



**பீ அலெவி இனீவலெய்
நெல் சந்தைப்படுத்தல் சபை
PADDY MARKETING BOARD**

**வாரீகை வாரீகை
ஆண்டறிக்கை
ANNUAL REPORT**

2016



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நெல் சந்தைப்படுத்தல் சபை
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The Report to be submitted to the Honourable Minister of Mahaweli, Agriculture, Irrigation and Rural Development related to the implementation and discharge of his powers, responsibilities, roles, policies and programmes of the Paddy Marketing Board for the year ended 31 December 2016, under the Section 31(1) of the Paddy Marketing Board Act No. 14 of 1971.



Paddy Marketing Board

Annual Report 2016

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Vision

To function as, storing, the leading state middleman in purchasing processing and marketing of Paddy and Rice

Mission

Successful accomplishment of the process of purchasing, storing, processing and marketing of paddy and rice through a Staff perfected with Knowledge and competency for satisfying both the parties, the producer and the consumer

2. The Board of Directors and the Senior Management in the Year 2016

2.1 The Board of Directors of the Paddy Marketing Board in the Year 2016 was comprised of the following members.

1. Mr. M.B. Dissanayake

(65th Board of Directors – 15.02.2016 - Chairman, Paddy Marketing Board.
76th Board of Directors – Up to 28.12.2016)

2. Mr. D. Jeewanadan

(65th Board of Directors – 15.02.2016 - Commissioner of Co-operative Development,
76th Board of Directors – Up to 28.12.2016) Department of Co-operative Development.

3. Mrs. Geetha Wimalaweera

(65th Board of Directors – 15.02.2016 - Additional Director General, Department of
76th Board of Directors – Up to 28.12.2016) National Budget.

4. Mrs. Nimalka Dias

(65th Board of Directors – 15.02.2016 - Food Commissioner, Food Commissioner's
68th Board of Directors – Up to 06.04.2016) Department.

5. Mrs. J. Krishnamoorthi

(69th Board of Directors – 05.05.2016 - Food Commissioner, Food Commissioner's
76th Board of Directors – Up to 28.12.2016) Department.

6. Mr. M.A. Sunil Weerasinghe

(65th Board of Directors – 15.02.2016 - Commissioner General of Agrarian Development,
76th Board of Directors – Up to 28.12.2016) Department of Agrarian Services.

7. Mr. D.M.S.B. Wijekoon

(65th Board of Directors – 15.02.2016 - Member of the Board of Directors
76th Board of Directors – Up to 28.12.2016)

Twelve (12) meetings of the Board of Directors were conducted during the year 2016 and Mrs. Ruwanthika Gunawardene, Legal Officer functioned as the Secretary to the Board of Directors during the year 2016 as well.

2.2 Senior Management of the Paddy Marketing Board in the Year 2016



Mr. S. M. Saman Palitha Bandara
Deputy General Manager (Operations)



Mr. R. C. Rathnayake
Deputy General Manager (Finance)



Mr. M.K.W.S. de Silva
Accountant (From 2011.01.16 to 2016.01.16)



Mrs. R.M. Ruwanthika Gunawardene
Legal Officer



Mr. A.M.U.N. Atapattu
Internal Auditor



Mrs. A.M. Jayasinghe
Accountant (Since 2016.05.17)



Mr. R.M.A. Rathnayake
Regional Manager, Ampara



Mr. Nimal Ekanayake
Regional Manager, Polonnaruwa



Mr. Suranga Senanayake
Regional Manager, North Western



Mr. Ajith Shantha Kumara
Regional Manager, Anuradhapura



Mr. Ranawaka Weerasekera
Regional Manager, Eastern

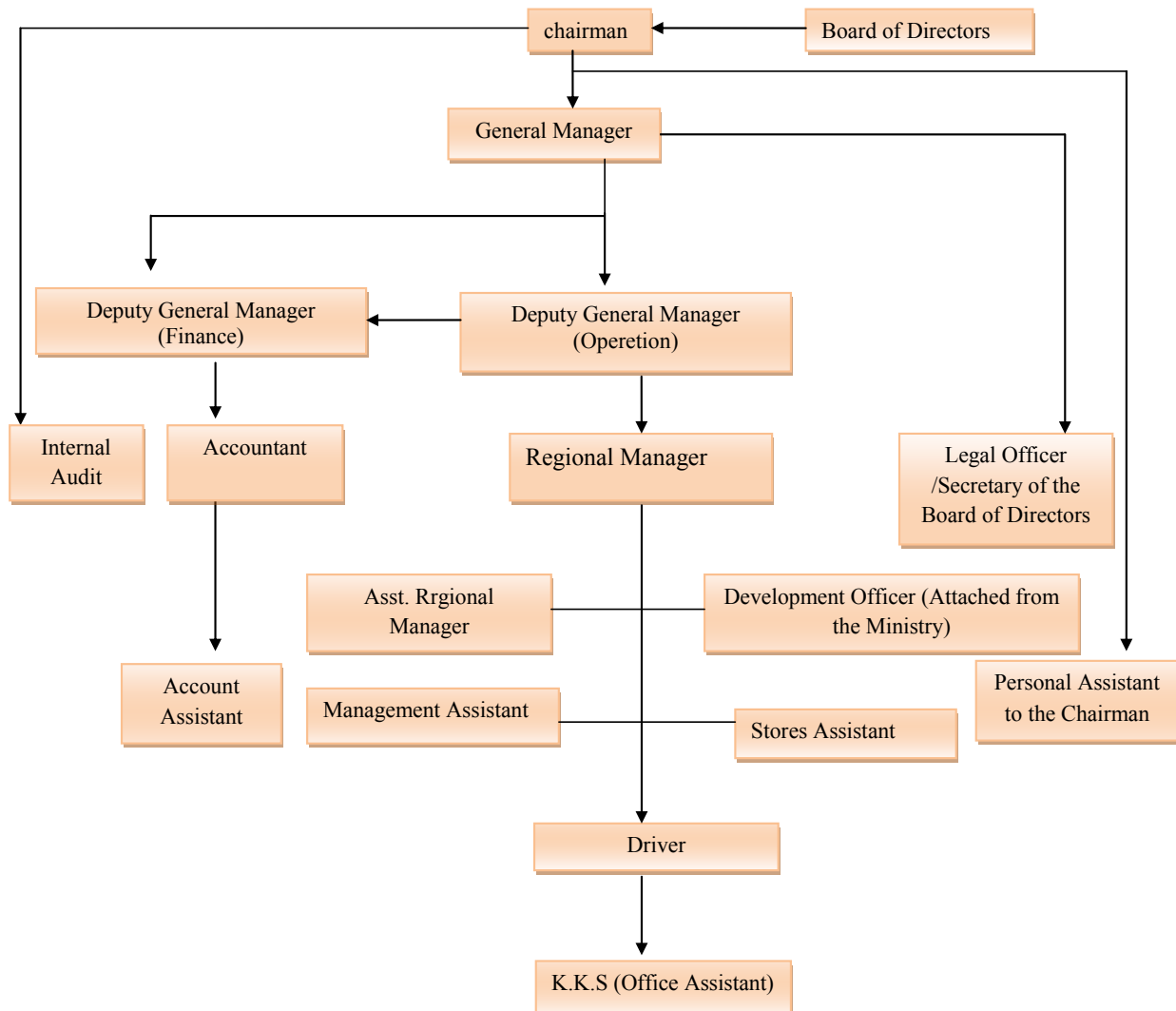


Mr. N.G.C.K. Nissanka
Regional Manager, Northern



Mr. W.O. Thilekarathne
Regional Manager (Acting), Southern

3. Organizational Chart in the Year 2016



4. Review of the Chairman

The major role of the Paddy Marketing Board established under the Paddy Marketing Board Act No. 14 of 1971 is mentioned below.

1. To conduct a business of purchasing, marketing, supplying and distributing paddy and grains.
2. To conduct a business of milling, hulling and processing of paddy and grains.
3. To conduct any other business affairs that may be incidental or helpful in the achievement of the objectives referred to in Paragraphs (1) and (2) above.
4. To execute all the functions that the Board may deemed necessary for the proper conduct of the business affairs of the Board.

The Paddy Marketing Board which was re-established in compliance with a decision taken by the Cabinet on 15th July 2007 resumed its active contribution towards purchasing, storing and marketing of paddy.

Accordingly, the annual production of paddy in the year 2016 was 4,420,085 metric tons according to the data collected by the Department of Census and Statistics and the quantity of paddy purchased by the Paddy Marketing Board in Maha Season in the year 2015/16 and Yala Season in the year 2016 was recorded as 157,429.28 metric tons. The amount spent on purchasing that quantity of paddy was approximately Rs.6,195,179.41.

The Paddy Marketing Board was able to maintain stable prices for paddy at the open market and to contribute in the supply of grain stocks to the consumer at a justifiable price through the intermediation in the process of purchasing and marketing of paddy this year.

The Paddy Marketing Board had used a large number of stores owned by the Board for storing paddy in the year 2016 and further, the Paddy Marketing Board had taken action in the year 2016 to carry out renovations of 37 stores and 08 other buildings within the Zones by spending an amount of R.Mn 72.59.

The amount of loan obtained from the General Treasury, Bank of Ceylon, Peoples' Bank and National Savings Bank from the years 2008 to 2015 was Rs. 23,172.4 million and the amount of loan obtained in the year 2016 was Rs. 6,798.2. Arrangements were made by the Paddy Marketing Board during the year 2016 to settle Rs. 8,376.1 million out of the total amount of loan the outstanding balance was Rs. 21,594.5 million.

Action was taken to maintain a buffer stock using the balance stocks of paddy owned by the Paddy Marketing Board in the year 2016.

Further, it was possible to render a yeoman service to the farmers as well as to the consumers this year by re-obtaining the warehouses of the Paddy Marketing Board which are considered as a resource of the Government and possessed by other institutions.

Subsequent to functioning in coordination with the regional co-operative institutions private agents and the Farmers' Organizations as the buying agents of the Paddy Marketing Board, the Board had made arrangements to directly purchase paddy from the farmers to provide a more effective service to the buyers. Accordingly, the farmers directly supply their paddy to the warehouses of the Board together with the information report certified by the Agriculture Research and Production Assistant (A.R.P.A) in the relevant areas. The maximum quantity of paddy recommended by a Agriculture Research and Production Assistant (A.R.P.A) in the year 2016 for a farmer was 2,000 kilograms.

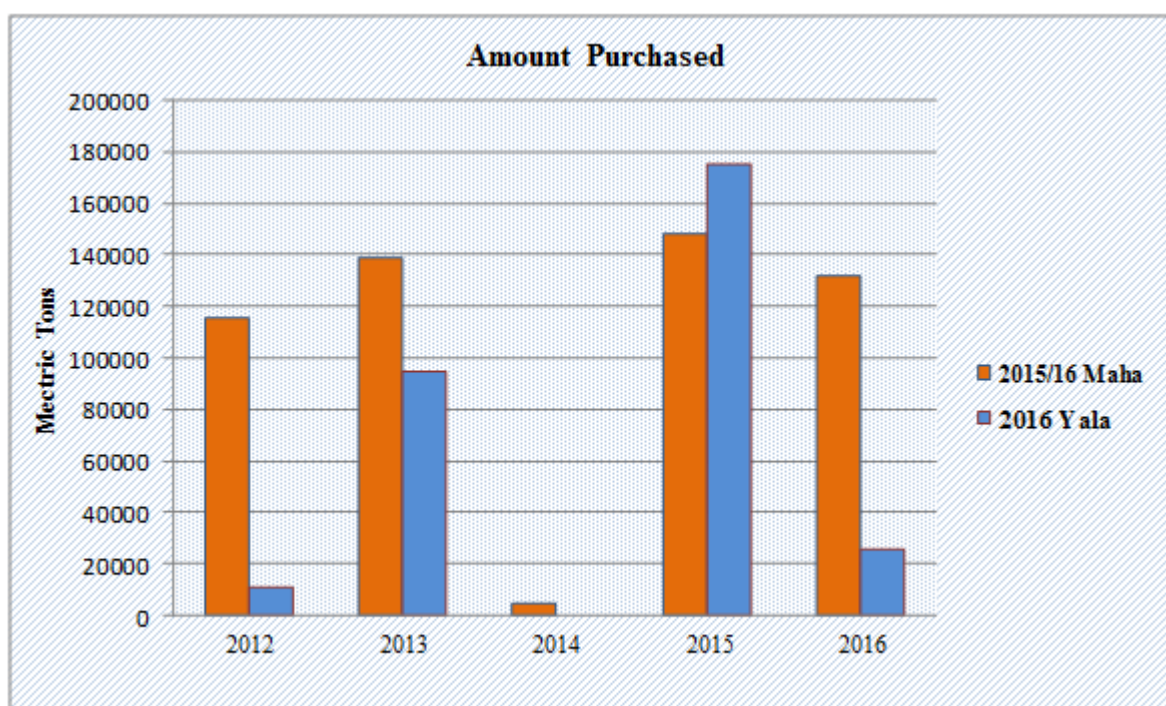
The Standards used for the purchase of paddy in the year 2016 were as follows.

- | | |
|--|---------|
| 1. Maximum percentage of moisture | : - 14% |
| 2. Impurities (Maximum) | : - 1% |
| 3. Mixture of other varieties (Maximum) | : - 6% |
| 4. Immature Seeds (chaff) (Maximum as per the scale) | : - 9% |
| 5. Free from discoloured seeds (Muddy) | |
| 6. Free from seeds infected by insects, insect eggs & stages of life cycles of insects | |

Accordingly, it was decided to purchase one Kilogram of Samba prepared according to the proper standards for Rs. 41.00 and one kilogram of Keeri Samba prepared according to the proper standards for Rs. 50.00 and one Kilogram of Nadu prepared according to the proper standards for Rs. 38.00 as per the decision of the Cabinet bearing No. 16/0383/732/014 in the Maha Season in 2015/16 and as per the decision of the Cabinet bearing No. 16/1483/732/026 in the Yala Season in 2016.

The stocks of paddy purchased by the Paddy Marketing Board during the 05 immediate previous years are as follows.

Season	Quantity of Paddy Purchased (MT)				
	2012	2013	2014	2015	2016
Maha	115,786	138,650	4,576	148,369	131,981
Yala	10,476	94,376	-	175,266	25,447
Total	126,262	233,026	4,576	323,635	157,428



Obstacles and Challenges

The lack of facilities available for the farmers to dry and transport their paddy, sale of paddy stocks of the farmers to the millers at low prices with the objective of emptying their warehouses, maintenance of certain warehouses below the proper standard, dearth of skilled officers etc. can be indicated as obstacles and challenges faced by the Paddy Marketing Board during this year.

At present, the Paddy Marketing Board has taken steps to obtain the views of the Farmer Organizations and the millers through consulting such organizations and the millers in the preparation of future plans. In addition, the Paddy Marketing Board is willing to mainly accomplish the following future plans.

1. Recruitment of new officers

Structural changes are being gradually carried out after the re-establishment of the Paddy Marketing Board in the year 2008. Accordingly, arrangements have been made to recruit a staff (Including a Systems Administrator) for the establishment of an Information Technology Division and a staff required for the formalization of the Accounts Division and to expand the Audit Division.

2. Construction of Regional Offices and Warehouse Offices

Warehouses are being modified to the appropriate condition to store paddy stocks by giving prominence to the regional requirement as limited provisions are allocated by the General Treasury for the modification of the existing warehouses of the Paddy Marketing Board and to construct new warehouses. Likely, plans are being made to construct new Paddy warehouses in places where farmers can conveniently sell their paddy.

3. Construction of farm houses

Construction of farm houses required to dry paddy stocks which was a great request made by farmers is one of the Programmes included in the future plans of the Paddy Marketing Board and accordingly, it is expected to construct farm houses in the spacious and selected warehouse premises covering all the Regions. Farmers who arrive at the Paddy Marketing Board to sell their paddy stocks can dry their paddy stocks within the warehouse premises to the required level and sell their paddy stocks without much difficulty in case a problem creates in selling paddy due to incomplete drying of their paddy stocks.

4. Installation of Drier Machines

In the purchase of Paddy stocks by the Paddy Marketing Board, the Board does not buy paddy stocks which do not conform to the specified standards and specifications. There are instances where farmers who arrive at the Paddy Marketing Board for selling their paddy stocks face difficulties since one of the major specifications considered here is the moisture content of such paddy stocks that should not exceed 14%. As a solution for the difficulty that farmers have to face in such a situation, the Paddy Marketing Board has planned to install paddy drier machines.

5. Payment of money to paddy purchased from farmers using a Direct Fund Transfer System

Making necessary arrangements to pay farmers the amount related to the paddy stock bought from them through the introduction of an electric money transfer system for avoiding difficulties in the payment of money for paddy purchases of the PMB and for making this payment methodology systematic and efficient is included in the future plans of the Paddy Marketing Board (PMB). The PMB has planned to create a direct fund transfer system by obtaining bank account numbers of each farmer and to credit money to such accounts.

6. Storing paddy stocks by adopting Scientific Methods

The system of Stacking has been adopted as a paddy stock pilot project in order to minimize damages to the stocks in storing paddy according to the scientific methods as approximately 3% of damages may occur in storing paddy stocks and to conduct activities pertaining to annual verification of stocks. It is expected to gradually adopt the system of stacking for all the warehouses in the future. Thereby, it is scheduled to minimize the overall stock damage through the adoption of scientific methods.

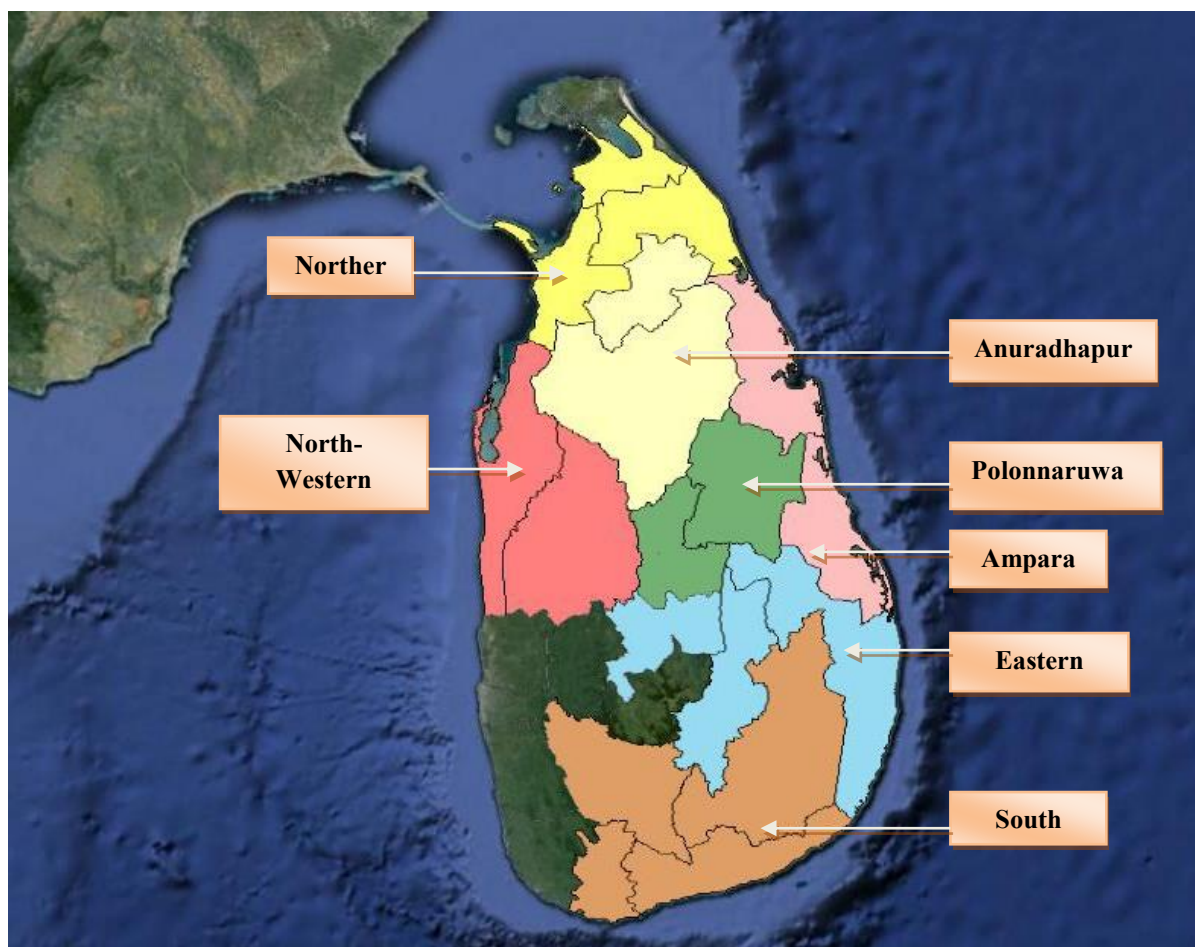
Management of Stocks

The Paddy Marketing Board does not merely operate as a commercial establishment with the intention of maximizing its profit and it operates by giving priority to the objectives of protecting the farmers, maintaining a higher fixed price for their paddy, ensuring food safety and establishing a concessionary price for the consumers. However, the attention of the Board has been drawn on the modification and regularization of the warehouses by maintaining an updated data system by networking all the details on the paddy stocks through the computer system and introduction of a methodology of issuing the future paddy stocks according to a planned business schedule and thereby allowing the Government to minimize cost.

Chairman

Paddy Marketing Board

5. Extention of the Regional Offices of the Paddy Marketing Board



5.1 Addresses of the Regional Offices

- | | |
|--|---|
| <p>01. Regional Manager
Paddy Marketing Board
Regional Office-North,
Karandapokku Junction,
Kilinochchi.</p> | <p>05. Regional Manager
Paddy Marketing Board
Regional Office-East,
District Secretariat Premises,
Trincomalee.</p> |
| <p>02. Regional Manager
Paddy Marketing Board
Regional Office-Polonnaruwa,
Kanduruwela,
Polonnaruwa.</p> | <p>06. Regional Manager
Paddy Marketing Board
Regional Office-Ampara,
Inginiyagala Road,
Ampara.</p> |
| <p>03. Regional Manager
Paddy Marketing Board
Regional Office-Auradhapura,
Town hall Place,
2nd Lane,
Anuradhapura.</p> | <p>07. Regional Manager
Paddy Marketing Board
Regional Office-South,
Dehigahalanda,
South.</p> |
| <p>04. Regional Manager
Paddy Marketing Board
North –Western Regional Office,
Millagoda,
Nikaweratiya.</p> | |

6. Introduction of Regions belonging to the Paddy Marketing Board

6.1 Anuradhapura Region

Dambulla Divisional Secretary's Division, which belongs to the Districts of Anuradhapura and Matale comes under the purview of Anuradhapura Region. 23 Divisional Secretary's Divisions and 45 Agrarian Services Divisions are under the purview of this District. Anuradhapura Region is being irrigated with a very high capacity of water by using about 15 tanks such as Kala wewa, Nuwara wewa, Nachchadoowa, Rajanganaya, Tisa Wewa, Wahalkada, Padawiya, Hurulu Wewa, Abhaya Wewa, Hakanadarawa, Mahawilachchiya, Angamu Wewa, Thuruwila, Manakkattiya and Kandalama. Approximately an extent of 133,984 hectares of paddy fields in this Region are used for the paddy cultivation. Laying of foundation stone for the construction of Halabewa Stores was a special programme conducted in the region in the year 2016.

In addition, a Circuit Bungalow is being maintained by centering historical Anuradhapura Sacred City.

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy Fields under Paddy Cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Anuradhapura	Maha 2015/16	102,932	18,669,968
	Yala 2016	23,135.10	823,318
Matale	Maha 2015/16	20,121.78	1,312,982
	Yala 2016	13,330.27	12,815
Total		159,519.15	20,819,083

6.2 North–Western Region

The North-Western Region of the Paddy Marketing Board carries out its operations by covering 03 Districts namely, Kurunegala, Puttalam and Matale. The North-Western Region conducted paddy purchasing activities in 22 Paddy Purchasing Centres in the year 2016 including 17 Centres in the Kurunegala District, 04 Centres in the Puttalam District and 01 Centre in the Matale District.

Making arrangements to set up the Weighbridge in the premises of the Nikaweratiya Divisional Secretariat was a special programme implemented in the region in the year 2016.



(Figure 01)

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy Fields under Paddy Cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Kurunegala	Maha 2015/16	79,045	6,541,750
	Yala 2016	65,201	551,400
Puttalam	Maha 2015/16	18,974.21	2,751,500
	Yala 2016	12,698.99	398,550
Matale	Maha 2015/16	19,278	247,750
	Yala 2016	6,943	-
Total		202,140.20	10,490,950

6.3 Northern Region

The Northern Region of the Paddy Marketing Board is consisted of 05 Districts namely, Jaffna, Kilinochchi, Vavuniya, Mullaitivu and Mannar and the Divisional Secretariats and Agrarian Service Centres related to those Districts are mentioned below.

District	Number of Divisional Secretariats	Number of Agrarian Service Centres
Kilinochchi	04	08
Mullaitivu	06	10
Vavuniya	04	08
Mannar	05	12
Jaffna	15	15

The Northern Region is a very dry climate region. The paddy cultivation of this Region is majorly done using the Northeast Monsoon rains and minor portion of the paddy cultivation is done using Southwest Monsoon rains.

Most of the cultivation activities in the Region are carried out in the Maha Season and cultivation activities are limited in the Yala Season due to the lack of water. Farming activities are carried out in the Maha Season in all five Districts of this Region and farming activities are carried out more or less in Yala Season also in the other 04 Districts except in Jaffna District.

A special program implemented in the year 2016 was the intermediation of the Paddy Marketing Board for the supply of grains for World Food Programme and making arrangements to obtain storage facilities on hire basis when the storage facilities were not adequate for purchasing paddy. Likely, irrigation schemes or irrigation methods that are being utilized for the cultivation activities in the Northern Region can be identified according to each District as mentioned below.

District	Irrigation Scheme or Method of Irrigation
Kilinochchi	Uses rain water and the water of the Iranamadu tank.
Vavuniya	Rain water is used mainly and cultivation activities are carried out from the water obtained from small tanks in the areas.
Mannar	Cultivation activities are mainly carried out using the water of the Yodha Tank and rain water and water from cultivation wells are used in certain areas for irrigation
Mullaitivu	Rain water and water from Muttiyankattu Wewa, Kumulamurippu Wewa, Thannimurippu Wewa etc. and water from small tanks in the area are used for cultivation activities
Jaffna	Rain water is mainly used for cultivation activities

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy Fields under Paddy Cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Vavuniya	Maha 2015/16	53,674.50	4,773,387
	Yala 2016	7,912	393,550
Mannar	Maha 2015/16	51,409	3,059,610
	Yala 2016	5,780	-
Mullaitivu	Maha 2015/16	40,224'50	2,324,450
	Yala 2016	10,226'50	97,500
Kilinochchi	Maha 2015/16	59,052	2,199,290
	Yala 2016	11,101.75	147,450
Jaffna	Maha 2015/16	26,500	1,037,440
	Yala 2016	-	-
Total		265,880.25	14,032,677

6.4 Ampara Region

Ampara Region is consisted of 03 Districts namely, Ampara, Kandy and Badulla. Ampara District which is irrigated through Senanayake Samudhraya has become the area of producing the overall highest quantity of paddy in Sri Lanka. 37 agrarian service divisions were covered under the Ampara, Kandy and Badulla Districts by the Ampara Region. Even though the Ampara Region buys more quantity of paddy in comparison to the other Regions, the demand for paddy in the market in the Ampara Region is less compared with the demand for paddy in the other Regions and there are no large scale millers. As a result, Stocks of paddy have to be stored in warehouses for comparatively a longer period of time and therefore, the PMB had to face various difficulties in issuing paddy stocks. The expected harvest in the Maha Season 2015/16 in the year and the expected harvest in the Yala season in the year 2016 were about 682,615 Metric tons and 379,311 Metric tons respectively.

Special programmes implemented in the year 2016 in Ampara Region are mentioned below.

- Paddy was purchased by constructing temporary Cocoon Stores as the capacity of the Warehouses in the Region was not adequate.
- Mobile services were implemented in the purchase of paddy in the Yala season of 2016.

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Ampara	Maha 2015/16	85,516	25,190,570
	Yala 2016	66,043	10,892,300
Badulla	Maha 2015/16	37,315	1,294,050
	Yala 2016	19,500	546,650
Kandy	Maha 2015/16	16,397	893,000
	Yala 2016	11,271	365,100
Total		236,042	39,181,670

6.5 Southern Region

Southern Regional Office of the Paddy Marketing Board is located in Dehilanda area close to Ambalantota City in the Hambantota District and the four Districts namely, Hambantota, Monaragala, Rathnapura and Matara are controlled by this Region. Likely, this Region provides services for 115,444 farmers by covering 73 agrarian Service Centres in 46 Divisional Secretary's Divisions. For that purpose, 12 Assistant Regional Managers, 08 Development Officers and 03 Management Assistants under the Regional Manager serve in the Region.

The Southern Region is equipped with a total of 42 warehouses which provide storage capacity of 32,200 Metric tons owned by the Paddy Marketing Board and a storage capacity of 20,550 Metric tons obtained from external parties. Therefore, this Region has a storage capacity of 52,750 Metric Tons per one Season. In addition, a circuit Bungalow is being maintained to cover Monaragala area and it has been scheduled to commence a new circuit bungalow in Ratnapura area in the near future.

The expected harvest in the year 2016 was 343,871 Metric tons in the Maha Season of 2015/16 and 181,730 Metric tons in the Yala season of 2016.

Several special programmes had been implemented in the year 2016 and they are given below.

- Renovation of the Monaragala Circuit Bungalow.
- Renovation of the Office at Yodhakandiya.
- Renovation of the Stores at Kachchigalara.
- Renovation of Stores at Moraketiya.

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Hambantota	Maha 2015/16	36,793.60	7,475,850
	Yala 2016	35,767.82	132,800
Monaragala	Maha 2015/16	30,605.20	5,044,050
	Yala 2016	14,299	377,600
Ratnapura	Maha 2015/16	12,965.64	1,969,450
	Yala 2016	9,371.34	58,100
Matara	Maha 2015/16	16,332	382,100
	Yala 2016	14,780	-
Total		170,914.60	15,439,950

6.6 Polonnaruwa Region

27 officers that comprise of Assistant Regional Managers, Development Officers, Management Assistants, and Stores Assistants are serving under the Regional Manager of the Polonnaruwa Regional Office of the Paddy Marketing Board. The Regional office is situated in Kanduruwela town and warehouses are installed by covering Divisional Secretary's Divisions in Polonnaruwa and Matale Districts. Accordingly, there are 57 warehouses owned by the Paddy Marketing Board to purchase paddy. In addition, warehouses of the Mahaweli Authority and the private sector are utilized for purchasing paddy. There are 12 Agrarian Service Divisions in the Polonnaruwa District and 02 Agrarian Service Divisions namely, Hettipola and Handungamuwa of Matale District are being controlled by Polonnaruwa Region. Further, Mahaweli b, c, g and d regions are also being operated. It is expected to obtain a yield of 320,000 Metric Tons per one Season from this Region.

Carrying out of the renovation activities of the Temple Godalle Stores was one of the Special Programmes implemented in this year.

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Polonnaruwa	Maha 2015/16	64,520.30	31,878,600
	Yala 2016	60,596.38	9,151,550
Matale	Maha 2015/16	17,746	4,247,350
	Yala 2016	17,746.34	884,750
Total		160,609.02	46,162,250

6.7 Eastern Region

Eastern Regional Office of the Paddy Marketing Board was established within the premises of Trincomalee District Secretariat on 10th of June 2011. This Region covers the two Districts namely, Batticaloa and Trincomalee.

Trincomalee District is comprised of 11 Divisional Secretary's Divisions and 230 Grama Niladhari's Divisions and there are approximately 42,760 farmers. Likely, there are 22 Agrarian Service Centres and the land extent under cultivation is about 43,060 hectares. There are 24 warehouses in the capacity of 250 Metric tons to 1500 Metric tons owned by the Paddy Marketing Board.

Batticaloa District is comprised of 14 Divisional Secretary's Divisions and 345 Grama Niladhari's Divisions and 16 Agrarian Service Centres and the land extent under cultivation in the Region is 67,000 hectares. There are approximately 44,560 farmers in the entire Region. All the warehouses owned by the Paddy Marketing Board within the District had been destroyed and the warehouses with a capacity of 450 Metric tons owned by the District Secretariat cover the purchases of Paddy by the Paddy Marketing Board.

Particulars regarding the extent of land under cultivation in the year 2016

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Trincomalee	Maha 2015/16	47,028	6,924,450
	Yala 2016	24,720'50	614,050
Batticaloa	Maha 2015/16	40,325	3,764,200
	Yala 2016	21,856'20	-
Total		133,929.70	11,302,700

07. The Progress in Purchasing Paddy

❖ The progress in purchasing paddy in Maha Season of 2015/16 (District wise)

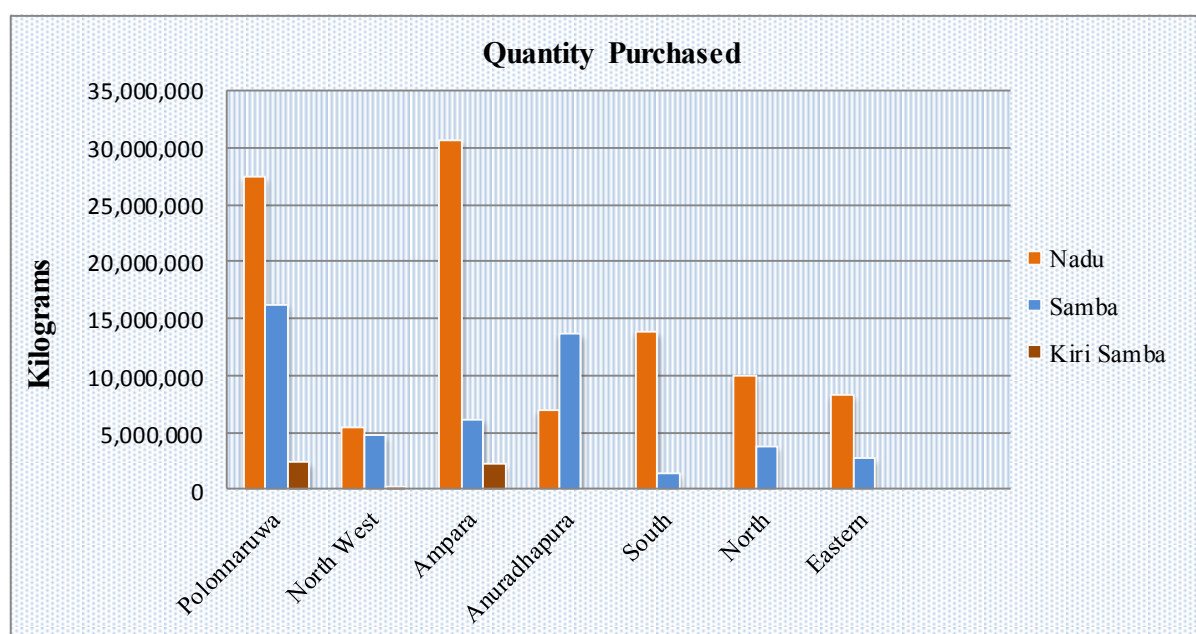
District	Nadu (Kg)	Samba (Kg)	Keeri samba (Kg)	Total	
				Quantity (Kg)	Value (Rs.)
Polonnaruwa	20,978,790	10,858,910	40,900	31,878,600	1,244,454,330.00
Ampara	22,526,722	2,615,548	48,300	25,190,570	965,667,904.00
Matale	4,101,194	1,670,556	36,332	5,808,082	226,154,768.00
Kurunegala	3,245,050	3,270,250	26,450	6,541,750	258,714,650.00
Puttalam	1,723,700	1,013,300	14,500	2,751,500	107,770,900.00
Kandy	524,050	359,700	9,250	893,000	35,124,100.00
Badulla	744,850	534,150	15,050	1,294,050	50,956,950.00
Anuradhapura	6,345,307	12,260,311	64,350	18,669,968	747,011,917.00
Hambantota	7,161,600	314,250	-	7,475,850	285,025,050.00
Monaragala	4,212,100	782,150	49,800	5,044,050	194,617,950.00
Ratnapura	1,710,600	234,400	24,450	1,969,450	75,835,700.00
Matara	372,450	9,650	-	382,100	14,548,750.00
Kilinochchi	2,000,490	198,800	-	2,199,290	84,169,420.00
Mullaitivu	2,297,000	27,450	-	2,324,450	88,411,450.00
Vavuniya	4,135,000	636,650	1,737	4,773,387	183,319,500.00
Jaffna	1,018,440	19,000	-	1,037,440	39,479,720.00
Mannar	486,500	2,557,960	15,150	3,059,610	124,120,860.00
Batticaloa	3,531,000	232,650	550	3,764,200	143,744,150.00
Trincomalee	4,670,500	2,226,850	27,100	6,924,450	270,134,850.00
Total	91,785,343	39,822,535	373,919	131,981,797	5,139,262,919.00

❖ The progress in purchasing paddy in Yala Season of 2016 (District wise)

District	Nadu (Kg)	Samba (Kg)	Keeri samba (Kg)	Total	
				Quantity (Kg)	Value (Rs.)
Polonnaruwa	2,232,000	4,741,100	2,178,450	9,151,550	388,123,600.00
Ampara	6,616,650	2,527,800	1,747,850	10,892,300	442,465,000.00
Matale	627,115	106,250	164,200	897,565	36,396,620.00
Kurunegala	182,600	320,200	48,600	551,400	22,497,000.00
Puttalam	132,900	91,100	174,550	398,550	17,512,800.00
Kandy	144,700	75,300	145,100	365,100	15,840,900.00
Badulla	124,650	103,600	318,400	546,650	24,904,300.00
Anuradhapura	317,289	475,829	30,200	823,318	33,075,971.00
Hambantota	132,800	-	-	132,800	5,046,400.00
Monaragala	233,650	58,000	85,950	377,600	15,554,200.00
Ratnapura	40,250	12,650	5,200	58,100	2,308,150.00
Matara	-	-	-	-	-
Kilinochchi	2,350	124,350	20,750	147,450	6,225,150.00
Mullaitivu	64,850	10,950	21,700	97,500	3,998,250.00
Vavuniya	27,800	326,150	39,600	393,550	16,408,550.00
Jaffna	-	-	-	-	-
Mannar	-	-	-	-	-
Batticaloa	-	-	-	-	-
Trincomalee	180,250	331,100	102,700	614,050	25,559,600.00
Total	11,059,854	9,304,379	5,083,250	25,447,483	1,055,916,491.00

❖ The progress in purchasing paddy in Maha 2015/16 and Yala Season of 2016 in Region wise can be summarized as mentioned below.

Region	Nadu (Kg)	Samba (Kg)	Keeri samba (Kg)	Quantity (Kg)
Polonnaruwa	27,453,490	16,297,810	2,410,950	46,162,250
North-Western	5,431,200	4,795,650	264,100	10,490,950
Ampara	30,681,622	6,216,098	2,283,950	39,181,670
Anuradhapura	7,001,255	13,714,346	103,482	20,819,083
South	13,863,450	1,411,100	165,400	15,439,950
North	10,032,430	3,901,310	98,937	14,032,677
East	8,381,750	2,790,600	130,350	11,302,700
Total	102,845,197	49,126,914	5,457,169	157,429,280

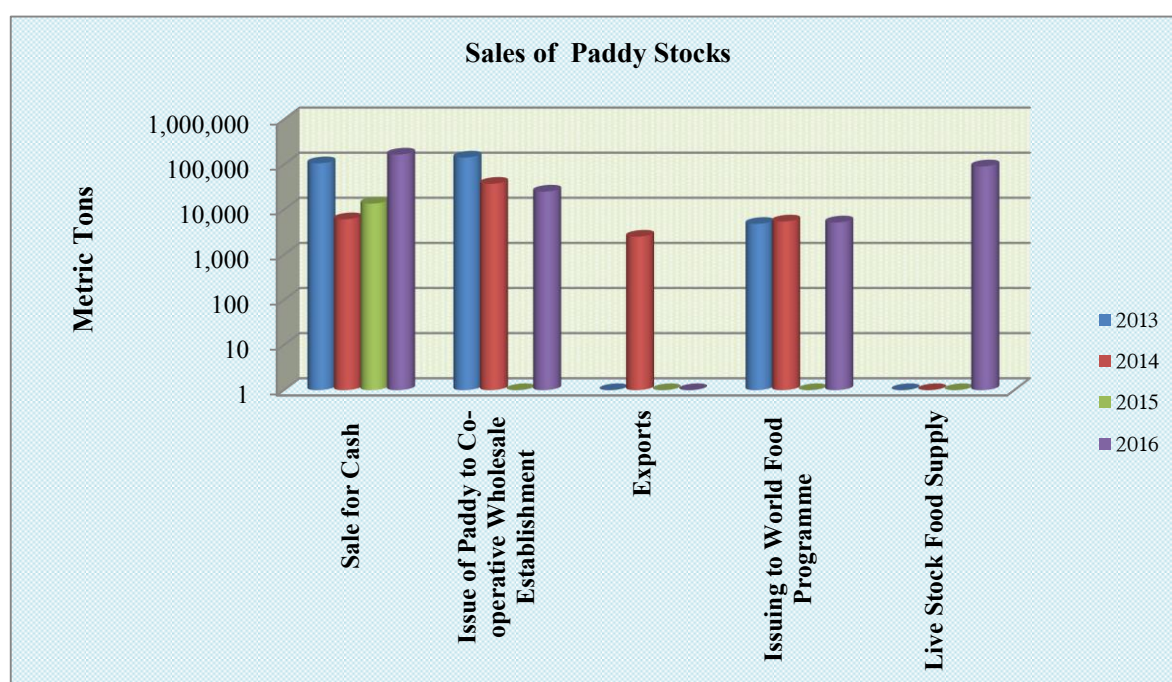


❖ The Status of the paddy stocks owned by the Paddy Marketing Board as at 31.12.2016

Season	Region	Keeri Samba	Samba	Nadu	Total Qty
Opening Stock as at 01.01.2016		1,987,379	48,188,486	331,516,416	381,692,281
Purchases					
2015/16 Maha	Anuradhapura, Polonnaruwa	141,582	24,691,177	31,280,142	56,112,901
	Other (Ampara, North, North West, East, South)	235,787	15,132,408	60,485,352	75,853,547
2016 Yala	Anuradhapura, Polonnaruwa	2,372,850	5,323,179	3,176,404	10,872,433
	Other (Ampara, North, North West, East, South)	2,587,700	3,940,800	7,821,450	14,349,950
Issues					
2014/15 Maha	Sale for Sale for Cash	2,174,963	34,005,487	131,175,480	167,355,929
2015 Yala					
2015/16 Maha					
2016 Yala					
2014/15 Maha	Quantity of Paddy issued to the Cooperative Wholesale Establishment	-	-	25,303,394	25,303,394
2015 Yala					
2015/16 Maha					
2016 Yala					
2014/15 Maha	Provision for the World Food Programme	-	-	5,232,255	5,232,255
2015 Yala		-	-	-	-
2015/16 Maha		-	-	-	-
2016 Yala		-	-	-	-
2014/15 Maha, 2015 Yala	Live Stock Food Supply	-	-	91,416,275	91,416,275
Total Qty		5,150,335	63,270,563	181,152,360	249,573,259

❖ Details of the sale of paddy stocks by the Paddy Marketing Board

Quantity of Paddy Sales	Sale for Cash (Metric Tons)	Quantity of Paddy issued to the Cooperative Wholesale Establishment (Metric Tons)	Exports (Metric Tons)	Provision for the World Food Programme (Metric Tons)	Live Stock Food Supply (Metric Tons)
2013	107,011	143,479	-	4,860	-
2014	6,144	37,632	2,531	5,497	-
2015	13,670.92	-	-	-	-
2016	167,355.93	25,303.39	-	5,232.26	91,416.28
Total	294,181.85	206,414.39	2,531	15,589.26	91,416.28



08. Financial Highlights (2011 - 2016)**(Rs. Million)**

Particulars	2011	2012	2013	2014	2015	2016
Revenue	3,500.20	3,617.88	7,878.87	1,554.51	697.18	9,161.35
Purchasing- Stocks of Paddy	2,278.20	3,636.89	7,755.26	148.66	14,794.58	6,188.17
Gross Profit/ (Loss)	249.64	(1,440.93)	(121.98)	(237.02)	(799.15)	(4,518.26)
Administrative, Financial and other expenditure	367.85	630.64	1,674.62	983.562	1,106.79	1,504.09
Net Profit/ (Loss)	264.13	(1,996.23)	(1,036.23)	(1,126.93)	(1,773.17)	(5,894.29)
Receipt of Provisions for the Purchase of Paddy						
General Treasury	700.00	100.00	250.00	-	6,943.00	-
Bank of Ceylon	410.40	914.80	1,150.00	-	5,128.00	4,100.00
People's Bank	106.30	311.80	1,296.00	-	3,178.00	2,698.20
National Savings Bank	-	725.90	584.20	-	-	-
Regional Development Bank	-	250.00	398.90	-	-	-
Debtors						
Co-operative Wholesale Establishment	341.39	1,587.08	1,404.92	462.59	462.59	462.69
Food Department	611.99	470.95	440.55	425.95	425.95	425.95
Lanka C.W.E	90.41	49.94	79.93	77.53	77.53	77.53
Creditors						
General Treasury	1,900.00	2,000.00	2,250.00	2,250.00	8,489.10	7,067.90
Bank of Ceylon	2,185.20	3,100.00	4,115.89	3,129.78	8,257.78	9,580.88
People's Bank	1,354.45	1,553.74	2,651.99	2,314.94	5,492.94	5,013.14
National Savings Bank	47.80	725.95	1,142.96	1,000.00	1,000.00	-
Regional Development Bank	-	241.99	416.13	-	-	-
General Treasury Provisions						
For Capital expenditure	182.90	112.00	80.00	175.00	155.00	150.00
For Recurrent expenditure	25.00	35.35	40.00	66.50	67.50	88.00
Usage of Capital Expenditure						
For new constructions	126.70	85.50	48.00	63.00	-	54.41
For renovation of stores	52.30	25.10	27.00	105.00	92.00	45.81
For the purchase of fixed assets	3.90	1.40	5.00	7.00	63.00	49.78

09. Details on the Pledge Loans and Interests obtained by the Paddy Marketing Board for the Purchase of Paddy - 2009 to 2016

(Rs. Million)

Year	Bank	Opening Loan Balance	Loan obtained during the relevant Year	Amount settled out of the Loan	Loan Balance at the end of the Year	Interest relevant to the Year
2009	General Treasury	200.0	1,060.0	950.0	310.0	-
	Bank of Ceylon	-	-	-	-	-
	Peoples' Bank	-	-	-	-	-
	National Savings Bank	-	-	-	-	-
	Regional Development Bank	-	-	-	-	-
Total		200.0	1,060.0	950.0	310.0	-
2010	General Treasury	310.0	1,300.0	310.0	1,300.0	-
	Bank of Ceylon	-	2,250.0	-	2,250.0	46.1
	Peoples' Bank	-	1,500.0	3.0	1,497.0	29.2
	National Savings Bank	-	1,000.0	732.2	267.8	5.3
	Regional Development Bank	-	400.0	19.6	380.4	7.4
Total		310.0	6,450.0	1,064.8	5,695.2	88.0
2011	General Treasury	1,300.0	700.0	100.0	1,900.0	-
	Bank of Ceylon	2,250.0	410.4	475.3	2,185.1	186.5
	Peoples' Bank	1,497.0	106.3	248.8	1,354.4	120.8
	National Savings Bank	267.8	-	220.0	47.8	-
	Regional Development Bank	380.4	-	380.4	-	0.1
Total		5,695.2	1,216.7	1,424.5	5,487.4	307.3
2012	General Treasury	1,900.0	100.0	-	2,000.0	-
	Bank of Ceylon	2,185.1	914.8	-	3,099.9	234.1
	Peoples' Bank	1,354.4	311.8	112.5	1,553.7	135.8
	National Savings Bank	47.8	725.9	47.8	725.9	92.8
	Regional Development Bank	-	250.0	8.0	242.0	48.5
Total		5,487.4	2,302.5	168.3	7,621.6	511.2

Year	Bank	Opening Loan Balance	Loan obtained during the relevant Year	Amount settled out of the Loan	Loan Balance at the end of the Year	Interest relevant to the Year
2013	General Treasury	2,000.0	250.0	-	2,250.0	-
	Bank of Ceylon	3,099.9	1,150.0	134.1	4,115.8	434.4
	Peoples' Bank	1,553.7	1,296.0	265.4	2,584.3	255.7
	National Savings Bank	725.9	584.2	167.0	1,143.0	169.7
	Regional Development Bank	242.0	398.9	224.8	416.1	53.0
Total		7,621.6	3,679.1	791.3	10,509.3	912.8
2014	General Treasury	2,250.0	-	-	2,250.0	-
	Bank of Ceylon	4,115.8	-	986.1	3,129.7	378.5
	Peoples' Bank	2,584.3	-	337.1	2,247.2	274.1
	National Savings Bank	1,143.0	-	143.0	1,000.0	148.8
	Regional Development Bank	416.1	-	416.1	0.0	20.9
Total		10,509.3	-	1,882.3	8,626.9	822.3
2015	General Treasury	2,250.0	6,943.0	703.6	8,489.4	-
	Bank of Ceylon	3,129.7	5,128.0	-	8,257.7	447.2
	Peoples' Bank	2,247.2	3,178.0	-	5,425.2	358.7
	National Savings Bank	1,000.0	-	-	1,000.0	145.6
Total		8,627.0	15,249.0	703.6	23,172.4	951.5
2016	General Treasury	8,489.4	-	1,421.2	7,068.2	-
	Bank of Ceylon	8,257.7	4,100.0	2,776.9	9,580.8	666.6
	Peoples' Bank	5,425.2	2,698.2	3,178.0	4,945.4	631.6
	National Savings Bank	1,000.0	-	1,000.0	0.0	33.9
Total		23,172.4	6,798.2	8,376.1	21,594.5	1,332.0

10. Guaranteed Price for Paddy from 2001-2016

Year	Season	Price per Kilogram (Rs.)		
		Keeri Samba	Samba	Nadu
2001	Maha 2000/01	13.50	13.50	12.50
	Yala 2001	13.50	13.50	12.50
2002	Maha 2001/02	14.50	14.50	13.50
	Yala 2002	14.50	14.50	13.50
2003	Maha 2002/03	14.50	14.50	13.50
	Yala 2003	14.50	14.50	13.50
2004	Maha 2003/04	15.50	15.50	14.50
	Yala 2004	15.50	15.50	14.50
2005	Maha 2004/05	16.50	16.50	15.50
	Yala 2005	16.50	16.50	15.50
2006	Maha 2005/06	16.50	16.50	15.50
	Yala 2006	17.50	17.50	16.50
2007	Maha 2006/07	17.50	17.50	16.50
	Yala 2007	17.50	17.50	16.50
2008	Maha 2007/08	22.00	22.00	20.00
	Yala 2008	30.00	30.00	28.00
2009	Maha 2008/09	30.00	30.00	28.00
	Yala 2009	30.00	30.00	28.00
2010	Maha 2009/10	30.00	30.00	28.00
	Yala 2010	30.00	30.00	28.00
2011	Maha 2010/11	30.00	30.00	28.00
	Yala 2011	30.00	30.00	28.00
2012	Maha 2011/12	30.00	30.00	28.00
	Yala 2012	30.00	30.00	28.00
2013	Maha 2012/13	35.00	35.00	32.00
	Yala 2013	35.00	35.00	32.00
2014	Maha 2013/14	35.00	35.00	32.00
	Yala 2014	35.00	35.00	32.00
2015	Maha 2014/15	50.00	50.00	45.00
	Yala 2015	50.00	50.00	45.00
2016	Maha 2015/16	50.00	41.00	38.00
	Yala 2016	50.00	41.00	38.00

11. Particulars regarding new constructions and renovations of the Paddy Marketing Board in the year 2016

Zone	Number of Warehouses and Buildings	Provisions allocated for the year 2016 (Rs. Mn)	Amount paid in the year 2016 (Rs. Mn)
Construction of new warehouses			
Construction of a new warehouse –Halabewa (Anuradhapura)	1	30.00	23.77
Construction of a new warehouse –Lunugamvehera (Southern)	1	29.42	24.54
Total	2	59.42	48.31

- Particulars regarding the Renovation of Warehouses of the Paddy Marketing Board in the year 2016**

Zone	Number of Warehouses	Estimated Amount (Rs. Mn)	Amount Paid in the Year 2016 (Rs. Mn)
Ampara Zone	13	29.38	8.23
Polonnaruwa Zone	4	2.12	2.12
Northern Zone	4	1.21	0.71
Anuradhapura Zone	5	7.04	4.81
North Western Zone	2	0.55	0.55
Eastern Zone	3	0.56	0.56
Southern Zone	4	2.06	2.01
Total	35	42.93	18.99
Renovation of other buildings			
Renovation of Circuit Bungalows			
- Ampara	1	0.47	0.47
- Southern	1	1.99	1.82
Renovation of the Regional Office			
- Northern	1	0.14	0.09
- Southern	1	0.70	0.49
- Ampara	1	0.25	0.25
Construction of a lavatory - Polonnaruwa	1	0.24	0.24
Construction of an Office room and a lavatory - Southern	2	1.95	1.93
Total		5.74	5.29

12. Role of the Board of Directors of the Paddy Marketing Board in the year 2016

Section 13 of the Paddy Marketing Board Act. No.14 of 1971 clearly states the Powers of the Board of Directors of the Paddy Marketing Board.

Broad powers such as the right to acquire, take on lease or hire, mortgage, sell or otherwise dispose of any movable or immovable property, purchase, mill, hull, market or distribute paddy and grain, carrying out incidental matters as may necessary for the business affairs of the Board, fix a guaranteed price for paddy, formulation and implementation of laws, rules and regulations relevant to the administrative functions of the Board, take action to maintain warehouses and to sell paddy, conduct researches relating to processing of paddy and grain, enter into agreements with the other parties of the Paddy Marketing Board have been vested in the Board of Directors under this Section.

13. Summary of the Minutes of the Meetings of the Board of Directors in the year 2016

1. Appointment of Supervising Officers for the supervision of the purchase of paddy and releasing of paddy stocks.
2. Processing and handing over of grains to the World Food Organization.
3. Disposal of Paddy stocks in the Maha Season of 2014/15 and in the Yala Season of 2015.
4. Making warehouses ready for Maha Season in 2015/16.
5. Training workshop on 12.01.2016 – Sri Lanka Standards Institute
6. Training workshop on 05.02.2016 – National Institute of Co-operative Development.
7. Disposal of paddy stocks for animal food.
8. Disposal of Paddy stocks for milling rice to get rice flour.
9. Making grain out of paddy stocks of the Southern Region and sale of rice through C.W.E.
10. Disposal of paddy stocks for selling paddy to the foreign market.
11. Awarding of 3000 Metric Ton to the World Food Organization.
12. Marketing of paddy stocks in Maha season of 2014/15 and Yala Season 2015.
13. Disposal of condemned iron in Hasalaka and Moraketiya paddy mills in dilapidated state owned by the Paddy Marketing Board.
14. Converting paddy stocks of the Paddy Marketing Board to grains and selling them through C.W.E and Lanka C.W.E.
15. Implementation of Action Plan and Procurement Plan in the year 2016.
16. Implementation of the Internal Audit Plan for the year 2016.
17. Making arrangements to control insects in paddy warehouses.
18. Taking action on reductions in stocks / defects revealed as per verification of Stocks conducted in the year 2014.

14. Report of the Internal Auditor on the Operation in the Year 2016

1. Establishment of the Internal Audit Division

The necessity of establishing an Internal Audit Division for the Paddy Marketing Board had been pointed out by the Directive No. 06 of the Committee on Public Enterprises held on 05.12.2012 and by the Reports of the Auditor General from time to time. Subsequently, an Internal Auditor was appointed and the Internal Audit Division was newly established on 01.07.2014. One Management Assistant and one Development Officer and another two Management Assistants had been attached to the Internal Audit Division in the years 2014, 2015 and 2016 respectively. Accordingly, the total number of employees in the Internal Audit Division in the year 2016 was five (05).

2. Establishment of the Audit and Management Committee and the Implementation of the Audit Plan.

In accordance with the Public Enterprises Circular No. PED 55 dated 14.12.2010, Internal and Management Committee was established and the Audit Plan was formulated for a period of one year from 01.01.2016 to 31.12.2016. The Audit Plan had been implemented subsequent to obtaining the approval of the Board of Directors and the Auditor General. Four (04) Audit and Management Committee meetings were held during the relevant period. The number of Audit queries referred to the Management of the Paddy Marketing Board during the relevant period was 34.

3. Observations and the Recommendations of the Internal Auditor

The Internal Auditor has pointed out to the Management from time to time with Audit Reports and Audit Queries with his/her observations and recommendations that special attention had to be focused on the following fields out of the identified fields.

A summary of the observations and recommendations for which the attention of the Management was focused through the internal Audit queries and Audit Reports is mentioned below.

3.1 Operational Activities

- I. Expedient installation of the proposed computer stock controlling system and introduction of internal Controlling system in relation to purchasing, storing and issuing of paddy.
- II. Purchasing and storing Paddy.

The issues identified in relation to purchasing and storing paddy are as follows.

- Purchasing of paddy stocks which are not in conformity with proper standards by certain Officers in charge of warehouses.
- Paddy stocks are not stacked properly in warehouses.

- Not making arrangements to minimize damages that cause to paddy stocks by improving the quality of warehouses.
- Issues pertaining to the accuracy of reports on paddy stocks sent to the Head Offices by the Regional Offices.
- Paddy Marketing Board had to accept paddy stocks of farmers with the polysac bags brought by farmers due to the inability of supplying high standard polysac bags at the proper time to the warehouses to stack paddy stocks. Thereby, damages caused to paddy stocks increased (The durability of polysac bags brought by farmers was less as most probably the Polysac bags had been used earlier) and the PMB had to pay money also for the polysac bags brought by farmers.
- Twelve Thousand (12,000) floor racks had been purchased from a supplier by paying an amount of Rs. 81 million to stack paddy stocks in stores and the following weaknesses could be observed in the relevant floor racks.
 - The shapes of the floor racks are changing as the timber logs had not been welded.
 - Use of green timber.
 - Iron nails had been used for floor racks and iron nails get loosened as the timber dries.
 - Though chemical treatments had been used to avoid insect attacks, termites had attacked the floor racks.

III. Attendance of employees and obtaining leave

- The requirement of issuing formal circular instructions pertaining to reporting for duty and obtaining leave by the field officers as the internal control on reporting for duty and obtaining leave by the field officers was weak.

IV. Control of Vehicles

- Proper conduct of the ownership, use and maintenance of vehicles used by the Paddy Marketing Board.
- Maintaining updated running charts.

V. Taking expedite procedures to recover money that are to be paid to the Paddy Marketing Board from millers under the various Programmes implemented and mentioned below.

- Programme of handing over of grains to the Food Commissioner's Department.
- Issuance of Paddy stocks to the C.W.E.

- Programme of providing grains to the World Food Organization.
- Programme of exporting grain.
- Issuance of paddy stocks on loan basis.
- Project of converting paddy stocks purchased in the Maha Season of 2014/15 and Yala Season of 2015 in to grains by private paddy mills.

VI. Submission of a series of proposals to maintain the process of purchasing and issuing paddy within the limit of minimized losses.

Thereby, making arrangements to compensation of the financial loss, occurred to the Paddy Marketing Board through the Programmes (World Food Programme, rice exportation and issuance of paddy stocks to the C.W.E.) implemented as per the approval of the Cabinet and the directives issued by the Cabinet Sub Committee on Cost of Living and General Treasury and the Line Ministry, from the General Treasury or the related parties.

VII. Administration of Warehouses

- Establishment of a formal internal control methodology in relation to the warehouse administration and due issuance of instructions on the administration of warehouses to the officers in charge of warehouses (As a Warehouse Administration Manual)
- Obtaining the new technical equipment and guidance required to measure the administration of warehouses and agricultural standards from the Government institutions which function in relation to the relevant standards.
- Development of a definite scientific foundation / standard for the loss of weight in stocks which occur as a result of drying paddy stocks naturally inside warehouses.
- Establishment of various methodologies to make necessary arrangements to immediately identify fraudulent activities, omissions and under measurements on paddy stocks stored in warehouses.

VIII. Making arrangements to obtain or lease in various ways the warehouses, lands and property owned by the Paddy Marketing Board that are being used by external parties.

IX. Designing of future plans (Corporate Plan) of the Paddy Marketing Board for the accomplishment of the objectives stipulated in the Paddy Marketing Board Act No. 14 of 1971.

X. The requirement of carrying out the operations of the Paddy Marketing Board in compliance with the Establishments Code, Financial Regulations, General Treasury Circulars and the other Circulars.

- XI. Issuance of Paddy Stocks for animal Feed and issuance of paddy stocks for the manufacture of rice flour.

The Cabinet of Ministers had granted its approval on 02nd March 2016 to issue paddy stocks purchased in Maha of 2014/15 and Yala of 2015 for animal feed and for the manufacture of rice flour at the rate of Rs. 24.00 per one kilogram since the Paddy Marketing Board had to purchase Paddy to maintain stable prices for paddy at the market as the paddy yield of the Maha Season of 2015/16 had reached the market and the warehouses of the Paddy Marketing Board had already been filled with paddy stocks at the occasion.

Issuance of Paddy stocks for animal feed

Accordingly, 88,615,319 kilogram of paddy had been issued to 09 companies that produce animal feed at the rate of Rs. 24.00 per one kilogram and the loss incurred was Rs. 1,861 million (Solely the loss of selling at a price lower than the purchased price without adjusting). The Internal audit had pointed out through audit queries and audit reports that special attention should be focused on the following matters in the implementation of this process.

- The requirement of reimbursing the loss incurred by issuing paddy stocks for animal feed on the approval of the Cabinet of Ministers and non-formulation of a methodology of covering the interest of the bank loan that should be paid on the loss.
- Even though paddy stocks obtained by Animal Feed Manufacturers for the manufacture of animal feed had been handed over to paddy mills located throughout the country to dehusk, this task was difficult to regulate and to supervise due to the non-availability of a methodology to check whether animal feed is manufactured truly using these paddy stocks or rice is manufactured for the consumption of human beings. Even though information on the paddy stocks provided to each mill and the quantity of rice returned to the Animal Feed Manufacturers by each mill and the percentages of paddy returned and the stocks available at the Animal Feed Manufacturers should be reported to the Paddy Marketing Board, this responsibility had been continuously neglected by the Manufacturers and the related functions had not been supervised and regulated in terms of the Agreements entered in to by the Animal Feed Manufacturers with the Paddy Marketing Board.
- Destruction of paddy stocks in warehouses, which were older than the paddy stocks of Maha Season of 2014/15 and Yala Season of 2015 which had been issued as animal feed.

- Even though it had been decided to issue paddy stocks at a lower price for animal feed with the objective of controlling the price for paddy at the market and with the objective of emptying the warehouses of the Paddy Marketing Board, further issuance of paddy stocks continuously as animal feed after emptying the warehouses more than the required level and even after the prices of paddy had become stable after getting the paddy yield.

Issuance of Paddy Stocks for Rice Flour

In terms of the decision of the Cabinet of Ministers on 02.03.2016, 2,800,935 kilograms of Nadu Paddy had been issued to 02 Companies at the rate of Rs. 24.00 and the financial loss incurred from the activity was about Rs. 58.9 million (Solely the loss of selling at a price lower than the purchased price without adjusting the operational expenditure). It was problematic whether the objective of selling paddy stocks at a lower price such as Rs. 24.00 could be accomplished as it was not possible to confirm whether the relevant paddy stocks were used to manufacture rice flour since a check on the output of manufacturing rice flour out of the paddy stocks received by the relevant companies could not be done in terms of the Agreements entered in to with the Paddy Marketing Board within this process.

- The requirement of reimbursing the loss incurred by issuing paddy stocks for manufacturing rice flour on the approval of the Cabinet of Ministers and non-formulation of a methodology for covering the interest of the bank loan that should be paid on the loss.
- Supervision had not been done continuously to confirm whether rice flour had actually been manufactured using the paddy stocks issued under this basis or the paddy stocks had been used to manufacture rice grains.

XII. Employee Human Resources Management

The Requirement of settling the following issues in relation to the employees recruited to the service from time to time at the inception of the Paddy Marketing Board in the year 2008.

- Conducting Efficiency Bar Examinations for the Employees.
- Expediting the confirmation of employees in the service.
- Expediting the granting of salary increments to employees.
- Expediting the salary conversions in accordance with the Circular No. 2/2016.
- Reviewing the Staffs to accomplish the objectives stipulated in the Corporate Plan.

3.2 Financial and Accounting Activities

- I. Expediting the preparation of Annual Accounts
Requirement of taking action to submit Financial Statements in terms of Public Enterprises Circular No. PED 12 and the requirement of compliance of such Financial Statements with the Sri Lanka Accounting Standards and the Financial Regulations.
- II. To prepare and maintain the bank reconciliations in an updated manner

Adopting the following processes for the payments that cannot be identified in the Bank accounts used for the payment of money to farmers in the purchase of paddy, which is the major factor that hinders the submission of the Annual Accounts on the due date.
 - Introducing the Internet Banking.
 - Adopting the methodology of Fund Transfer to an account that is being maintained at the relevant bank in favour of the farmers, instead of paying money directly to farmers.
 - Deciding the maximum amount that can be debited to the Bank Account used for purchasing paddy through one transaction at the same time for preventing debiting the amount paid from the bank account to more than one farmer as a bulk amount to the Bank account.
 - Establishment of a methodology to prevent the payment of money to farmers for purchasing paddy in another Zone from an account assigned to pay money to farmers in the purchase of paddy for each Zone.
- III. Conducting an Annual Verification of goods for the stocks of paddy.
- IV. Expediting the settlement of balances of the Accounts that were not settled.
- V. Conducting the annual verification of goods and updating the fixed assets registers.
- VI. Taking immediate action pertaining to the delay in the purchase of polysac bags required for purchasing paddy and pertaining to the supply of polysac bags which were not up to the standard as agreed by the supplier.
- VII. Adopting a methodology for immediate settlement of advances issued to the employees of the Paddy Marketing Board and to the other parties.

VIII. Selling of Paddy stocks

The attention should be focused on the following matters in selling stocks of paddy.

- Deciding a rational selling price
- Deciding to sell paddy at the most appropriate opportunity. (Whenever the market price is higher and in occasions when paddy is not harvested)
- Fixing a rational price in issuing paddy/ grains to external institutions of the Government.

IX. Liabilities of the Paddy Marketing Board

- Formulation and implementation of a long-term plan to settle long-term liabilities and loans to the General Treasury and to state banks through the minimization of losses incurred by selling stocks of paddy that are purchased by the Paddy Marketing Board at a price less than the purchased price of such paddy stocks. Thereby, making arrangements to minimize unnecessary interest expenses that are currently being incurred.
- Establishment of long-term objectives required for the development of the contribution provided to farmers by the Paddy Marketing Board through a long-term plan and maintenance of the institution in a way that the Paddy Marketing Board is no more a burden on expenditure side to the Government (to maintain at least at a level of not incurring losses) and functioning accordingly to accomplish the objectives.

- X. The requirement of charging/settling a dormant debtor balance existing continuously in accounts from the relevant institutions (Co-operative Wholesale Establishment, Line Ministry, Food Commissioner's Department, Lanka Co-operative Wholesale Establishment and Hambantota and Ampara District Secretariats etc.).

XI. Contractual / Construction Administration

- Requirement of conforming to the Procurement Guidelines of the Government.

15. Progress in Achieving Sustainable Development Goals

In issuing paddy production to the Market, paddy stocks are purchased by the Paddy Marketing Board from the farmers at a guaranteed price. Thereby, it is expected to improve the standard of living of our farmers by eradicating the poverty.

Consumers face severe difficulties owing to the increase in prices of rice and paddy in the open market during several months in the year. Therefore, the Paddy Marketing Board makes arrangements to issue paddy stocks to the market during the relevant periods to provide the consumer with an opportunity to purchase rice grains at a fair and reasonable price.

In addition to that, the Paddy Marketing Board anticipates to ensure the food safety within the country by maintaining a buffer stock of paddy.

Annual Accounts – 2016

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 Rs.	2015 Rs.
ASSETS			
Non Current Assets			
Property Plant & Equipment	3	753,194,687	690,367,273
Capital Work-in-Progress	4	86,024,585	16,732,567
Investments	5	413,875,469	385,131,363
		<u>1,253,094,741</u>	<u>1,092,231,203</u>
Current Assets			
Inventories	6	9,747,685,680	16,506,042,630
Trade and Other Receivables	7	2,064,813,346	2,116,658,820
Cash and Cash Equivalents	8	342,678,254	204,224,147
		<u>12,155,177,280</u>	<u>18,826,925,597</u>
Total Assets		<u>13,408,272,021</u>	<u>19,919,156,801</u>
EQUITY AND LIABILITIES			
Contributed Capital	9	631,484,518	631,484,518
Reserve Surplus/ (Deficit)		<u>(12,692,062,340)</u>	<u>(6,797,776,882)</u>
Total Equity		<u>(12,060,577,822)</u>	<u>(6,166,292,364)</u>
Non Current Liabilities			
Interest Bearing Loans & Borrowings	10	14,594,014,227	14,750,719,871
Provision for Defined Benefit Plans	11	6,274,662	4,915,793
Deferred Income	12	672,000,000	522,000,000
		<u>15,272,288,890</u>	<u>15,277,635,664</u>
Current Liabilities			
Trade & Other Payables	13	10,127,450,500	10,628,973,427
Interest Bearing Loans & Borrowings	10	69,110,454	178,840,073
		<u>10,196,560,953</u>	<u>10,807,813,501</u>
Total Equity and Liabilities		<u>13,408,272,021</u>	<u>19,919,156,801</u>

These Financial Statements are in compliance with the requirements of the Finance Act No. 38 of 1971.


Deputy General Manager (Finance)


Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:


Chairman


Director

The accounting policies and notes on pages 6 to 24 form an integral part of the Financial Statements.

26/03/2018
Colombo

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Revenue	14	9,161,353,585	697,178,896
Cost of Sales		(13,679,610,716)	(1,496,329,845)
Gross Profit		(4,518,257,131)	(799,150,949)
Other Income	15	128,023,649	134,867,120
Administrative Expenses		(157,910,688)	(133,464,154)
Selling & Distribution Expenses		(4,040,808)	(3,363,761)
Other Expenses		(212,000)	-
Finance Expenses	16	(1,341,928,877)	(969,960,666)
Profit/(Loss) Before Tax		(5,894,325,856)	(1,771,072,410)
Income Tax (Expense) / Reversal		-	-
Profit / (Loss) for the Period		(5,894,325,856)	(1,771,072,410)
Other Comprehensive Income			
Acturial Gain (Loss)		40,398	(2,098,136)
Total Comprehensive Income		(5,894,285,458)	(1,773,170,546)

The accounting policies and notes on pages 52 to 75 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Contributed Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2015	631,484,518	(5,028,376,426)	(4,396,891,908)
Prior Year Adjustments	-	3,770,089	3,770,089
Profit/(Loss) for the period	-	(1,773,170,546)	(1,773,170,546)
Balance as at 31 December 2015	<u>631,484,518</u>	<u>(6,797,776,882)</u>	<u>(6,166,292,364)</u>
Balance as at 01 January 2016	631,484,518	(6,797,776,882)	(6,166,292,364)
Prior Year Adjustments	-	-	-
Profit/(Loss) for the period	-	(5,894,285,458)	(5,894,285,458)
Balance as at 31 December 2016	<u>631,484,518</u>	<u>(12,692,062,340)</u>	<u>(12,060,577,822)</u>

The accounting policies and notes on pages 52 to 75 form an integral part of the Financial Statements.

CASH FLOW STATEMENT
Year ended 31 December 2016

	2016 Rs.	2015 Rs.
Cash Flows From / (Used in) Operating Activities		
Profit/(Loss) Before Tax	(5,894,325,856)	(1,771,072,410)
Adjustments for		
Finance Cost	1,341,928,877	969,960,666
Depreciation	31,892,123	19,225,000
Interest Provided on Gratuity Balance	565,316	234,800
Provision for Gratuity	833,951	541,118
Interest income of Fixed Deposit	(33,886,068)	(17,766,594)
Prior Year Adjustment	-	3,770,089
Operating Profit before Working Capital Changes	(4,552,991,657)	(795,107,330)
(Increase)/Decrease in Work In Progress	(69,292,017)	147,670,481
(Increase)/Decrease in Inventories	6,758,356,950	(14,082,588,490)
(Increase)/Decrease in Trade and Other Receivables	51,845,474	193,106,130
Increase/(Decrease) in Trade and Other Payables	(501,522,928)	7,613,518,961
Cash Generated from Operations	1,686,395,822	(6,923,400,248)
Finance Cost Paid	(1,341,928,877)	(969,960,666)
Income Tax Paid	-	-
Gratuity Paid	-	-
Net Cash From/(Used in) Operating Activities	344,466,945	(7,893,360,914)
Cash Flows From / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(94,719,538)	(284,935,058)
Investment in Fixed Deposits	(28,744,106)	(14,766,594)
Interest income of Fixed Deposits	33,886,068	17,766,594
Net Cash Flows From/(Used in) Investing Activities	(89,577,575)	(281,935,058)
Cash Flows From/(Used in) Financing Activities		
Issue of Shares	-	-
Proceeds from Interest Bearing Loans & Borrowings	6,798,200,000	8,306,000,000
Repayments of Interest Bearing Loans & Borrowings	(6,954,905,644)	-
Receipt of Government Grant	150,000,000	155,000,000
Net Cash Flows From/(Used in) Financing Activities	(6,705,644)	8,461,000,000
Net Increase/(Decrease) in Cash and Cash Equivalents	248,183,726	285,704,028
Cash and Cash Equivalents at the Beginning of the year	25,384,074	(260,319,954)
Cash and Cash Equivalents at the End of the year	273,567,800	25,384,074

The accounting policies and notes on pages 52 to 75 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. CORPORATE INFORMATION

Paddy Marketing Board (**PMB**) is a statutory board established under the provisions of the Paddy Marketing Board Act No. 14 of 1971, and domiciled in Sri Lanka. The registered office and the principal place of Business are located at No.330, Union Place, Colombo 02.

Paddy Marketing Board was under liquidation during the period 2000 to 2007, and was reactivated by the then Minister of Agriculture Development and Agrarian Services, Hon. Maithripala Sirisena with effect from 1st December 2007.

1.1 Date of Authorization for Issue

The Financial Statements for the year ended 31 December 2016 were authorized for issue in accordance with a resolution by the board of directors on 2018.03.28

1.2 Principal Activities & Nature of Operations

The primary business of **PMB** is purchase of paddy during harvesting season and selling of paddy.

1.3 Basis of Preparation**(a) Statement of Compliance**

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of chartered Accountants of Sri Lanka.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

(c) Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter-period comparability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

(d) Financial and presentation currency

These financial statements prepared in Sri Lanka Rupees which is the functional and presentation currency of the **PMB**.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

(e) Use of Estimates and Judgments

These preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and estimates. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements as included in the notes to the financial statements.

2. ASSETS AND BASIS OF THEIR VALUATION**2.1. Property, Plant and Equipment****a) Cost**

Property, Plant & Equipment is stated at cost, excluding the cost of day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

c) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all property, plant and equipment, in order to write off such amounts over the following estimated useful lives by equal installments as follows.

Category of Assets	Rate per annum
Building	2.5%
Computer & Accessories	20%
Furniture & Fixtures	20%
Office Equipment	20%
Other Equipment	20%
Scales	20%
Moisture Meters	20%
Motor Vehicles	20%
Cocoon Stores	20%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

2.2. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

2.3. Financial assets**(a) Initial Recognition**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as available-for-sale financial assets

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

(b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows.

Financial assets at fair value through profit or loss

PMB does not designate any financial asset as fair value through profit or loss.

Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated 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 income statement. The losses arising from impairment are recognised in the income statement in finance costs.

PMB has classified trade and other receivables, fixed deposits, cash & cash equivalents as loans & receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the **PMB** has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

PMB did not have any held-to-maturity investments during the period ended 31 December 2015.

Available-for-sale financial investments

PMB has not designated any financial asset as Held for Sale.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

(c) Impairment of financial assets

The **PMB** assesses at each reporting date whether there is any objective evidence that a financial asset or **PMB** of financial assets is impaired. A financial asset or a **PMB** of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the **PMB** of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a **PMB** of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the **PMB** first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the **PMB** determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a **PMB** of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the **PMB**. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

(d) Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.4 Financial liabilities**(a) Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, as appropriate. The **PMB** determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

PMB's financial liabilities include trade and other payables and loans and borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the **PMB** that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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

(c) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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 costs in the income statement. The **PMB** has classified interest bearing loans and borrowings and other borrowings as loans and borrowings.

(d) Financial guarantee contracts

Financial guarantee contracts issued by the **PMB** are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2.5. Provisions

Provisions are recognized when the **PMB** has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the **PMB** expects some or all of a provision reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

The provision for shrinkage of paddy is calculated at the rate of 3% for the closing paddy stock.

2.6. Government Grants

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

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

2.7. Defined Benefit Plan - Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2.8. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the **PMB** and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

2.9. Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

2.10. Interest Income

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

3. PROPERTY, PLANT & EQUIPMENT

3.1 Cost

	Balance as at 01.01.2016	Additions	Disposals	Balance as at 31.12.2016
	Rs.	Rs.	Rs.	Rs.
Land & Building	659,982,140	30,831,960	-	690,814,100
Computer & Accessories	6,448,731	5,447,883	-	11,896,614
Cocoon Stores	39,330,000	-	-	39,330,000
Furniture & Fittings	14,409,020	1,340,947	-	15,749,967
Office Equipments	2,632,802	879,311	-	3,512,114
Other Equipments	986,163	83,990	-	1,070,153
Moisture Meters	10,977,600	1,550,000	-	12,527,600
Motor Vehicles	3,322,135	-	-	3,322,135
Pallets	-	52,301,546	-	52,301,546
Scales	3,544,273	2,283,900	-	5,828,173
	<u>741,632,864</u>	<u>94,719,538</u>	<u>-</u>	<u>836,352,401</u>

3.2 Depreciation

	Balance as at 01.01.2016	Additions	Disposals	Balance as at 31.12.2016
	Rs.	Rs.	Rs.	Rs.
Building	35,069,964	16,664,636	-	51,734,600
Computer & Accessories	2,645,079	1,717,690	-	4,362,769
Cocoon Stores	-	7,866,000	-	7,866,000
Furniture & Fittings	3,737,801	2,783,171	-	6,520,972
Office Equipments	1,371,963	497,134	-	1,869,097
Other Equipments	311,699	201,587	-	513,286
Moisture Meters	4,926,792	1,453,050	-	6,379,842
Motor Vehicles	2,878,400	-	-	2,878,400
Pallets	-	-	-	-
Scales	323,893	708,855	-	1,032,747
	<u>51,265,591</u>	<u>31,892,123</u>	<u>-</u>	<u>83,157,714</u>

3.3 Net Book Value

	Balance as at 31.12.2016	Balance as at 31.12.2015
	Rs.	Rs.
Land & Building	639,079,500	624,912,176
Computer & Accessories	7,533,845	3,803,652
Cocoon Stores	31,464,000	39,330,000
Furniture & Fittings	9,228,994	10,671,219
Office Equipments	1,643,016	1,260,839
Other Equipments	556,867	674,464
Moisture Meters	6,147,758	6,050,808
Motor Vehicles	443,735	443,735
Pallets	52,301,546	-
Scales	4,795,426	3,220,380
	<u>753,194,687</u>	<u>690,367,273</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

4. WORK IN PROCESS	2016 Rs.	2015 Rs.
Opening Balance	16,732,567	164,403,048
Transferred to Land & Building Account	(30,831,960)	(229,201,078)
Advance Given for the Period	100,123,977	81,530,597
	<u>86,024,585</u>	<u>16,732,567</u>
5. INVESTMENTS	2016 Rs.	2015 Rs.
Fixed Deposit - Bank of Ceylon	413,875,469	385,131,363
	<u>413,875,469</u>	<u>385,131,363</u>
6. INVENTORIES	2016 Rs.	2015 Rs.
Paddy Stock- Nadu	6,871,105,361	14,230,775,426
- Samba	2,563,783,131	2,220,222,155
- Keeri Samba	257,516,750	-
Goods in Transit	54,385,222	54,385,222
Inventory Items	895,217	659,827
	<u>9,747,685,680</u>	<u>16,506,042,630</u>
7. TRADE AND OTHER RECEIVABLES	2016 Rs.	2015 Rs.
Trade Debtors (7.1)	2,013,370,698	2,004,008,842
Less - Provision for Impairment	-	-
	<u>2,013,370,698</u>	<u>2,004,008,842</u>
Sundry Debtors		
Loans and Advances (7.2)	33,371,122	97,868,867
Other Receivables (7.3)	17,520,526	14,230,111
Securities and Deposits (7.4)	551,000	551,000
	<u>2,064,813,346</u>	<u>2,116,658,820</u>
7.1 Trade Debtors	2016 Rs.	2015 Rs.
CWE	462,689,308	462,589,308
Ministry for Paddy Sales	332,688,410	332,688,410
Food Department	425,951,745	425,951,745
Lanka Sathosa	77,526,708	77,526,708
Ministry of Rice Export	264,154,465	273,008,128
S.L. Air Force	4,307,000	4,307,000
Receivable from Food Department	10,591,838	10,591,838
Receivable from Millers	21,803,499	21,803,499
Receivable from Ampara D/S - WFP	2,458,086	2,458,086
Receivable from Ham. D/S - WFP	18,351,743	18,351,743
Rice millers for Export	211,370,394	214,503,926
Rice Millers (for paddy sales of Credit Basis)	45,049,804	45,249,804
Rice Millers (CWE & WF - 2016)	21,449,051	-
Purchase Control Account	49,743,530	49,743,530
Unidentified Paddy Purchases	65,235,117	65,235,117
	<u>2,013,370,698</u>	<u>2,004,008,842</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

7.2 Loans and Advances

Advances	2016 Rs.	2015 Rs.
Amilajith De Silva	-	23,500
Ampara Region	480,183	13,391,589
Anuradhapura Region	685,960	13,676,368
A.S.A. Hameed	-	500,000
Arun Fancy Transport	-	1,000,000
B.T.S. Fernando	14,343	-
B.S. Wathuregama	20,000	20,000
Chief Valuer	87,100	-
Commi. Agraraian - Kurunegala	274,271	274,271
Commissioner of Co-Operative	9,000,000	9,000,000
D.Sathkumara	4,000	-
DGM (Op) - PMB	-	20,000
District Secretary Damana - for renovation	-	96,600
District Secretary Giribawa	42,204	-
Eastern Region	422,085	7,865,330
G. Agent- Ampara	200,000	200,000
G.L.T.D. Kulathunga	31,942	31,942
G.L. Duminguhewa	41,000	44,750
Internal Auditor - PMB	10,000	-
Lanka Sathosa Limited	1,000,000	1,000,000
Land Reclamation & Dev Com.	-	3,320,513
Legal Officer - PMB	110,000	55,000
L.R.C. Liyanage	-	880
L.M.U.N. Kabral	6,000	15,000
M.A.N. Perera	481,643	-
Mr Peries (Government Audit)	20,000	20,000
N. Ekanayaka	-	675,000
North Westen Region	1,136,006	4,213,549
North Region	1,317,370	2,803,340
P.A.V. Dammika	6,000	11,310
Polonnaruwa Region	4,639,725	17,096,500
Paddy purchase operational ex - polonnaruwa	3,306,940	-
Paddy purchase operational ex - Anuradhapura	218	-
Paddy purchase operational ex - Eastern	39,557	-
R.M. Malinda Nuwan	84,000	-
Road Development Authority	797,161	797,161
S. State Trading Corporation	3,000,000	5,450,000
South Region	-	8,474,822
T.P.G.N. Sampath	26,440	20,940
W.R.S. Ranasinghe	10,000	-
W.A. Kelum Jayalath	-	500,000
Petty cash - Trinco	58,097	58,097
- Polonnaruwa	30,000	5,080
- Anuradhapura	30,001	3,682
- Head office	1,456	-
- North West	30,000	3,899
- North	30,000	14,206
- Ampara	-	22,113
Festival Advance	194,950	193,200
Loans		
Bike Loan	1,273,507	2,486,482
Distress Loan	4,428,962	4,483,742
	<u>33,371,122</u>	<u>97,868,867</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

7.3 Other Receivables

	2016	2015
	Rs.	Rs.
CWE Constructions & Engineering (pvt)	1,949,677	1,949,677
Develo. Officer's & others salary Reimbursement A/C	4,442,055	4,547,048
Receivable form R/M - North Region	180	180
WHT Receivables	6,071,292	2,682,686
E.T.F. Surchages	30,315	23,514
Debtors - BOC North West	172,880	172,880
- BOC North	4,400	4,400
- BOC Polonnaruwa	470	470
- BOC Ampara	2,788,030	2,788,030
- BOC Anuradhapura	332,897	332,897
- People's Bank	1,691,330	1,691,330
Debtor - G.M.A. Manike	37,000	37,000
	<u>17,520,526</u>	<u>14,230,111</u>

7.4 Securities and Deposits

	2016	2015
	Rs.	Rs.
Housing Security Deposit	20,000	20,000
Security Deposits	531,000	531,000
	<u>551,000</u>	<u>551,000</u>

8. CASH AND CASH EQUIVALENTS

	2016	2015
	Rs.	Rs.
Favourable Cash & Short Term Deposits		
Cash and Bank Balances	342,678,254	204,224,147
	<u>342,678,254</u>	<u>204,224,147</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

9. CAPITAL AND RESERVE

Contributed Capital	2016 Rs.	2015 Rs.
Contributed Capital	631,484,518	631,484,518
	<u>631,484,518</u>	<u>631,484,518</u>

10 INTEREST BEARING LOANS AND BORROWINGS

	Rs.	2016 Rs.	Rs.	Non- Current Rs.	2015 Rs.	Total Rs.
	Non- Current Rs.	Current Rs.	Total Rs.	Non- Current Rs.	Current Rs.	Total Rs.
Bank Loans (10.1)	-	14,594,014,227	14,594,014,227	-	14,750,719,871	14,750,719,871
Bank Overdraft	-	69,110,454	69,110,454	-	178,840,073	178,840,073
	-	14,663,124,681	14,663,124,681	-	14,929,559,944	14,929,559,944

10.1 Bank Loans

	As at 01.01.2016 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.12.2016 Rs.
Bank of Ceylon	8,257,781,093	4,100,000,000	2,776,905,644	9,580,875,449
National Savings Bank	1,000,000,000	-	1,000,000,000	-
People's Bank	5,492,938,778	2,698,200,000	3,178,000,000	5,013,138,778
	<u>14,750,719,871</u>	<u>6,798,200,000</u>	<u>6,954,905,644</u>	<u>14,594,014,227</u>

11. DEFINED BENEFIT LIABILITY

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	4,915,793	2,041,740
Provision for the year	833,951	541,118
Interest for the year	565,316	234,800
Actuarial Loss	(40,398)	2,098,136
Payment Made during the year	-	-
Balance at the end of year	<u>6,274,662</u>	<u>4,915,793</u>

12 DEFERRED INCOME

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	522,000,000	367,000,000
Government Grant for Capital Expenditure During the Year	150,000,000	155,000,000
Charge to Income Statement	-	-
Balance at the end of year	<u>672,000,000</u>	<u>522,000,000</u>

This represents the government Grant offered for the company for improvements, constructions of stores & computerisation.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

13. TRADE AND OTHER PAYABLES	2016 Rs.	2015 Rs.
Trade Payables (13.1)	248,161,339	247,309,986
Sundry Creditors (13.2)	7,438,722,481	8,618,051,455
Other Payables (13.3)	1,484,266,160	971,291,907
Accrued Expenses	956,300,520	792,320,080
	10,127,450,500	10,628,973,427
13.1 Trade Payables	2016 Rs.	2015 Rs.
Lanka Sathosa Loan	200,000,000.00	200,000,000.00
Rice millers for Export	4,858,936.91	7,309,985.91
Rice Millers (CWE & WF - 2016)	3,302,401.63	-
Payable to GA - Ampara	10,000,000.00	10,000,000.00
- Trincomalee	30,000,000.00	30,000,000.00
	248,161,338.54	247,309,985.91
13.2 Sundry Creditors	2016 Rs.	2015 Rs.
Payable to Treasury	7,067,901,995.56	8,489,099,993.89
Payable to Ministry of Food Security	92,000,000.00	92,000,000.00
Payable to Ministry of Rural Economy	241,790,000.00	-
Sundry Creditors	37,030,485.61	36,951,460.61
	7,438,722,481.17	8,618,051,454.50
13.3 Other Payables	2016 Rs.	2015 Rs.
Provisions (13.3.1)	1,445,926,947	946,411,975
Refundable Deposits (13.3.2)	6,423,551	10,451,475
Unclaim Salaries	38,031	38,031
E.P.F. Payable A/C	1,403,252	1,056,734
E.T.F. Payable A/C	210,774	158,468
Bank Errors	308,885	308,885
Payable to Mr. S.G. Jemis	116	116
Payable to C.T.C. Rice Mill	1,338,089	1,338,089
Payable to CWE	1,202,897	1,202,897
Payable to Gihasan International	13,107,097	-

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

	2016	2015
	Rs.	Rs.
	-	58,648
Payable to Dimbulagala District Se.	172,182	-
Payable to Inland Revenue	16,175	-
Payable to PMB A/C 70639454 for error corection	9,600,000	9,600,000
Payable to PMB South Region	66,869	30,000
Paddy Purchase Unknown	2,840,942	-
Retention payable	1,005,384	-
Loan Interest payable PB 1021	468,252	468,252
Salary Control	136,717	168,337
	<u>1,484,266,160</u>	<u>971,291,907</u>

13.3.1 Provisions

	2016	2015
	Rs.	Rs.
Provision for Driage	1,217,775,674	927,003,517
Provision for Tunover Tax	19,355,269	19,355,269
Provision for paddy & polysacks bag sales refund	208,761,177	-
Salary Abetments	34,827	53,189
	<u>1,445,926,947</u>	<u>946,411,975</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2016

13.3.2 Refundable Deposits	2016	2015
	Rs.	Rs.
M.M. Refundable Deposits	372,925	372,925
Other Deposits- Refundable Rent Deposit	250,000	250,000
Refundable Tender Deposit	5,558,550	9,588,550
Security Deposit	242,076	240,000
	<u>6,423,551</u>	<u>10,451,475</u>
14. REVENUE	2016	2015
	Rs.	Rs.
Revenue	9,161,353,585	697,178,896
Total	<u>9,161,353,585</u>	<u>697,178,896</u>
15. OTHER INCOME	2016	2015
	Rs.	Rs.
Distress Loan Interest	166,331	167,614
Fixed Deposit Interest Income	33,886,068	17,766,594
Insurance claim	-	7,700
Interest Income - Savings	410,285	391,523
Non Refundable Tender Income	409,000	445,526
Other Income	1,430,990	87,396
Paddy Mill's Registration Income	18,000	406,500
Penalty Income	4,128	-
Rent Income	3,136,268	10,150,900
Registration Income for paddy issue	127,500	-
Supplier Registration Income	439,078	78,563
Sales of Building	-	1,800,000
Treasury Grants	87,996,000	67,500,000
Treasury Grants for Agent Comm. & Trans. Paid	-	36,064,804
	<u>128,023,649</u>	<u>134,867,120</u>
16. FINANCE EXPENSES	2016	2015
	Rs.	Rs.
Bank Charges	3,103,074	3,813,619
Loan Interest -BOC	666,611,652	447,151,942
Loan Interest -NSB	33,867,459	145,568,524
Loan Interest -PB	631,587,571	358,657,121
OD Charges	6,759,122	14,769,460
	<u>1,341,928,877</u>	<u>969,960,666</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

17. CASH AND SHORT TERM DEPOSITS IN THE CASH FLOW STATEMENT

Components of Cash and Short Term Deposits

	2016 Rs.	2015 Rs.
17.1 Favourable Cash & Short Term Deposits		
Cash and Bank Balances	342,678,254	204,224,147
17.2 Unfavourable Cash & Short Term Deposits		
Bank Overdraft	(69,110,454)	(178,840,073)
Total Cash and Short Term Deposits For the Purpose of Cash Flow Statement	273,567,800	25,384,074

18. ASSETS PLEDGED

No assets have been pledged as security for liabilities.

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

		Year Ended 31.12.2016 Rs.	Year Ended 31.12.2015 Rs.
Revenue	I	9,161,353,585	697,178,896
Cost of Sales	II	(13,679,610,716)	(1,496,329,845)
Gross Profit		<u>(4,518,257,131)</u>	<u>(799,150,949)</u>
Add: Other Income	III	128,023,649	134,867,120
Less : Expenses			
Administrative Expenses	IV	(157,910,688)	(133,464,154)
Selling & Distribution Expenses	V	(4,040,808)	(3,363,761)
Finance & Other Expenses	VI	(1,342,140,877)	(969,960,666)
		<u><u>(5,894,325,856)</u></u>	<u><u>(1,771,072,410)</u></u>

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

STATEMENT I

	2016	2015
	Rs.	Rs.
Revenue		
Sales - Paddy	8,804,668,279	691,830,000
- Paddy (Mudy)	-	5,348,896
Rice Sale	319,256,450	-
Polysack bag sale	37,428,856	-
	<u>9,161,353,585</u>	<u>697,178,896</u>

STATEMENT II

	2016	2015
	Rs.	Rs.
Cost of Sales		
Cost of Sales-Paddy	12,946,759,117	709,134,200
Direct Overhead on for Paddy Purchasing	729,073,922	783,547,253
Direct Overhead on for Paddy Issuing	3,777,678	3,648,393
	<u>13,679,610,716</u>	<u>1,496,329,845</u>
Cost of Sales		
Opening Stock	16,450,997,581	2,365,549,763
Paddy Purchases	6,188,166,778	14,794,582,018
(-) Closing Stock	<u>(9,692,405,242)</u>	<u>(16,450,997,581)</u>
	12,946,759,117	709,134,200

Direct Overhead

Direct Overhead on Paddy Purchasing

Advertising Expenses	1,311,455	3,477,986
Agent Commission & transport	-	41,099,497
Milling charges	53,999,400	-
Consumable Items- Stores	1,772,130	1,157,863
Driage 3%	290,772,157	493,529,927
Refreshment expenses	2,635	-
Fuel Charges	35,000	165,000
Labour Cost	13,468,986	4,934,092
M/M & Scale Repair Charges	-	652,125
Nattami Charges	66,200,386	27,298,022
Other Expenses	576,745	400,378
Paddy Stock Maintenance Charges	2,461,586	1,656,313
Paddy Stock Verification Expenses	-	15,990
Paddy pur. & Issuing Investigation charges	5,536,254	7,645,904
Paddy Insurance	5,427,820	-
Paddy Inter Transport	39,650,731	-
Polysacks Bag Expenses	188,901,326	123,185,563
Postage charges	-	8,575
Printing & Stationery	3,129,360	3,151,385
Repairs and Maintenance	48,720	43,940

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

	2016 Rs.	2015 Rs.
Scales Repair charges	781,738	611,703
Security Charges - Stores	19,714,900	6,852,250
Store Rent Expenses	7,017,250	2,666,397
Stores Maintenance Expenses	4,619,588	3,084,417
Telephone expenses - Stock con. System	537,537	610,327
Transport Charges	18,451,255	59,208,910
Testing Fees - Rice	58,797	-
Wages	4,574,565	1,985,688
Weighting Charges	23,600	105,000
	<u>729,073,922</u>	<u>783,547,253</u>
Direct Overhead on Paddy Issuing		
Advertising	186,208	412,840
Consumable Items	1,550	15,440
Fuel charges	-	57,000
Labour charges	2,303,820	265,400
Nattami charges	1,233,730	2,585,604
Other Expenses	44,891	-
Printing & Stationery	3,479	49,609
Transport Charges	4,000	-
Weighting Charges	-	262,500
	<u>3,777,678</u>	<u>3,648,393</u>

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2016

STATEMENT III

	2016 Rs.	2015 Rs.
Other Income		
Distress Loan Interest	166,331	167,614
Fixed Deposit Interest Income	33,886,068	17,766,594
Insurance claims	-	7,700
Interest Income - Savings	410,285	391,523
Non Refundable Tender Income	409,000	445,526
Other Income	1,430,990	87,396
Paddy Mill's Registration Income	18,000	406,500
Penalty Income	4,128	-
Rent Income	3,136,268	10,150,900
Registration Income for paddy issue	127,500	-
Supplier Registration Income	439,078	78,563
Sales of Building	-	1,800,000
Treasury Grants	87,996,000	67,500,000
Treasury Grants for Agent Comm. & Trans. Paid	-	36,064,804
	<u>128,023,649</u>	<u>134,867,120</u>

STATEMENT IV

	2016 Rs.	2015 Rs.
Administrative Expenses		
Audit Fees	250,000	150,000
Audit & Mana. Committee Member Fees	161,500	72,500
Accommodation charges	492,894	201,210
Assessment expenses	6,320	-
Chairman Allowance	960,000	786,000
Compensation expenses	1,054,734	328,360
Consultancy Fees	-	243,250
Consumable Items	292,032	390,062
Cost of Living	18,073,401	17,827,804
Depreciation	31,892,123	19,500,158
Director Fees	382,500	269,500
Disciplinary Inquiry fees	600,400	-
Electricity Expenses	1,801,896	1,249,983
EPF Expenses	8,227,638	7,280,453
ETF Expenses	2,056,915	1,820,113
Fuel Charges	2,967,734	2,772,060
Gratuity Expenses	3,206,946	626,918
Interest on Gratuity	565,316	234,800
Janitorial Expenses	1,620,713	1,101,670
Labour Charges	282,460	340,700
Legal Expenses	633,250	36,600
Medical Report Charges	4,500	500

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

	2016	2015
	Rs.	Rs.
News Papers	106,960	119,154
Other Allowances	31,147,323	28,336,705
Other Expenses	177,057	246,881
Overtime	820,004	1,156,200
Pension Fund Expenses	2,229	45,980
Postal Expenses	203,603	201,478
Printing & Stationary	1,596,672	2,153,145
Professional fees	58,900	-
Refreshment Charges	816,438	756,726
Repair & Maintenance	1,315,811	1,062,071
Rent, Assessment & Taxes	131,973	236,343
Salaries	37,674,098	36,127,002
Security Charges	1,552,050	1,425,045
Staff training & related expenses	402,937	526,896
Staff Welfare Expenses	292,831	810,552
Telephone Expenses	1,455,197	1,251,427
Translate Fees	55,297	7,785
Transport Charges	268,839	565,878
Testing Fees	34,524	-
Valuation Charges	474,054	-
Vehicle and Other Ass. Revenue Licence	44,970	25,470
Vehicle Insurance	709,296	237,923
Vehicle Maintenance	2,351,970	2,282,342
W.N.O.P. expenses	-	4,180
Water Expenses	684,383	652,329
	<u>157,910,688</u>	<u>133,464,154</u>

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

STATEMENT V

	2016 Rs.	2015 Rs.
Selling & Distribution Expenses		
Advertisement & Publicity	1,095,862	602,666
Travelling	82,013	243,495
Subsistence & Nightout Allowance	146,533	-
Vehicle Hire Charges	2,716,400	2,517,600
	<u>4,040,808</u>	<u>3,363,761</u>

STATEMENT VI

	2016 Rs.	2015 Rs.
Finance & Other Expenses		
Bank Charges	3,103,074	3,813,619
Loan Interest -BOC	666,611,652	447,151,942
Loan Interest -NSB	33,867,459	145,568,524
Loan Interest -PB	631,587,571	358,657,121
OD Charges	6,759,122	14,769,460
New Website creating expenses	212,000	-
	<u>1,342,140,877</u>	<u>969,960,666</u>

Auditor General's Report - 2016



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

TCM/D/PMB/1/16

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

31 October 2018

The Chairman,
Paddy Marketing Board.

Report of the Auditor General on the Financial Statements of the Paddy Marketing Board for the year ended 31 December 2016 in terms of Section 14(2)(C) of the Finance Act, No.38 of 1971

The audit of financial statements of the Paddy Marketing Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 30 of the Paddy Marketing Board Act, No.14 of 1971. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act, was furnished to the Chairman of the Board on 24 August, 2018.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).



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1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity, and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an audit opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Board

The net assets were negative figure of Rs.12,060,577,822 for the end of the year under review and it had been increased by 96 per cent relating to the previous year. Further, the stocks of paddy frequently purchased by the Board had been marketed at a price less than the market price and the cost, action had been taken to obtained loans annually from the Treasury and the state banks in order to provide funds to purchase of paddy in the next season and settle the losses sustained from sale. A sum of Rs.17,965.3 million together with an interest thereon amounting to Rs.623.9 remained payable up to 31 December 2017 in respect of the loans and advances obtained from 03 state banks for purchase of paddy and for operating expenses during the year 2009 to year 2014. As such, the situation can be existed that activities of the Board cannot be continue without government or others financial assistances were observed in audit.



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2.2.2 Sri Lanka Accounting Standards

The fully depreciated lorry cost amounting to Rs.3,322,135 as at the year 2015 had further being used due to annual review of useful life of the non-current assets were not done according to paragraph 51 of the Sri Lanka Accounting Standards No.16. An action had not been taken to rectify the estimate error on it according to the Sri Lanka Accounting Standard No.08. However, the net book value of that lorry had been shown as Rs.443,735 in the financial statements of the previous year and the year under review.

2.2.3 Accounting Deficiencies

Stores renovation amounting to Rs.1,310,073 were completed in 2016 had been included in work-in progress account in the financial statements of the year 2016. Therefore, the balances in work-in progress account in the statement of financial position and land and building account as at 31 December 2016 had been overstated and understated respectively.

2.2.4 Lack of Evidence for Audit

The following items of accounts could not be satisfactorily vouched or accepted in audit due to the non-submission of evidence indicated against each item.

	Item of Accounts	Value	Evidence not made available
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		Rs.	
(a)	Trade Debtors		

(i)	Unidentified Purchase of Paddy	65,235,117	Detailed information, balance confirmations
(ii)	Purchase Control Account	49,743,530	
(iii)	Sale of Rice Millers on Credit	45,049,804	
(iv)	Co-operative Wholesale Establishment	462,689,308	
(v)	Lanka Sathosa	77,526,708	
(b)	Driage cost	290,772,157	Approval for decide suitable ratio
(c)	Balance Payable to Treasury	7,037,901,995	Balance confirmations



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2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The debtors balance of Rs.2,013,370,698 as at 31 December 2016 included the balances of Rs.60,335,368 over 5 years, Rs.1,221,014,477 relating to 3-5 years, Rs.710,471,802 relating to 1-3 years and Rs.21,549,051 relating less than 01 year. The unidentified balance of Rs.65,235,117 between 2-3 years relating to purchase of paddy was in this balance. Action had not been taken to recover these balances up to 20 March 2018.
- (b) The creditors balance of Rs.7,686,883,820 as at 31 December 2016 included the balances of Rs.283,347,458 over 4 years, Rs.354,858,937 relating to 3-4 years, Rs.6,803,585,024 relating to 1-3 years and Rs.245,092,402 less than 1 year. A sum of Rs.7,067,901,996 payable to the Treasury was in this balance and action had not been taken up to 20 July 2018 to settle those balances.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliances
Finance Regulation of the Democratic Socialist Republic of Sri Lanka	
(a) Financial Regulation 188(2)	Action had not been taken in terms of Financial Regulation on unrealized deposits valued at Rs.9,865,253 that was existed since the year 2009.
(b) Financial Regulation 756	A physical verification had not been done relating to paddy stocks of Rs.9,692,405,242 in book value at the end of the year under review.



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3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board in the year under review had resulted in a deficit of Rs.5,894,325,856 as compared with the corresponding deficit of Rs.1,771,072,410 for the preceding year, thus indicating an deterioration of Rs.4,123,253,446 in the financial result in the year under review compared with the previous year. Above deterioration had been mainly resulted due to increase in cost of sales, administrative expenses and finance cost by Rs.12,183,280,871, Rs.24,446,534 and Rs.371,968,211 respectively despite the increase in revenue by Rs.8,464,174,689 during the year under review compared with the previous year.

Analyzing the financial results of four preceding years and the year under review, it was observed that the financial result in the year 2013 had been deteriorated by 48 per cent relative to the year 2012. The financial result had been increased by 09 per cent in year 2014 relative to the year 2013 and 57 per cent in year 2015 relative to the year 2014. The financial result had been deteriorated by 239 per cent in the year 2016 relative to the year 2015. However, when the employee remuneration and depreciation on non-current assets had been adjusted again to the financial result, the minus contribution of the Board in the year 2015 amounting to Rs.1,717,543,386 had increased by 239 per cent in the year 2016 up to a minus contribution of Rs.5,824,719,237.

4. Operating Review

4.1 Management Activities

The following observations are made.

- (a) An amount of 12,000 ground racks amounting to Rs.80,826,550 had been purchased for pack the paddy and shape were changed in ground racks, nails were slipped in the wooden parts owing to not use of seasoned woods due to proper technical specifications were not prepared at the time of procure the ground racks were observed from internal audit reports.



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- (b) In terms of Internal Circular No. pmb/fl/14/2015 dated 22 April 2015 issued by the Board, it had been informed that an advances should be settled within 07 days from the date of it obtained, an advances obtained for the period of 2015 to 10 July 2018 valued at Rs.1,591,360 had not been settled until 10 June 2018.
- (c) The bank overdraft balance have to be settled to the Bank of Ceylon as at 31 December 2016 was Rs.69,110,454 and interest thereon was Rs.6,759,122.
- (d) An action had not been taken to account the assets those can be used further after revalue or dispose those can't be used regarding assets cost at Rs.7,329,412 had shown net realizable value as zero under property plant and equipment in financial statements.

4.2 Operating Activities

The stocks valued at Rs.54,385,222 were not existed physically in the Board had been shown as stocks in transit in the financial statements.

4.3 Identified Losses

The following observations are made.

- (a) The Board had incurred a loss of Rs.5.95 million from sale of 595 metric tons of Nadu rice at a rate of Rs.42 per 1 kg for a private company which were purchased at a rate of Rs.45 per 1 kg at Maha season in 2014/15 according to Cabinet approval No. CP/16/1354/732/024 dated 27 July 2016 relating to "Disposal of paddy which were purchased before Maha Season".
- (b) The Cabinet approval had been received on 02 March 2016 to sale of paddy at a rate of Rs.24 per 1 kg owned by the Board to produce animal foods and rice flour to clear the paddy stores during harvesting season owing to rice stocks being overflowed to the open market during near future and as informed to take actions to sell the paddy stocks which were not suitable for consumption of human being according to letter No. MRSA/5/2/1/1 dated 05 March 2016 of the Additional Secretary (Development and Planning) of the Ministry of the Rural Economic Affairs. However, a loss of Rs.2,487.7 million and a loss of Rs.78.57 million had been incurred respectively from sale of rice to 09 private companies for animal foods and to 02 companies to produce of rice flour respectively at a rate of Rs.24



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per 1 kg of 2,800,935 kilos of Nadu rice and 88,616,309 kilos of paddy which were in good condition by purchased at a rate of Rs.45 per kilo.

- (c) The newspaper advertisements had been published for sale of paddy stocks purchased in Maha season according to Cabinet decision No.15/0744/608/013 dated 17 June 2015 and the prices received from that had been remained lower than prices prevailing in the market. Hence, 3,623,761 kilos of Keeri Samba at a rate of Rs.46.5 per kilo and 8,797,825 kilos of Sabba at a rate of Rs.46 per kilo had been issued to a buyer who was submitted highest price by bids were called by fax again from 11 buyers relevant to who quoted for newspaper advertisement according to instructions of the Secretary to the Ministry of Food Security letter No. CLT/5/6/1/1/Maha/2014/15 dated 02 September 2015. However, a loss of Rs.47,874,464 had been incurred to the Board from sale of paddy owing to that paddy were purchased at a rate of Rs.50 per kilo by the Board.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the financial statements should be furnished for audit within 60 days since the lapse of the financial. However, financial statements for the year 2016 had been furnished on 26 April 2018.

5.2 Tabling of Annual Reports

Whereas the approval of the Cabinet had been received on 05 June 2018 for Annual Report of year 2013, it had not been tabled in Parliament even by 15 August 2018. The Annual Report of the year 2014 was being prepared by the Board.



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6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls

Observations

(a) Control of Vehicles

Failure to maintain the running charts in proper manner and change the running charts, non-maintenance of vehicle register, failure to conduct formal procedures when apply and approval of vehicles on deity purposes, failure to enter fuel amounts in the running charts.

(b) Stores Administration

Failure to store paddy following proper standards, non-maintenance of stores records/registers up to date.

Sgd./ H.M. GAMINI WIJESINGHE
 Auditor General

H.M. Gamini Wejesinghe
 Auditor General

