.

#### 3.21 Commitments and contingencies

Provisions are made for all obligations existing as at the reporting date when it is probable that such obligation will result in an outflow of resources and reliable estimate can be made of the quantum of the outflow.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

#### 3.22 Events occurring after the reporting period

All material events after the statement of financial position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

#### 3.23 Earnings per share

The company presents basic and diluted 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, Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all convertible securities.

#### 3.24 Critical Accounting Estimates and Judgements

##### **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:





## Notes to the Financial Statements [Contd.]

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.24 Critical Accounting Estimates and Judgements (Contd.)

##### **Estimated useful lives of property, plant and equipment**

The Company reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment carrying value.

##### **Taxation**

##### **Deferred tax**

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of the Company in which the deferred tax asset has been recognized.

##### **Impairment of non-current assets**

The Company test annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in notes. These calculations require the use of estimates.

##### **Defined benefit plan - gratuity**

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company considers the interest yield of long term government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions.

##### **Provisions**

The Company recognise provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate.

##### **Fair Valuation of Consumable Biological Assets**

The fair valuation of Teak Plantation depends on a number of factors that are determined on a discounted method using various financial and non financial assumptions. The growth rate of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets.

The following factors are also taken into consideration in valuing the Teak Plantation

- 1) Maturity age of the species and the particular tree
- 2) Annual marginal increase in growth in the timber content of a tree
- 3) Number of years to harvest in case of matured trees- harvesting program
- 4) Current Price of sawn timber per cubic foot







## Notes to the Financial Statements [Contd.]

### NOTE 3.25 - ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

In accordance with SLFRS 09 on "Financial Instruments" financial assets have been classified as follows:

	Note	Fair value through OCI Rs.	Fair value through Profit & Loss Rs.	Amortised cost Rs.	Total Rs.
<b>Balance on 31st March 2019</b>					
<b>Financial Assets</b>					
Trade & Other Receivables	10	-	-	16,464,628	16,464,628
Short Term Investments	11	-	-	187,233,042	187,233,042
Cash at Bank & in Hand	12	-	-	34,910,882	34,910,882
		-	-	238,608,552	238,608,552

	Note	Financial Liabilities at fair value through Profit or loss Rs.	Financial Liabilities at amortised cost Rs.	Total Rs.
<b>Financial Liabilities</b>				
Trade & Other Payables	18	-	72,948,272	72,948,272
Obligation under Right to Use of Land on Lease	15	-	14,910,480	14,910,480
		-	87,858,752	87,858,752

A description of the Company's Financial Instrument risks, including risk management objectives and policies is given in Note 31.

	Note	Available for Sale at Fair value Rs.	Held to Maturity at amortised Cost Rs.	Loan & Receivables at amortised Cost Rs.	Total Rs.
<b>Balance on 31st March 2018</b>					
<b>Financial Assets</b>					
Trade & Other Receivables	10	-	-	15,437,642	15,437,642
Short Term Investments	11	-	131,654,689	-	131,654,689
Cash at Bank & in Hand	12	-	-	27,219,002	27,219,002
		-	131,654,689	42,656,644	174,311,333

	Note	Other Financial Liabilities at amortised cost Rs.	Total Rs.
<b>Financial Liabilities</b>			
Trade & Other Payables	18	11,639,261	11,639,261
Obligation under Right to Use of Land on Lease	15	15,490,156	15,490,156
Obligation under Financial lease	14	339,514	339,514
		27,468,931	27,468,931

A description of the Company's Financial Instrument risks, including risk management objectives and policies is given in Note 31.





## Notes to the Financial Statements [Contd.]

### NOTE 4 - RIGHT TO USE OF LAND ON LEASE

	31.03.2019 Rs.	31.03.2018 Rs.
<b>Capitalized Value</b>		
Balance on 1st April	10,145,039	10,145,039
Balance on 31st March	10,145,039	10,145,039
<b>Amortisation</b>		
Balance on 1st April	6,798,819	6,483,138
Amortisation during the year	315,681	315,681
Balance on 31st March	7,114,500	6,798,819
<b>Net Balance</b>	3,030,539	3,346,220
<b>Amount to be amortised within one year</b>	315,681	315,681
<b>Amount to be amortised after one year</b>	2,714,858	3,030,539

The lease agreements which were effected from 01.12.1998 were signed on 28.07.2004 with Sri Lanka Mahaweli Authority to cover land extent of 292.0283 HA

The total extent of land area which is cultivated as at year end is 551.387 HA leaving a land area of 259.358 HA cultivated but not covered by valid lease agreements. The lease agreements covering land area of 130.169 HA out of this 259.358 have been subsequently signed. Steps are also being taken to enter into lease agreements for the balance land area of 129.189 HA.

This right-to-use land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 01.12.1998 and amortisation of the right to use of land up to 31st March 2019 are as above.



## Notes to the Financial Statements [Contd.]

### NOTE 5 - PROPERTY, PLANT & EQUIPMENT

The details of the Company's Property, Plant & Equipment and their carrying amounts are as follows.

	Land Rs.	Building Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Equipments Rs.	Motor Vehicles Rs.	Leased Vehicles Rs.	WIP Rs.	Total Rs.
<b>Gross carrying amount-at cost</b>									
Balance on 1st April 2018	20,095,000	9,233,137	13,280,466	1,506,466	73,332,821	3,920,000	3,920,000	131,816	121,499,706
Additions during the year	-	-	222,900	86,629	195,000	-	-	548,236	1,052,765
Disposal / Transfers	-	597,580	(156,720)	-	-	-	-	(597,580)	(156,720)
Balance on 31st March 2019	20,095,000	9,830,717	13,346,646	1,593,095	73,527,821	3,920,000	3,920,000	82,472	122,395,751
<b>Depreciation and Impairment</b>									
Balance on 1st April 2018	-	1,022,078	11,043,445	1,208,269	61,942,544	3,612,250	-	-	78,828,586
Charge for the year	-	334,959	1,275,968	50,901	1,930,195	307,750	-	-	3,899,773
On Disposal	-	-	(156,720)	-	-	-	-	-	(156,720)
Balance on 31st March 2019	-	1,357,037	12,162,693	1,259,170	63,872,739	3,920,000	-	-	82,571,639
<b>Net Book Value</b>									
As at 31st March 2019	20,095,000	8,473,680	1,183,953	333,925	9,655,082	-	-	82,472	39,824,112
As at 31st March 2018	20,095,000	8,211,059	2,237,021	298,197	11,390,277	307,750	307,750	131,816	42,671,120

Cost of fully depreciated assets still in use as at 31 March 2019 amounts to Rs. 70,194,281





## Notes to the Financial Statements [Contd.]

### NOTE 6 - INTANGIBLE ASSETS

	31.03.2019 Rs.	31.03.2018 Rs.
Balance on 1st April	-	-
Additions during the year	372,075	-
Balance on 31st March	372,075	-
<b>Amortisation</b>		
Balance on 1st April	-	-
Amortisation during the year	55,811	-
Balance on 31st March	55,811	-
Net Balance	316,264	-

Description- Accounting Software  
Remaining Amortisation period 51 Months

### NOTE 7 - BEARER BIOLOGICAL ASSETS

Mature Plants	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
<b>Cost</b>		
Balance on 1st April	504,885,076	504,885,076
Balance on 31st March	504,885,076	504,885,076
<b>Depreciation</b>		
Balance on 1st April	241,068,900	215,824,647
Charge for the year	25,244,254	25,244,253
Balance on 31st March	266,313,154	241,068,900
<b>Carrying Value</b>	238,571,922	263,816,176

- (i) Bearer Biological Assets include coconut trees. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with Sri Lanka Accounting Standard- LKAS 16- Property, Plant & Equipment
- (ii) The transfer of immature plantation to mature plantation commences at the time the plantation is ready for the commercial harvesting
- (iii) There are no nursery plants or immature plants as at 31.03.2019.

### NOTE 8 - CONSUMABLE BIOLOGICAL ASSETS

	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Balance on 1st April	103,800,000	65,000,000
Fair value adjustment for the year	41,152,743	38,800,000
Balance on 31st March	144,952,743	103,800,000

Consumable Biological Assets includes Teak Trees

The mature consumable biological assets are stated at fair value determined based on an independent valuation of trees performed by Prathap Chartered valuation & Consultancy (Pvt) Ltd.





## Notes to the Financial Statements [Contd.]

### NOTE 8 - CONSUMABLE BIOLOGICAL ASSETS (CONTD.)

#### Assumptions of Risk

The volumes of standing timber were based on the enumerations provided and the prices achieved in the local market and the value opinion expressed herein is based on certain assumptions in Sri Lanka, specially;

1. Maintain existing fiscal & economic environment.
2. Stable political and social environment.
3. Confirm to normal silviculture practices by the management
4. Consistency in application of regulation for extraction and harvesting of timber.
5. Replanting is not undertaken as the requirement in extinguished

#### Methodology

Under normal circumstances for the biological asset attached to the land there may be no separate market but for the combined asset but in this exercise of the estimation of fair value of timber as an asset in its own right on the basis of excess timber value, over and above the highest and best use as a coconut plantation, stumpage of standing timber is estimated on selective felling.

Value however depends on optimum rotation and the valuation is carried out as standing timber in its present location as it stands (stumpage) considering cost of logging and transport.

The factors such as geographic location with regard to market, legal and regulatory frame work, Forestry policy, market consideration are factored. Being a bulky product cost of extraction and transport influence prices. The crop rotation vary from 25- 30 years within which period rapid changes would have taken place within the operating market intra alia effecting the prices and timber stock with the passage of time and vagaries of weather. It had been observed that the market demand is influenced by the biological transformation evidence by the BHG. Thus extraction done selectively improves, income generation.

Market price of Teak plants are estimated based on Girth (Price per cu.ft. Rs. 3,750/- adjusted for cost of selling and transport estimated at Rs. 300/-)

#### a) Discounting Factor

The all risk yield for agriculture property vary from 10 – 12%. Therefore this rate is adjusted for systematic risk and unsystematic risk 2% and 2.5% respectively to arrive at the discounting rate of 16.5%.

#### b) Estimations of Volumes

Precursor to the assessment is the need to determine the volumes. These were based on the management provided enumeration and sampling to verify the accuracy. Where there were discernible differences, were rectified only in some instances due to time constraint. Others assumed correct as provided.

Time constraints apart timber cruise in this instance was not practical, next best was the random sampling, one to verify the statistical data as given in the inventory even this was not onerous as the trees were planted along the boundaries of an estate over 550 Ha. and wind belts are within the coconut plantation and further exacerbated by the fact that the fields are kilometers apart, therefore the blocks were subjected to random sampling there by inventorised griths were verified. Volumes of trees were calculated according to the categories established by the Management.

The trees which did not conform to the ideal growth pattern were excluded from the estimates, as there is uncertainty in Biological transformation with the expiry of time within which gain was not possible or unlikely.

#### c) Conclusion

The value based on stumpage depends not only on rotation but are subjected to uncertainty of approval for felling and the time frame for obtaining approval and other procedural factors that have to be conformed to before harvesting.

In the absence of a Forestry Management Plan clear felling at the end of the cycle is assumed for valuation. The rates were adjusted to take cognizance of the period to maturity and also girth influenced merchantability.







## Notes to the Financial Statements [Contd.]

### NOTE 8 - CONSUMABLE BIOLOGICAL ASSETS (CONTD.)

#### d) Sensitivity Analysis

##### Sensitivity variation on sales price

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to the changes into the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price when other variables are remained unchanged, has the following effect on the net present value of biological assets :

	+10% Rs.	0% Rs.	-10% Rs.
Total value of Stumpage	157,047,623	144,952,743	132,857,864

##### Sensitivity variation on discount rate

Net present value of the biological assets are as appearing in the statement of financial position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets :

	17.5% Rs.	16.5% Rs.	15.5% Rs.
Total value of Stumpage	139,381,519	144,952,743	149,633,709

### NOTE 9 - INVENTORIES

	31.03.2019 Rs.	31.03.2018 Rs.
Harvested Crop	37,674,698	21,138,602
Other Plants	396,675	525,142
Consumables	1,463,956	2,218,336
	39,535,329	23,882,080

### NOTE 10 - TRADE & OTHER RECEIVABLES

Trade Receivables	15,012,102	14,739,510
Deposits	842,954	842,954
Prepayments	268,614	154,905
Staff Loans	-	291,720
Employee Advances	13,550	9,600
Other Receivables	1,971,545	312,868
	18,108,765	16,351,557
Less : Allowance for Impairment	(1,376,054)	(759,304)
	16,732,711	15,592,253

### NOTE 11 - SHORT TERM INVESTMENTS

#### Fixed Deposits

Balance on 01st April	131,654,689	91,967,639
Amount Invested during the year	379,217,724	314,590,689
Interest Received for re-investment	10,365,805	8,063,209
Withdrawals made during the year	(340,421,908)	(285,575,977)
Interest Receivable at the end of year	6,416,732	2,609,129
Balance on 31st March	187,233,042	131,654,689

The average interest yield on short term deposits was 10.9%.





## Notes to the Financial Statements [Contd.]

### NOTE 12 - CASH AT BANK & IN HAND

	31.03.2019 Rs.	31.03.2018 Rs.
Cash at Bank	34,902,830	27,213,637
Cash in Hand	8,052	5,365
Cash and Cash Equivalent for the purpose of Cash Flow Statement	34,910,882	27,219,002

### NOTE 13 - STATED CAPITAL

	31.03.2019	31.03.2018
<b>Number of Ordinary Shares issued &amp; fully paid</b>		
Balance on 01st April	33,832,285	30,325,563
Shares issued during the year	-	3,506,722
Balance on 31st March	33,832,285	33,832,285

	31.03.2019 Rs.	31.03.2018 Rs.
Stated Capital on 01st April	355,622,230	298,113,716
Shares issued during the year	-	57,508,514
Stated Capital on 31st March	355,622,230	355,622,230

The Stated Capital of the Company consists only of fully paid ordinary shares

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholder meetings of the Company. All Shares rank equally with regard to the Company's residual assets.

### NOTE 14 - OBLIGATION UNDER FINANCE LEASE

	31.03.2019 Rs.	31.03.2018 Rs.
<b>Gross Liability</b>		
Balance on 01st April	349,506	951,564
Less : Amount paid during the year	(349,391)	(602,058)
Transfer from Finance Charges	(115)	-
Balance on 31st March	-	349,506
<b>Finance charges allocated to the future periods</b>		
Balance on 01st April	9,992	81,996
Less : Finance Charges written off during the year	(9,877)	(72,004)
Transfer to Liability	(115)	-
Balance on 31st March	-	9,992
<b>Net amount</b>	-	339,514
<b>Net amount payable within one year</b>	-	339,514
<b>Net amount payable after one year</b>	-	-





## Notes to the Financial Statements [Contd.]

### NOTE 15 - OBLIGATION UNDER RIGHT TO USE OF LAND ON LEASE

	31.03.2019 Rs.	31.03.2018 Rs.
<b>Mahaweli Authority of Sri Lanka</b>		
Balance on 01st April	15,490,156	16,733,407
Lease Rent	3,097,956	3,097,963
Interest Expense	1,613,164	1,636,112
- Adjustment for over provision in prior year	-	(1,682,937)
Payment made during the year	(5,290,796)	(4,294,389)
Balance on 31st March	14,910,480	15,490,156
Not later than one year	5,610,479	5,610,485
Later than one year not later than five years	6,706,533	7,162,707
Later than five years	2,593,468	2,716,964
	9,300,001	9,879,671

### NOTE 16 - RETIREMENT BENEFIT OBLIGATION

Balance on 1st April	7,395,183	5,699,069
Provision made for the year		
Current Service Cost	1,394,561	1,211,646
Interest Cost	605,544	683,888
Actuaries (gain) / loss	(410,443)	276,860
Payments during the year	(452,800)	(476,280)
Balance on 31st March	8,532,045	7,395,183

#### 16.1.1 Net Benefit Expenses Categorized Under Staff Cost

Current Service Cost	1,394,561	1,211,646
Interest Cost	605,544	683,888
	2,000,105	1,895,534

#### 16.1.2 Expenses Categorized Under Other Comprehensive Income

Actuaries (Gain) / Loss	(410,443)	276,860
	(410,443)	276,860

#### 16.2 Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

Financial assumptions	31.03.2019	31.03.2018
Salary Increases	10%	10%
Discount Rate	11%	12%
<b>Staff Turnover Rates</b>		
Staff Turnover	10%	10%
<b>Demographic assumption</b>		
Retirement Age	55 & 75	55 & 75

#### 16.3 Sensitivity analysis

Values appearing in the Financial Statements are very sensitive to the changes of financial and non-financial assumptions used. The sensitivity was carried for the rate of wage increment and discount rate, as it is the key contributor to the entire obligation. Simulations made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage, Staff Turnover and discount rate have following effect on the retirement benefit obligation:

	+1%	-1%
Discount Rate	(447,119)	481,325
Salary Increase	481,325	(455,023)
Staff Turnover	12,059	(13,188)





## Notes to the Financial Statements [Contd.]

### NOTE 17 - DEFERRED TAXATION

	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Balance on 01st April	35,600,628	8,833,670
Tax charge / (reversal) during the year	16,844,272	26,766,958
Balance on 31st March	52,444,900	35,600,628

### NOTE 17.1 - DEFERRED TAXATION RECONCILIATION

	31.03.2019		31.03.2018	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Balance on 01st April	254,290,205	35,600,628	88,336,704	8,833,670
Amount originate/release during the year	120,316,224	16,844,272	165,953,501	26,766,958
Balance on 31st March	374,606,429	52,444,900	254,290,205	35,600,628
<b>Deferred Tax Liability</b>				
Temporary difference on Property, Plant & Equipment	11,420,314	1,598,844	10,369,209	1,451,689
Temporary difference on Intangible Assets	(37,207)	(5,209)	-	-
Temporary difference on Bearer Biological Assets	238,571,922	33,400,069	263,816,176	36,934,264
Temporary difference on Consumable Biological Assets	144,952,743	20,293,384	103,800,000	14,532,000
Balance on 31st March	394,907,772	55,287,088	377,985,385	52,917,953
<b>Deferred Tax Assets</b>				
Temporary difference on Defined Benefit Obligation	8,532,045	1,194,486	7,395,183	1,035,325
Temporary difference on Tax Losses	11,769,298	1,647,702	116,299,997	16,282,000
As at 31st March	20,301,343	2,842,188	123,695,180	17,317,325
<b>Balance on 31st March</b>	<b>374,606,429</b>	<b>52,444,900</b>	<b>254,290,205</b>	<b>35,600,628</b>

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31st March 2019 is 14% (2018-14%) for the Company.

### NOTE 18 - TRADE & OTHER PAYABLES

	31.03.2019 Rs.	31.03.2018 Rs.
Accrued Expenses & Other Payables	17,575,879	9,483,438
Sundry Creditors	494,028	308,529
Dividend Payable	65,483,240	2,822,228
	83,553,147	12,614,195

### NOTE 19 - INCOME TAX LIABILITY / (REFUND DUE)

Balance on 01st April	3,580,457	3,385,864
Provision for the year	-	8,974,910
	3,580,457	12,360,774
Payments made during the year	(3,578,800)	(5,838,605)
ESC	(859,861)	(1,823,132)
WHT	(687,797)	(1,118,580)
Balance on 31st March	(1,546,001)	3,580,457





## Notes to the Financial Statements [Contd.]

### NOTE 20 - TURNOVER

	31.03.2019 Rs.	31.03.2018 Rs.
Coconut	150,431,853	202,766,234
Copra	8,265,288	10,164,764
	158,697,141	212,930,998

### NOTE 21 - OTHER INCOME

Sale of Husks	11,105,550	12,102,643
Sundry Income	306,222	1,000,517
Profit on Sale of Property, Plant & Equipment	70,000	-
Reversal of over provision for shortfall of coconut	-	328,449
Creditors Written Back	15,269	-
	11,497,041	13,431,609

Sundry income includes sale of coconut related by products such as, coconut shells and other crop sales.

### NOTE 22 - FINANCE COSTS AND FINANCE INCOME

<b>(i) Finance Costs</b>		
<b>Interest expenses on</b>		
Finance Lease	9,877	72,004
Obligation under Right to use of Land on Lease -	1,613,163	1,636,112
- Over provision- adjustment	-	(1,682,937)
<b>Total Finance Cost</b>	1,623,040	25,179
<b>(ii) Finance Income</b>		
<b>Interest income from short term bank deposits</b>		
Interest on Fixed Deposits	17,639,996	12,363,563
Interest on Saving Account	17	110
<b>Total Finance Income</b>	17,640,013	12,363,673

### NOTE 23 - EXPENSES BY NATURE

Profit before income tax is stated after charging all expenses including the following

Directors Remuneration	2,425,000	-
Allowance for impairment of Debtors	616,750	-
Donations	159,390	196,070
Staff Costs		
- Staff Salaries	5,708,578	4,478,717
- Defined contribution Plan Cost- EPF, ETF, CPPS & ESPS	1,051,485	519,325
- Defined Benefit Plan Cost- Provision for Retiring Gratuity	2,000,105	1,895,534
Operating Lease Rentals	3,097,956	3,097,963
Depreciation & Amortisation		
- Bearer Biological Asset	25,244,254	25,244,253
- Property, Plant & Equipment	3,899,773	4,153,265
- Intangible Asset	55,811	-
- Right to use Land on Lease	315,681	315,681
Auditors' Remuneration		
- Statutory Audit - Current	509,795	463,450
- prior year under provision	10,340	8,060
- Other than Audit Related Services	271,830	393,377







## Notes to the Financial Statements [Contd.]

### NOTE 24 - TAXATION

#### 24.1 INCOME TAX

As per the Inland Revenue Act No. 24 of 2017 (ACT), in the case of a Company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the Company is predominantly engaged in agricultural business.

	31.03.2019 Rs.	31.03.2018 Rs.
Income Tax on Profit for the year	-	8,974,910
Deferred Tax	16,901,734	26,728,197
Tax Expenses on Profit & Loss	16,901,734	35,703,107
Deferred Tax on Other Comprehensive Income	(57,462)	38,760
Tax on Total Comprehensive Income	16,844,272	35,741,867

#### 24.2 Reconciliation between Profit, Taxation and Current Tax on Ordinary Activities

Profit before Taxation	119,724,180	153,093,326
Tax at the Applicable Rate	16,761,385	15,309,333
Tax effect on Expenses that are not deductible in determining taxable profit	815,051	669,431
Tax effect on Expenses that are deductible in determining taxable profit	(789,626)	(657,938)
Tax effect on reversal of Deferred Tax Asset on Tax Loss	14,634,297	4,832,644
Effect on rate changes during the year	-	2,536,636
Effect on rate changes	-	7,646,047
Tax effect on brought forward loss set off	(14,634,297)	(4,832,644)
Tax effect on reversal of Deferred Tax Asset on Tax Loss- Exempt	-	10,281,448
Tax effect on OCI	57,462	(38,760)
Tax effect on disposal & Adjustment	-	(4,330)
Tax Expenses	16,844,272	35,741,867

#### 24.3 DEFERRED TAX

Deferred tax arising from		
<b>Liabilities</b>		
Property, Plant & Equipment	147,155	671,302
Intangible Assets	(5,209)	-
Bearer Biological Assets	(3,534,195)	8,028,221
Consumable Biological Assets	5,761,384	8,032,000
<b>Assets</b>		
Defined Benefit Obligations	(159,161)	(426,658)
Tax Losses Carried Forward	14,634,298	10,462,092
Total deferred tax Charge / (Reversal)	16,844,272	26,766,957

Deferred tax has been computed at the rate of 14%.





## Notes to the Financial Statements [Contd.]

### NOTE 25 - EARNINGS PER SHARE

#### 25.1 Basic earnings per ordinary share

The calculation of basic earnings per ordinary share has been done based on net profit attributable to ordinary shareholders divided by weighted average number of ordinary shares in issue as at the reporting date and calculated as follows:

	31.03.2019	31.03.2018
Net profit attributable to ordinary shareholders (Rs.)	102,822,446	117,390,219
Weighted average number of ordinary shares in issue (Nos)	33,832,285	31,257,649
<b>Basic earnings per ordinary share (Rs.)</b>	<b>3.04</b>	<b>3.76</b>

#### 25.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on net profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the year/previous year.

### NOTE 26 - DIVIDEND PER SHARE

	31.03.2019	31.03.2018
Dividend Paid (Rs.)	93,038,785	124,911,091
No. of Ordinary Shares in Issue (Nos.)	33,832,285	31,257,649
<b>Dividend per Ordinary Share (Rs.)</b>	<b>2.75</b>	<b>4.00</b>

### NOTE 27 - CONTINGENT LIABILITIES

There are no contingent liabilities as at 31st March 2019 which would require adjustments to or disclosure in the Financial Statements.

### NOTE 28 - CAPITAL COMMITMENTS

There are no material capital commitments as at 31st March 2019 in respect of the Company.

### NOTE 29 - EVENTS OCCURRING AFTER THE REPORTING DATE

The Company was listed on the Diri Savi Board of the Colombo Stock Exchange (CSE) on 03.06.2019.

The Board of Directors of the Company has recommended the payment of a final dividend of Rs. 1.50 per share for the year ended 31st March 2019. This will be paid by Rs. 50 cents in the form of cash dividend and Rs. 1/- in the form of scrip dividend.

The dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting.

Under the Inland Revenue Act No. 24 of 2017, withholding tax of 14% will be imposed on dividend declared.

In accordance with provisions of the Sri Lanka Accounting Standard No. 10 "Events after the reporting period", the proposed final dividend has not been recognised as a liability as at year end.

As required by Sections 56 & 57 of the Companies Act No. 07 of 2007, the Company has satisfied the solvency test, prior to recommending the final dividend.

There are no other events other than above have arisen since the reporting date which require adjustments to or disclosure in the Financial Statements.





## Notes to the Financial Statements [Contd.]

### NOTE 30 - RELATED PARTY DISCLOSURES

#### 30.1 Key management personnel information

The Directors of the Company have interest in the transactions detailed below and some Directors held the post of Director of such related Companies during the year.

Mr. S.D.W. Asitha Gunasekera, Mr. J.F. Fernandopulle, Mr. S.D. Senerath Gunasekera, Mr. S.J. Watawala, Mr. G.J.L. Neomal Perera, Mr. A.J. Shamendra Jayakody, Mr. M.D.J.P. Nilantha Perera, Prof. T.S.Gamini Fonseka (appointed w.e.f 26.07.2018), Mr. N.B.Weerasekara (appointed w.e.f 21.06.2018), and Mr. M.A.C. Hilarian Munaweera (appointed w.e.f. 30.10.2018) were Directors of the Company during the year

	31.03.2019 Rs.	31.03.2018 Rs.
Directors Fee	2,425,000	-

#### 30.2 Related Party transactions

The Company has a related party relationship with its related companies as disclosed below. The following transactions have been carried out with related parties during the year ended 31st March, 2019 under normal commercial terms.

##### Transactions with Companies in which Directors of the Company hold other directorships

The Company has carried out transactions with entities where the Director of the Company is a Director of such entities as detailed below:

##### Transaction with Other Related Companies

Name of the Company	Name of Director	Relationship	Nature of Transaction	31.03.2019 Rs.	31.03.2018 Rs.
Boyagane DC Mills (Pvt) Ltd	Mr. S.D.W. Asitha Gunasekera	Chairman	Sale of Coconut	2,796,477	5,808,413
Jayakody Mills (Pvt) Ltd	Mr. A.J. Shamendra Jayakody	Director	Trade Receivables Trade Payables	736,671 -	1,241,222 (504,551)
St. Anne's Factory	Mr. G.J.L. Neomal Perera	Director	Sale of Coconuts Trade Receivables / (Payable)	25,799,241 10,095,474	- (1,628)
<b>Transactions with Shareholders</b>					
S.A Silva & Sons Lanka (Pvt) Ltd -		Shareholder with 2% holding	Sale of Coconuts Trade Receivables	78,045,009 1,450,591	189,293,038 11,550,337





## Notes to the Financial Statements [Contd.]

### NOTE 31 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise, trade and other payables, and Right to use of Land on Lease. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, short-term investments and Cash at Bank and In hand that arrive directly from its operations. Accordingly the Company has exposure to namely Market Risk, Credit Risk and Liquidity Risk from its use of financial instruments.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of below risks:

- Interest rate risk
- Commodity price risk

Financial instruments affected by market risk include, short term investments in Deposits & Right to use of Land on Lease. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (i) Interest rate risk

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has investment in Deposits at varying terms and conditions. The finance function negotiates with banks to get the best interest rates.

#### (ii) Commodity price risk

The Company is affected by the volatility of certain commodities. The volatility in prices of coconut etc. would trigger greater uncertainty in the contribution towards Company turnover. Due to the significantly increased volatility of the price of the underlying, the Company's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

#### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading towards negative effect towards Company profitability. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Company has continuously monitored the receivables through segregating the duty of controlling the receivables. It is the responsibility of the Management to continuously monitor the receivables and the receipts & recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with provisioning to smooth out the irrecoverable debtor balances across the period.





## Notes to the Financial Statements [Contd.]

### NOTE 32 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

The following table shows the credit quality of the financial instruments by class of financial assets.

As at 31st March 2019	Neither past due nor impaired Rs.	Past due but not impaired Rs.	Individually impaired Rs.	Total Rs.
Assets				
Trade & Other Receivables	14,854,018	1,610,610	1,376,054	17,840,682
Short Term Investment	187,233,042	-	-	187,233,042
Cash at Bank & in Hand	34,910,882	-	-	34,910,882
	236,997,942	1,610,610	1,376,054	239,984,606

  

As at 31st March 2018	Neither past due nor impaired Rs.	Past due but not impaired Rs.	Individually impaired Rs.	Total Rs.
Assets				
Trade & Other Receivables	15,353,698	83,944	759,304	16,196,946
Short Term Investment	131,654,689	-	-	131,654,689
Cash at Bank & in Hand	27,219,002	-	-	27,219,002
	174,227,389	83,944	759,304	175,070,637

### Liquidity Risk

Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's covenant compliance and compliance with internal balance sheet ratio targets.

The maturity analysis of the Company's Financial Liabilities are given below.

	Note	On demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
<b>Year ended 31st March 2019</b>							
Trade & Other Payables	18	912	71,795,677	801,683	350,000	-	72,948,272
Obligation under Right to use of Land on Lease	15	-	-	5,610,478	6,706,533	2,593,469	14,910,480
		912	71,795,677	6,412,161	7,056,533	2,593,469	87,858,752
	Note	On demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
<b>Year ended 31st March 2018</b>							
Trade & Other Payables	18	-	7,160,798	1,306,234	3,172,229	-	11,639,261
Obligation under Right to use of Land on Lease	15	-	-	5,610,485	7,162,707	2,716,964	15,490,156
Obligation under Finance Lease	14	-	-	339,514	-	-	339,514
		-	7,160,798	7,256,233	10,334,936	2,716,964	27,468,931

### NOTE 33 - DIVIDENDS

	31.03.2019 Rs.	31.03.2018 Rs.
Ordinary Share Dividends		
Net Dividend Paid		
Cash Dividends	80,013,355	56,208,785
Scrip Dividends	-	56,208,514
Tax deducted at source	13,025,430	12,493,792
Gross Dividend	93,038,785	124,911,091







# Shareholders Information

## 1. General

	31.03.2019	31.03.2018
Stated Capital (Rs.)	355,622,230	355,622,230
No. of Shares	33,832,285	33,832,285
Net Asset per Share (Rs.)	16.17	15.87
Earnings per Share (Rs.)	3.04	3.76
Dividend per Share (Rs.)	2.75	4.00

## 2. 20 Major largest Shareholders as at 31st March 2019 & 31st March 2018

	Name of Shareholders	31.03.2019		31.03.2018	
		No. of Shares	%	No. of Shares	%
1	Dunagaha Coconut Producers Co-op Society Ltd	1,577,593	5%	1,577,593	5%
2	Silvermill Holdings Ltd	1,490,329	4%	1,490,329	4%
3	Sanhinda Mills (Pvt) Ltd	1,443,234	4%	1,443,234	4%
4	P.P. Suresh Fernando	1,295,090	4%	1,295,090	4%
5	H.D.P.D.Sanjeewa Samaranayaka	941,804	3%	941,804	3%
6	Beligala Coconut Products (Pvt) Ltd	891,723	3%	891,723	3%
7	Sunil Jayalath Watawala	852,521	3%	852,521	3%
8	Shantha Kumara Wickremarachi	843,283	2%	843,283	2%
9	S.A.Silva & Sons Lanka (Pvt) Ltd	841,670	2%	841,670	2%
10	D.M.S. Wickremesinghe Gunawardena	768,729	2%	768,729	2%
11	G.J.L. Neomal Perera	751,869	2%	751,869	2%
12	J.A.S.N. Jayasinghe	744,928	2%	744,928	2%
13	J.F. Fernandopulle	733,639	2%	733,639	2%
14	Swanee Mills Ltd	733,114	2%	733,114	2%
15	P.K. Kumarasiri Panduwawela	717,785	2%	717,785	2%
16	T.S. Jayalath	672,189	2%	672,189	2%
17	St. Joseph D C Manufacturers (Pvt) Ltd	628,997	2%	628,997	2%
18	D.Y.& D.U.Rajapaksa (Pvt) Ltd	605,553	2%	605,553	2%
19	S.A.D.U. Shehan Silva	588,826	2%	588,826	2%
20	P.K.G. Panduwawala	578,047	2%	578,047	2%

## 3. Distribution of Ordinary Shares

No. of Shares held	31.03.2019			31.03.2018		
	No. of Share holders	Total No. of Shares	Percentage %	No. of Shares held	Total No. of Shares	Percentage %
1-1000	55	6,730	0.02%	55	6,730	0.02%
1001-5000	49	75,119	0.22%	49	75,119	0.22%
5001-10000	11	61,926	0.18%	11	61,926	0.18%
10001-50000	15	351,179	1.04%	15	351,179	1.04%
50001-100000	7	505,256	1.49%	9	694,423	2.05%
100001-500000	47	12,483,492	36.90%	46	12,294,325	36.34%
500001-1000000	21	14,542,337	42.99%	21	14,542,337	42.99%
Over 1000000	4	5,806,246	17.16%	4	5,806,246	17.16%
<b>Total</b>	<b>209</b>	<b>33,832,285</b>	<b>100%</b>	<b>210</b>	<b>33,832,285</b>	<b>100%</b>





## Shareholders Information (Contd.)

### 4. Categories of Shareholders

Category	31.03.2019			31.03.2018		
	No. of Share holders	Total No. of Shares	Percentage %	No. of Shares held	Total No. of Shares held	Percentage %
Individuals	158	15,128,350	45%	159	14,864,383	44%
Institutions	44	16,037,544	47%	44	16,301,511	48%
Directors	7	2,666,391	8%	7	2,666,391	8%
<b>Total</b>	<b>209</b>	<b>33,832,285</b>	<b>100%</b>	<b>210</b>	<b>33,832,285</b>	<b>100%</b>

The ordinary voting shares of Mahaweli Plantations Ltd has been transferred / listed in the Diri Savi Board with effect from 03.06.2019





# Ten years Summary

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>Turnover</b>										
Gross profit	37,877,433	36,035,239	58,569,524	65,393,651	91,663,310	133,032,051	83,533,190	181,675,017	212,930,998	158,697,141
<b>Net Finance Income/other income</b>										
Profit After tax	17,994,538	15,986,856	33,451,414	37,552,016	57,886,136	73,293,507	12,975,993	70,683,137	106,458,551	71,535,554
	(5,250,476)	(3,014,569)	(3,560,461)	(4,444,809)	(3,351,208)	(2,054,464)	(250,095)	2,658,463	12,338,494	16,016,973
Other comprehensive income	6,333,772	12,873,051	22,766,835	24,311,132	40,600,485	47,244,250	10,081,751	65,477,749	117,390,219	102,822,446
	-	-	-	-	-	-	-	-	-315,620	467,905
Total comprehensive income for the year	6,333,772	12,873,051	22,766,835	24,311,132	40,600,485	47,244,250	10,081,751	65,477,749	117,074,599	103,290,351
<b>Assets and Liabilities</b>										
Property Plant and Equipment	19,162,440	16,047,825	15,386,522	11,912,474	13,060,587	16,483,945	17,844,566	16,470,222	42,671,120	39,824,112
Right to use Land on Lease	16,193,224	15,326,937	5,988,683	5,631,155	5,273,621	4,916,087	4,558,553	3,661,901	3,346,220	3,030,539
Immature Plantation	7,757,614	5,724,909	4,709,026	3,354,999	3,218,265	1,468,196	-	-	-	-
Consumable Biological Asset	-	-	37,500,000	42,500,000	45,709,443	38,100,000	49,800,000	65,000,000	103,800,000	144,952,743
Bearer Biological Assets	255,071,136	270,465,160	292,260,024	313,819,416	336,004,079	338,080,740	314,304,682	289,060,428	263,816,176	238,571,922
Short term Investments	-	-	-	-	18,917,239	31,122,869	34,794,403	91,967,639	131,654,689	187,233,042
Working Capital	(17,233,440)	(22,512,258)	6,306,714	7,001,289	23,364,914	61,785,309	66,809,047	140,354,167	176,519,054	191,110,020
<b>Non Current Liabilities</b>										
	151,903,945	143,132,493	53,297,735	33,060,408	39,062,797	33,603,306	29,650,631	27,982,054	52,875,482	70,276,946
<b>Cash flows</b>										
Cash Generated/(Used in) from Operations	32,004,378	34,084,268	51,288,056	52,576,828	73,094,150	94,204,858	15,590,810	83,856,231	147,470,994	151,313,289
Net cash from/(used in) operating Activities	26,401,761	30,758,239	51,147,674	51,638,173	72,419,162	91,398,860	11,410,972	81,608,746	138,214,397	145,734,031
Net cash from/(used in) Investing Activities	(24,175,180)	(23,582,477)	(37,870,338)	(38,666,898)	(56,065,989)	(43,768,852)	(7,000,400)	(55,206,565)	(57,720,808)	(39,363,179)
Net cash from/(used in) Financing Activities	4,072,907	(10,142,979)	(376,087)	(12,531,015)	(15,690,825)	(26,825,122)	(23,188,833)	(17,310,590)	(72,299,024)	(98,678,972)
Cash and Cash Equivalents at end of the year	6,004,491	3,037,275	15,938,524	16,378,784	7,906,218	28,711,105	9,932,846	19,024,437	27,219,002	34,910,882
<b>Operating Ratios</b>										
Turnover growth (%)	45%	(5%)	63%	12%	40%	45%	(37%)	117%	17%	(25%)
Operating profit Margin (%)	31%	44%	46%	44%	56%	40%	14%	38%	66%	65%
Fixed Asset turn over ratio (%)	198%	225%	381%	549%	702%	807%	468%	1103%	499%	398%
<b>Financial Ratios</b>										
Return on Equity (%)	5%	9%	8%	7%	10%	11%	2%	13%	22%	19%
Current Ratio (times)	0.50	0.41	1.27	1.35	1.93	4.17	4.82	7.95	8.97	3.14
Debt/Equity(%)	48%	38%	16%	13%	12%	8%	7%	4%	2.95%	2.72%
Interest cover (times)	2.21	5.27	7.53	5.63	10.88	14.40	3.82	34.47	5590	64
<b>Investor Ratios</b>										
EPS (Rs)	0.35	0.72	0.76	0.81	1.34	1.56	0.33	2.16	3.76	3.04
DPS (Rs)	-	-	-	-	0.15	0.25	0.45	0.20	4.00	2.75
Dividend cover (times)	-	-	-	-	8.93	6.23	0.74	10.80	0.94	1.11
Net Asset Value per share(Rs)	7.23	7.95	9.37	11.76	12.77	14.08	13.96	16.03	15.87	16.17





# Notice of Meeting

NOTICE IS HEREBY GIVEN, that the Twenty Second (22) ANNUAL GENERAL MEETING of Mahaweli Coconut Plantations PLC, will be held at **Paradise Beach Hotel, No. 289, Lewis Place, Negombo on 26th September 2019 at 11.00 am** for the following purposes:

## AGENDA

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the financial year ended 31st March, 2019 and the Report of the Auditors thereon.
2. To announce the retirement of the 3 oldest serving Directors Mr. S.D. Senarath Gunasekera, Mr. G.J.L. Neomal Perera and Mr. A.J. Shamendra Jayakody, who retire in terms of Articles 73 and 74 of the Articles of Association of the Company.
3. To re-elect Mr. S.D. Senarath Gunasekera who has consented to be re-appointed for the position of Director.
4. To re-elect Mr. G.J.L. Neomal Perera who has consented to be re-appointed for the position of Director.
5. To re-elect Mr. A.J. Shamendra Jayakody who has consented to be re-appointed for the position of Director.
6. Passing an Ordinary Resolution declaring that the Section 210 of the Companies Act No.7 of 2007 is not applicable.

### Ordinary Resolution

**It is hereby resolved** as required by Section 211 to declare that the age limit referred to in Section 210 shall not apply to the existing directors Mr. S.J. Watawala and Prof. T.S. Gamini Fonseka who have attained the age limit of 70 years.

7. To ratify the appointment of Mr. M.A.C. Hilarian Munaweera as an Independent Non-Executive Director of the Company effective from 30th October 2018 and to elect him as an Independent Non-Executive Director of the Company.
8. To declare a Final Dividend of Rs. 1.50 per Ordinary Share, as recommended by the Board of Directors and to pass the following by way of an Ordinary Resolution.

### Ordinary Resolution (I)

**It is hereby resolved** that a Final Dividend of Rs. -/50 (Fifty Cents) be distributed in the form of Cash amounting to total a sum of Rupees Sixteen Million Nine Hundred & Sixteen Thousand One Hundred & Forty Two & Fifty cents only (Rs. 16,916,142.50) and the Cash Dividend shall be subject to Dividend Tax at the rate of 14%, AND

### Ordinary Resolution (II)

**It is hereby resolved** that a Final Dividend of Rs. 1/- (One Rupee) per share be distributed in the form of Scrip Dividend amounting to a total sum of Rupees Twenty Nine Million Ninety Five Thousand Seven Hundred & Fifty only (Rs. 29,095,750/-) and the method of distribution would be as follows:

- (i) The Scrip Dividend shall be subject to Dividend Tax at the rate of 14%.
- (ii) The number of Ordinary Shares to be issued under the Scrip Dividend will be 1,163,830 on the basis of Rs. 25/- per share, which results in one (1) share being issued for each existing Twenty Nine decimal Zero Six Nine Seven Eight Two Five Three (29.06978253) shares (this works out to a bonus share fraction of 0.0343999821 per one (1) share) held by the existing shareholders at the end of trading on the Colombo Stock Exchange as of the date of the Annual General Meeting.
- (iii) The total number of shares to be issued as Scrip Dividend is One Million One Hundred Sixty Three Thousand Eight Hundred & Thirty (1,163,830) ordinary shares.

It is further resolved that the shares issued under the Scrip Dividend be listed on the Colombo Stock Exchange and that approval in principal has been obtained from Colombo Stock Exchange for the Scrip Dividend.

It is further resolved that the remaining balance arising from the aggregation of the residual fractions ("fractional shares") consequent to the Scrip Dividend shall be disposed in the Market and resulting proceeds will be disbursed to charities and other donations in line with the Corporate Social Responsibility Policy of the Company. The residual fraction entitlement referred to herein shall mean the fraction arising after applying the following formula.

$$\frac{\text{(Number of shares held by a shareholder as at end of trading on the AGM date)} \times 1}{29.06978253}$$





## Notice of Meeting [Contd.]

9. To re-appoint the existing auditors, M/s. Kretson MNS & Co (Chartered Accountants) as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
10. To authorize the Directors to determine the contribution to charity.
11. To Transact any other business of which due notice has been given.

By order of the Board

**K.A.L. Rupasinghe FCA (Company Secretary)**

Reg.No. SEC/1(b) (11) 2007/308

Colombo,

31st August 2019

### Notes:

1. A shareholder who is unable to attend the meeting is entitled to appoint a proxy in his / her place. A proxy so appointed need not be a member of the Company. A form of proxy is sent herewith.
2. If the shareholder is a body corporate (i.e. A Limited Liability Company) the person attending the meeting on behalf of such Company, should file a proxy (indicating the name and NIC number of the nominee) signed and stamped by 2 directors of the Company.
3. Admission to the meeting hall will be allowed only on production of a valid identity.



[illegible]





# Form of Proxy

I/We \* .....  
.....of .....  
..... being a member /s \* of Mahaweli Coconut Plantations PLC, hereby appoint  
Mr/Mrs/Miss \* .....  
(holding of N.I.C. No.....) of .....  
.....whom failing.

Mr. S.D.W. Asitha Gunasekera  
Mr. J. F. Fernandopulle  
Mr. S. J. Watawala  
Mr. S. D. Senerath Gunasekera  
Mr. G.J.L. Neomal Perera  
Mr. A.J. Shamendra Jayakody  
Mr. M.D.J.P. Nilantha Perera  
Mr. N.B. Weerasekera  
Prof. T.S.Gamini Fonseka  
Mr. M.A.C.Hilarian Munaweera

of Nugegoda, failing him\*  
of Colombo, failing him\*  
of Negombo, failing him\*  
of Battaramulla, failing him\*  
of Colombo, failing him\*  
of Dankotuwa, failing him\*  
of Colombo, failing him\*  
of Colombo, failing him\*  
of Divulapitiya, failing him\*  
of Colombo, failing him\*

as my/our \* Proxy to represent me/us \* and vote on/our \* behalf at the Twenty Second Annual General Meeting of the Company to be held at Paradise Beach Hotel, No. 289, Lewis Place, Negombo on 26th September, 2019 at 11.00 a.m and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a ✓ in the box of your choice against each Resolution

	For	Against
(i) To received and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the financial year ended 31st March 2019 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To re-elect Mr. S. D. Senerath Gunasekera as a Director, who retire in terms of Articles 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. G. J. L. Neomal Perera as a Director, who retire in terms of Articles 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Mr. A. J. Shamendra Jayakody as a Director, who retire in terms of Articles 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To resolve as required by Section 211 of the Companies Act No, 7 of 2007 to declare that the age limit referred to in Section 210 shall not apply to the existing directors Mr. S. J. Watawala and Prof. T. S. Gamini Fonseka who have attained the age limit of 70 years.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To ratify and elect Mr. M. A. C. Hilarian Munaweera as an Independent Non-Executive Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(vii) Passing an Ordinary resolution to declare a final dividend of Rs.-/50 (Fifty cents) per share to the existing shareholders in the form of Cash for the financial year ended 31-03-2019.	<input type="checkbox"/>	<input type="checkbox"/>
(viii) Passing an Ordinary resolution to declare a final dividend of Rs. 1/- (One Rupee) per share to the existing shareholders in the form of Scrip Dividend for the financial year ended 31-03-2019.	<input type="checkbox"/>	<input type="checkbox"/>
(ix) To re-appoint the existing auditors, M/s. Kretson MNS (Chartered Accountants) as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(x) To authorize the Directors to determine the contribution to charity.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of.....2019

.....  
Signature

..... Shareholder's NIC/PP/Co. Reg. No.

\* Please delete the inappropriate words





#### INSTRUCTIONS AS TO COMPLETION

- i) The full name and the address of the proxy and of the shareholder appointing the proxy should be entered legibly in the form of proxy.
- ii) In the case of a Corporation/Company this proxy shall be under its Common Seal duly signed.
- iii) The complete form of proxy should be deposited at the Office of the Secretary, K.A.L. Rupasinghe, No. 6, Balahenamulla Lane, Kirulapone, Colombo 06, not less than 48 hours before the time appointed for the holding of the Meeting.





**Mahaweli Coconut Plantations Limited**  
No. 1/82, Kimbulapitiya Road, Bolawalana, Negombo.  
Tel : 031-4924553/031- 4936163, Fax: 031-2233304  
E mail : mcpl@sltnet.lk