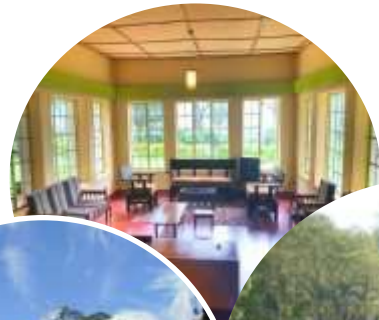




# Annual Report 2018



**Sri Lanka State Plantation  
Corporation**

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### Contact information

#### **Head Office**

No.21, Meerania Street (BCC premises)  
Colombo 12, Sri Lanka  
Contact : 0115757539  
Fax : 011243863  
Email : slspc@sltnet.lk

#### **Regional Office**

Regional Office  
Galpelle, Panwila.  
Telephone :081 5634903  
Fax :081 5634902  
Email : [regionalofficegp@gmail.com](mailto:regionalofficegp@gmail.com)

#### **Auditors**

Auditor General  
306/72, Polduwa Road, Battaramulla

## VISION & MISSION

### Vision

*To be the Government  
Owned Strongest  
Commercial Enterprise in the  
Plantation Sector.*

### Mission

*To contribute a maximum to the Gross  
Domestic Product of the Country as well as to  
the well-being of the Plantation Worker  
families and neighboring villages by the proper  
management of the assets of Sri Lanka State  
Plantations Corporation through worker  
participation.*

## **CORPORATE INFORMATION**

### **Board of Directors 2018**

<b><u>Name</u></b>	<b><u>Position</u></b>
Mr. M. G. G. Thillakasiri	Chairman/Chief Executive Officer
Mr. Perumal Ramesh	Director/ Working Director
Mr. Asoka Muthamala	Director
Mr.M.Y.M. Sibley	Board member (From 2018 January to 2018 October)
Mr. M. R. M. Abdeen	Board member (From 2018 January to 2018 May)
Mr.P.E. Vandeputten	Board member
Mr. A. J. M. D. P. B. Aviruppola	Board member
Mr. Palitha De Silva	Board member (From 2018 January to 2018 October)
Mr. D. R. B. Rathnayake	Board member (From 2018 January to 2018 December)
Mr. S. Rajaratnam	Board member (From 2018 January to 2018 December)
Mr. E. M. D. W. A. S. K. Amunugama	Board member (From 2018 January to 2018 December)
Mr. H.N.P. Jinasena	General Manager / Secretary of the Board

### **Audit and management committee members**

- No audit committee meeting was held in the year 2018.

**Management staff - head office -2018**

<b><u>Name</u></b>	<b><u>Position</u></b>
<b>Mr. M. G. G. Thillakasiri</b>	Chairman/Chief Executive Officer
<b>Mr.H. N. P. Jinasena</b>	General Manager
<b>Mr.S. I. M. Hasan</b>	Deputy General Manager - Finance
<b>Mrs.B. V. L. C. Benaragama</b>	Manageress - Procurement
<b>Mr.J. H. I. Jayasundara</b>	Acting Deputy General Manager / Manager - Administration
<b>Mr. W.D. Kirthi</b>	Manager -- Marketing
<b>Mrs. K. A. H. D. Perera</b>	Manageress - General Manager Division
<b>Mrs. N. A. A. Nikapitiya</b>	Manageress – Legal
<b>Mr. U.S. Vithanage</b>	Accountant
<b>Mr.V. Kadirgamar</b>	Assistant Manager -Plantations
<b>E.R.I.B.S.S. Bandara</b>	Internal Audit Officer
<b>Ms.G. D.S.C. Sudasinghe</b>	Assistant Manager - Administration
<b>Mr. G.B.C. Fonseka</b>	Assistant Manager - Administration
<b>Ms. H.M.S.N. Herath</b>	Assistant Manager - Marketing
<b>Mr. P.V.Pradeep</b>	Assistant Manager – Transport
<b>Mr.Gayan Yapa</b>	Assistant Manager -Land
<b>Mr. P.C.J. Panagoda</b>	Assistant Accountatnt
<b>Mr. Sumudu Kekulandala</b>	Legal Officer

## **Management staff – plantations 2018**

<b><u>Name</u></b>	<b><u>Position and Estate</u></b>
<b>Mr. Y.A.T.B. Wadugodapitiya</b>	Superintendent - Alakolla Estate
<b>Mr.T. M. P. G. I. Thennakoon</b>	Superintendent - Galphelle estate
<b>Mr.T. R. H. Hewage</b>	Superintendent – Hagala Estate
<b>Mr.R. A. R. M. Ranawaka</b>	Superintendent - Hunnasgiriya Estate
<b>Mr. A.C. Abewarna</b>	Superintendent / DGM. Zone I - Kellebokka Estate
<b>Mr.W. T. K. Samaratunga</b>	Superintendent - Midlands Estate
<b>Mr. P. I. L. Perera</b>	Superintendent / DGM Zone II - - Rangala estate
<b>Mr.I. W. R. Jayawardene</b>	Superintendent - Walahanduawa Estate
<b>Mr.D. W. T. C. Danthasingha</b>	Superintendent - Waitalawa Estate
<b>Mr.R. A. M. Dayaratne</b>	Superintendent - Goomara Estate
<b>Mr.A. A. Senaratne</b>	Superintendent - Cottaganga Estate
<b>Mr.S. Y. Liyanage</b>	Superintendent - Harepark Estate
<b>Mr.G. W. G. Wijeratne</b>	Superintendent - Opalgala Estate
<b>Mr.K. D. M. P. Weerasinghe</b>	Manager - Plantations (Acting)
<b>Mr.M. M. M. M. C. B. Ahlamalpe</b>	Superintendent (Acting) – Woodside Estate
<b>Mr. C.S.S.M.Dissanayake</b>	Superintendent (Acting) - Nicholaoya Estate
<b>Mr. M. D. M. C. J. Dasanayake</b>	Superintendent (overseas on leave )

# ORGANIZATIONAL

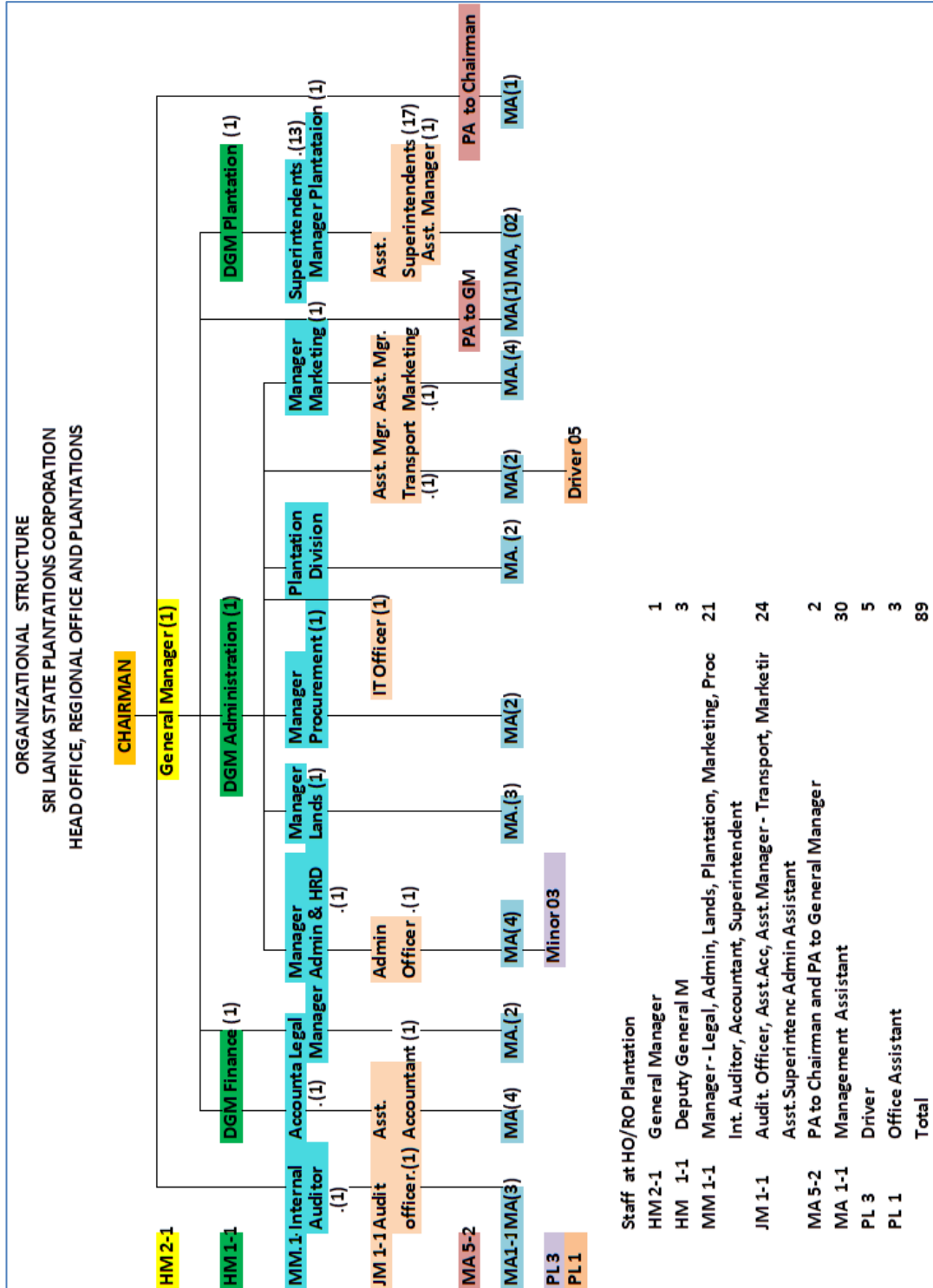


Image 01 – Organizational Structure



## CHAIRMAN'S REVIEW



When I assumed duties as the chairman in the year 2020, annual reports of the Sri Lanka State Plantations Corporation had been presented only up to the year 2016 and final accounts had not been prepared for the years 2017, 2018, 2019. Hence, I gave necessary instructions to expedite the preparation of annual reports for those years.

The Corporation made a loss of 147.8 million rupees in the year 2018 and the loss of the corporation in the year 2017 is 94.9 million rupees. Accordingly, the percentage of loss increase in 2018 compared to the previous year is 55.74%.

In the year 2018, the production cost of one kilogram of green leaves was Rs. 102.07. The Corporation's total made tea production has been increased from 563,818 kg in 2017 to 572,318 kg in 2018 by 1.5%.

In 2017, the average selling price of one kilogram of Made tea was Rs. 437.78 and in 2018, it has decreased by 6.65% to Rs. 408.68. Similarly, in 2017, the average production cost of 1 kg of Made tea is 601.77 rupees and in 2018, it is 574.10 rupees.

Low productivity of plantations, loss of sales, high cost of production in factories, adverse soil conditions (slippage/erosion/low nutrient level) and adverse weather conditions have led to the financial instability of the corporation. Meanwhile, the sale of trees for timber has declined due to administrative, procurement issues and delays in obtaining approvals for felling of trees as per the Forest Management Plan. Due to failure in generating sufficient revenue and provision, the State Plantation Corporation of Sri Lanka has been unable to provide adequate inputs for agricultural production and has failed to regularly maintain and upgrade the tea factories. As a result, the Sri Lanka State Plantation Corporation has recorded losses throughout the past few years.

The plantations belonging to the State Plantation Corporation of Sri Lanka are located around the Knuckles Reserve, which is a world heritage site, thus many beautiful places are located in our plantations. Beautiful landscapes including Riverston access Road, Dankanda Lake and Campground, 360° Viewpoint, Thaliya Watuna Ella, Jodu Ella, Sari Ella, Wewathenna Campground and Reservoir are located within the estates owned by the State Plantation Corporation. At present, a large number of local and foreign tourists come to visit these places and the corporation is currently

getting some income by providing them with very limited facilities and it is my observation that by providing good facilities, a higher income can be generated.

This 2018 annual report, which was supposed to be completed before September 30, 2019, was delayed for three years due to the failure in submission of annual accounts on the due date for many years. I would like to express my thanks to the current staff of the Sri Lanka State Plantations Corporation who, by the year 2021, completed the annual accounts on the due date and thus, prepared the annual report of the year 2018.

Accordingly, I would like to present the annual report of Sri Lanka State Plantation Corporation for the year 2018 on behalf of the Board of Directors.

**Shrimal Wijsekera**  
**Attorney-at-law**  
**Chairman**  
**Sri Lanka State Plantation Corporation**

## **CORPORATE BACKGROUND**

### **Legal establishment**

The Corporation was established under the Sri Lanka State Plantation Corporation Act No. 4 of 1958 and the amended Act No. 12 of 1962 and No. 49 of 1979.

### **Legal and historical background of Sri Lanka State Plantation Corporation**

The Ceylon State Plantation Corporation was incorporated under the Ceylon State Plantation Corporation Act No. 4 of 1958. The main objective of establishing the Ceylon State Plantation Corporation was to develop and raise the plantations alienated to the Corporation by the approval of the Minister and the cultivated government lands and undertake proper management of the cultivation on such lands. Further, another purpose of establishing the Ceylon State Plantation Corporation was to assign to it the management and maintenance of the estates acquired by the Commissioner of Lands and the Commissioner General of Inland Revenue.

In the beginning, the Ceylon State Plantation Corporation handled a few estates alienated to it by the government, and operated well fulfilling the objective for which it was established, and this enabled the Corporation purchase estates of about 15,000 hectares in a short time. Such growth was accounted for by its establishment through a strong Act and operation with a good management.

With the acquisition of estates by peopolization of them through the Land Reforms Act of 1972 and the amended Act of 1975 and due to annulment of the trusts that were operating at the time, about 250 of thus acquired estates were alienated, for developing and raising them, to the Ceylon State Plantation Corporation, which was then managing around 25 estates. Janatha Estates Development Board was established and thus acquired other estates were alienated to that Board.

It was necessary to change the management structure to promote the Ceylon State Plantation Corporation, which had vastly expanded. Therefore, the government that came to power in 1977 established regional offices to manage the estates more efficiently and effectively, and thus, the administration of estates was decentralized.

The Ceylon State Plantation Corporation Act has been amended by Act No. 4 of 1979. According to Section 3 thereof, the name Ceylon State Plantation Corporation used until then was amended to Sri Lanka State Plantation Corporation.

Further, the purposes of the State Plantation Corporation of Sri Lanka were broadened by Section 6 of the Amended Act No. 49 of 1979. Which are:

- a) to manage agricultural and estate lands to promote optimum productivity on such lands;
- b) to co-ordinate and manage agricultural crops by rehabilitating existing crops or diversifying crops on such lands ;
- c) to raise livestock on such lands ;
- d) to process and sell agricultural produce;
- e) to establish, maintain and operate plant, equipment and machinery for agricultural purposes on such lands;

- f) to carry out any other business incidental to the constructive operation and management of the Corporation.

In 1980, a number of steps were taken to strengthen the management of plantations and stabilize the decentralized organizational structure of the State Plantation Corporation of Sri Lanka. Accordingly, the Sri Lanka State Plantation Corporation, which was under the Ministry of Plantation Industries, has come under the direct supervision of His Excellency the President. In February 1980, four regional boards with more powers were established to enhance the performance of regional offices, namely, S.L.S.P.C. I, II, III and IV. In 1984, expanding this function, two more boards S.L.S.P.C. V and VI were established for the better management of estates around Balangoda and Matale. Although the management of the estates was decentralized, policy making, marketing, storage and financial affairs were done by the Central Board of Sri Lanka State Plantation Corporation in Colombo.

After realizing the ineffectiveness and lack of effectiveness of these reforms, the then government established 22 regional plantation companies in 1922 under the “Conversion of Government Owned Business Undertakings into Public Corporations Act”. The 22 local plantation companies were entrusted with the management of 402 profitable and agriculturally productive estates owned by the Sri Lanka State Plantation Corporation and the Janatha Estate Development Board on a long-term lease basis. The Sri Lanka State Plantation Corporation and the Janatha Vatu Development Board were left with 55 plantations producing midland tea with low selling prices due to not possessing the characteristic qualities of upland and lowland tea. Out of these 55 estates, 32 estates remained with the Sri Lanka State Plantation Corporation. Even out of these 32 estates, 11 estates were transferred to Elkaduwa Plantation Company Limited in 1993. Accordingly, the remaining 21 estates were consolidated into 16 estates and placed under the State Plantation Corporation of Sri Lanka. A large proportion of these 16 estates are old seeded tea and poor soils with rough slopes around the Knuckles range in Kandy and Matale districts. Therefore, the green leaf yield in these midland plantations was naturally very low. Estates in this area have been known as loss making estates for a long time due to the three factors of decrease in selling price and decrease in yield.

Also, in 1992, the entire staff of the State Plantation Corporation was retired and all operations were stopped. In 1994, a new staff was recruited and operations resumed. Since then, the Sri Lanka State Plantation Corporation, which was under the Ministry of Plantation Industries until 2006, was also brought under the purview of the State Enterprise Reform Commission. During the period from 2001 to 2004, this corporation was considered a burden to the government, and some estates and assets were leased for long terms in order to reduce the burden on the government.

Waithalawa, Woodside and Harepark Estates and Cottaganga Factory, which were leased to the private sector for certain projects on the recommendations of the Board of Investment, were abandoned by the parties who took them on lease due to the failure of these projects. Later the State Plantation Corporation had to take back the Hare park estate and the Cottaganga factory with many liabilities. Harepark Estate, which was anarchic due to bad management, unauthorized acquisitions and non-maintenance of the plantation, had become more loss-making. Waithalawa and Woodside estates were later transferred to another private company. Due to the company's mismanagement, Woodside Estate was abandoned and only Waithalawa Estate was kept under its control.

In 2006, the government policy changed and a new policy was introduced to manage the Sri Lanka State Plantation Corporation as a commercially strong government strategic organization by removing it from the purview of the State Enterprise Reform Commission and bringing it under the

purview of the Strategic Enterprise Management Institute. The system of managing these estates as mere tea plantations was changed with the intervention of the Strategic Enterprise Management Institute. Accordingly, under the new concept of estate asset management, a number of strategies were adopted such as identification of the assets of the Sri Lanka State Plantation Corporation, i.e. valuable timber resources worth about 3,000 million rupees, potential sites for small hydroelectric power plants, carbon sequestration of estates and selling, and crop diversification of loss-making estates.

With the gazetting of Knuckles as a World Heritage Site in 2007, a large area of plantations owned by the State Plantation Corporation of Sri Lanka became a World Heritage Site. Accordingly, commercial forestry plantations, cardamom plantations as well as tea plantations were added to the Knuckles Reserve. But the management of the estates and the management of the reserve were also problematic due to the lack of definite boundaries and the amount of land included in the reserve. Later, the situation became more confusing when the Knuckles World Heritage Buffer Zone was also gazetted.

## ATTRACTIVE LOCATIONS IN THE ESTATES OF SRI LANKA STATE PLANTATION CORPORATION

### Kellebokka 360° view point



Kellebokka 360° View Point (Elevation: 1,175 m) has become a trending destination. The peak is located on the border of Matale and Kandy districts and Hatle shares the same peak forming the Kuda Lokantha and Hunnasgiriya mountains. The ridge extends to the north and connects with the western massif of Knuckles. It is an attractive place from which, on a clear day, visitors can observe the Central Hills, Kandy City, Sembuwatta Lake and Knuckles Hill.

There is a camping ground and 02 estate bungalows for the guests to have accommodation. In the middle of the flat hill there are a completed Hindu shrine and a hut made using sticks to facilitate enjoy the view. A morning visit is preferable to enjoy the views undisturbed due to the fog that blankets the area during the afternoon.

### Burnside



Located in Kandy, Burnside Bungalow is an attractive site located 13 miles away from the Seaplane Airport on the Rangala Polgolla Reservoir.

## Dankanda Lake - Midlands



The spectacular Dankanda Lake is a reservoir in the Central Province and its height is 957 meters. The Dankanda Lake is located close to Kirimatiaranda and Dankandawatta and not far from the Midlands Estate owned by the State Plantation Corporation of Sri Lanka.

## Hunnasgiriya



Located 22 km from Kandy city and close to Elkaduwa village in Matale district, the Knuckles mountain range and Hunnas Falls waterfall is an attractive place for local and foreign tourists. The Hunnasgiriya State Estate belonging to the State Plantation Corporation of Sri Lanka has provided facilities for the tourists visiting this waterfall.

## **Wewathenna – Woodside**



The plantation campsite is located in the Woodside State Estate in the Central Kandy area of Kandy District in the Central Province and is 37.9 km from Kandy city. Although the road to this beautiful campsite is quite difficult, it is a very beautiful experience. On the way from Kandy to Wewathenna, the sight of the amazing and world-famous Victoria Dam is also another wonderful experience.

## Status of the plantations managed by Sri Lanka State Plantation Corporation during the year 2018

At the beginning of 2018, there were 14 plantations managed by Sri Lanka State Plantation Corporation. 13 of them are located in Kandy and Matale District and Walahanduwa Estate is located in Galle District.

Table 01- Details of Estates

Name of Estate	Total Land area (Hectares)	District	Divisional Secretariat Division
Alakolla	819.86	Kandy	Panwila
Cottaganga	1,059.31	Kandy	Medadumbara
Galphelle	765.89	Kandy	Panwila/Menikhinna
Goomera	731.13	Kandy	Panwila/Theldeniya
Hagala	449.49	Kandy	Panwila
Harepark	976.75	Kandy	Ududumbara
Hunnasgiriya	739.72	Matale	kuwela, Pathadumbara
Kellebokka	1,370.36	Kandy	Panwila, Kaikawala
Midlands	1,221.31	Matale	Rattota
Nicholaoya ***	332.41	Matale	Rattota
Opalgala	766.00	Matale	Ambagahakorale
Rangala	630.60	Kandy	Medadumbara
Waithalawa ***	556.48	Kandy	Medadumbara
Walahanduwa	100.22	Galle	Akmeemana
<b>Garnd Total</b>	<b>10,519.53</b>		

In the year 2017, Waithalawa Estate, which had been leased to the private sector and had been abandoned without proper management, was taken back under the control of the corporation. But there was no proper resolution of the issues related to cancellation of lease agreements and employee administration. Although arrangements were made to take over, it was not known whether a plan was in place on how to manage it after the takeover.

## Summary of Lands and Estates of Sri Lanka State Plantation Corporation

Table 02- Summary of Lands and Estates of Sri Lanka State Plantations Corporation

Estate	Date of purchase	Land area (Hectare)
Hapugasthenna	1/1/1972	1709.31
Alupola	1/1/1972	1228.74
Galaboda	1/1/1972	376.92
Halgolla	1/1/1972	1006.88
Rassagala	1/1/1972	776.49
Wikiliya	1/1/1972	805.67
Thispane	1/1/1972	384.62
Meddekanda	1/1/1972	676.11
Sogama	1/1/1972	476.11
Mathurata	15/05/1975	278.54
Uduwela	1/6/1973	659.51
Icelab	26/11/1973	382.59
Wedamulla	1/9/1973	484.62
Ramboda	1/9/1973	765.18
Greatvalley	1/1/1974	320.24
Medadumbara South	1/2/1974	505.26
Carolina	1/7/1974	1063.56
Gallebodda	1/7/1974	752.63
Gethahnt	1/7/1974	203.24
St. Hailier	1/7/1974	172.87
Rohamupton	15/3/1974	100.61
Nunpariel	11/4/1974	203.64
Udapola	27/5/1975	278.54
Delkith	19/5/1975	1223.38
Elpitiya	1/6/1975	785.02
Galaha-Silic Project	1/7/1975	694.33
Hotvil	1/7/1975	412.15
Campion	1/7/1975	848.99
Eheliyagoda	1/8/1975	410.93
Sapumalkanda	1/8/1975	646.96
Diyadawa		280.57
<b>Grand Total</b>		<b>18914.21</b>

Table 03 - Summary of estates received by Sri Lanka State Plantation Corporation through various government agencies

Estate	Manner of receipt	Date of receipt	Land area (Hectare)
Higgoda	Land commissioner	1/10/1960	319.81
Radella	Commisioner of Inland Revenue	1/10/1960	633.60
Yatawatta	Commisioner of Inland Revenue	1/10/1960	522.67
Neliula	Commisioner of Inland Revenue	1/10/1960	337.65
Pallekele	Land Commissioner	1/1/1968	1270.04
<b>Grand total</b>			<b>3083.77</b>

Table 04 - Summary of estates received by the State Plantations Corporation of Sri Lanka by Gazette

Gazette Number	Date	Manner of Receipt	No. of Estates		Number of Estates with Nominal Value
			Regional Plantation Companies	Sri Lanka State Plantation Corporation	
150/12	7/24/1981	Land Reforms Commission	38	0	None
181/12	2/27/1989		55	25	None
815/10	4/21/1994		122	1	123
195/6	5/31/1982		6	8	None
569/14	8/2/1989		3	0	None
571/14	8/14/1989		1	0	None
206/15	8/20/1982		0	1	None
230/12	2/2/1983		1	0	None
937/2	8/19/1996		8	0	None
157/13	4/3/1975		Government	5	0
439/18	2/6/1987	0		1	None
<b>Grand Total</b>			<b>239</b>	<b>36</b>	

## Land utilization of estates - 2018

Table 05 – Land Utilization of Estates

Hectare Statement, State Plantation Corporation of Sri Lanka -2018																			
Estate	Area of Tea Cultivated Land (Hectares)						Rubber (hectares)				Minor export crops (Hectares)				Timber Cultivation (Hectares)		Buildings and Roads (Hectares)	Other (hectares)	Total Land Area (Hectares)
	Income generating tea			Tea nursery area	re-planted area	Old rubber plantation	Rubber re-planted area	Cardamom	Cinnamon	Cloves	Other	Commercial wood	fuel wood						
	Seed tea	Sprout tea	Area of land given for harvesting on contract basis																
Alakolla	174.75	113.95	107.50	1.00	8.00	-	-	-	-	-	-	-	79.38	34.21	301.07	819.86			
Kotaganga	255.46	33.92	141.11	0.40	3.00	-	-	70.69	-	-	-	-	24.14	75.78	454.81	1,059.31			
Galpelle	36.37	165.01	-	2.21	7.04	-	-	-	-	5.85	-	-	70.21	40.29	438.91	765.89			
Goomera	104.85	116.73	128.61	-	9.00	-	-	74.80	-	-	-	-	44.50	141.17	111.47	731.13			
Hagala	104.80	77.78	84.66	0.42	-	-	-	-	-	-	-	-	89.62	34.06	58.15	449.49			
Harepark	172.50	-	175.50	-	-	-	-	55.00	-	-	-	-	-	52.75	521.00	976.75			
Hunnasgiriya	153.14	37.78	34.21	0.60	-	-	-	41.40	7.96	22.45	1.96	-	7.00	18.20	415.02	739.72			
Kellebokka	203.97	304.24	190.43	1.21	17.50	-	-	147.81	-	-	12.50	-	350.46	96.37	45.87	1,370.36			
Midlands	104.42	117.41	57.17	1.34	8.00	-	-	240.79	-	25.00	3.00	-	208.84	68.24	387.10	1,221.31			
Nicholaoya	-	47.14	2.43	-	2.25	-	-	48.32	-	-	6.07	-	18.00	6.07	202.13	332.41			
Opalgala	36.10	48.90	55.90	1.80	-	-	-	138.00	6.00	10.00	15.50	-	86.00	70.00	243.80	766.00			
Rangala	129.35	85.44	110.45	2.00	5.00	-	-	-	-	-	7.50	-	-	28.90	257.96	630.60			
Waithalawa	47.56	36.97	74.69	-	-	-	-	61.06	-	-	-	-	47.39	26.73	262.08	556.48			
Walahanduwa	2.05	-	-	-	1.00	65.47	4.00	-	4.00	-	7.40	-	-	-	16.30	100.22			
<b>Total</b>	<b>1,525.32</b>	<b>1,185.27</b>	<b>1,162.66</b>	<b>10.98</b>	<b>60.79</b>	<b>119.47</b>	<b>8.00</b>	<b>877.87</b>	<b>17.96</b>	<b>63.30</b>	<b>53.93</b>	<b>-</b>	<b>1,025.54</b>	<b>692.77</b>	<b>3,715.67</b>	<b>10,519.53</b>			

## Yield of the Major Crops of the Estates 2009-2018

Table 06- Yield of the Major Crops of the Estates 2009-2018

Estate	Tea - Green Leaves (kg)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Alakolla	956,041	1,065,220	1,077,059	952,633	880,458	769,499	787,217	705,364	759,745	734,923
Cottaganga	356,674	352,166	312,648	370,453	258,308	194,663	216,383	170,940	205,002	293,452
Galphelle	969,169	1,003,481	971,105	879,545	880,379	665,646	690,856	675,717	775,779	790,235
Goomera	575,125	602,682	647,939	566,360	574,639	486,583	547,711	667,328	764,337	743,270
Hagala	942,834	981,330	985,357	843,579	774,142	682,702	682,097	429,360	482,980	547,672
Harepark	572,622	543,660	455,650	399,609	463,485	375,497	298,837	229,330	252,911	298,088
Hunnaagiriya	553,458	651,682	370,875	737,337	520,190	431,449	578,320	515,374	528,226	496,959
Keillebokka	1,777,245	1,943,439	2,153,655	2,006,814	1,762,933	1,331,815	1,608,769	1,373,408	1,382,689	1,468,809
Midlands	1,054,461	1,145,480	998,500	669,558	730,241	395,511	586,442	438,614	503,015	586,207
Nicolaoya ***	300,009				458		1,122	1,550	2,979	159,993
Opalgala	394,644	421,186	369,534	369,158	430,719	297,287	301,755	247,751	305,494	354,023
Rangala	985,938	1,024,601	948,550	739,211	658,274	521,922	678,266	604,332	492,346	606,262
Waithalawa ***										228,362
Woodside**										22,153
<b>Total</b>	<b>9,438,220</b>	<b>9,734,927</b>	<b>9,290,872</b>	<b>8,534,257</b>	<b>7,933,768</b>	<b>6,153,032</b>	<b>6,977,775</b>	<b>6,059,068</b>	<b>6,455,503</b>	<b>7,330,409</b>
Estate	*Rubber- Latex (kg)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Walahuwa	53,350	50,163	49,332	39,218	44,861	40,140	36,809	37,522	42,470	33,395
****	Nicolaoya Estate was merged with Midlands from 2010-2013.									
***	Vaithalawa estate is managed by Maruti from 2008-2017.									
**	Prior to 2018, Management of the Woodside Estate had been outsourced									
*	DRC value of latex converted to kg (Dry Rubber Content)									

Green Leaf Yield of Estates, Year 2009 - 2018

Table 07 – Green Leaf Yield per Hectare 2009-2018

Estate	Green Leaf Quantity - Killogram per Hectare									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Alakolla	2,328	2,828	3,070	2,856	2,660	2,321	2,293	2,121	2,479	2,367
Cottaganga	1,494	1,523	1,353	1,316	1,400	1,060	860	819	935	930
Galphelle	3,696	4,228	5,088	4,009	3,819	2,926	2,981	2,916	3,656	3,901
Goomera	2,746	2,958	3,772	3,474	3,363	3,121	3,363	3,084	3,451	3,139
Hagala	2,454	2,781	2,851	3,595	3,223	2,772	2,716	2,447	2,781	2,883
Harepark	1,823	1,807	1,633	1,274	1,633	1,274	995	674	795	1,260
Hunnasgiriya	2,651	3,242	3,474	3,321	2,828	2,181	2,744	2,749	2,823	2,599
Kellebokka	2,414	2,791	3,795	3,479	3,079	2,353	2,828	2,888	2,777	2,651
Midland	2,736	3,088	2,851	2,498	2,460	2,084	2,167	1,995	2,293	2,585
Nicholaoya	2,410					1,772	1,702	2,544	2,884	3,218
Opalgala	3,339	3,791	3,228	3,619	3,972	2,944	2,814	2,309	2,940	4,013
Rangala	3,072	3,456	367	3,772	3,256	2,553	3,247	2,916	2,316	2,581
Waithalawa										2,688
<b>Total</b>	<b>31,162</b>	<b>32,493</b>	<b>31,484</b>	<b>33,214</b>	<b>31,693</b>	<b>27,363</b>	<b>28,712</b>	<b>27,463</b>	<b>30,130</b>	<b>34,815</b>
<b>*Rubber Latex - Killogram per Hectare</b>										
Estate	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Walahanduwa	821	776	763	603	690	618	566	577	649	510

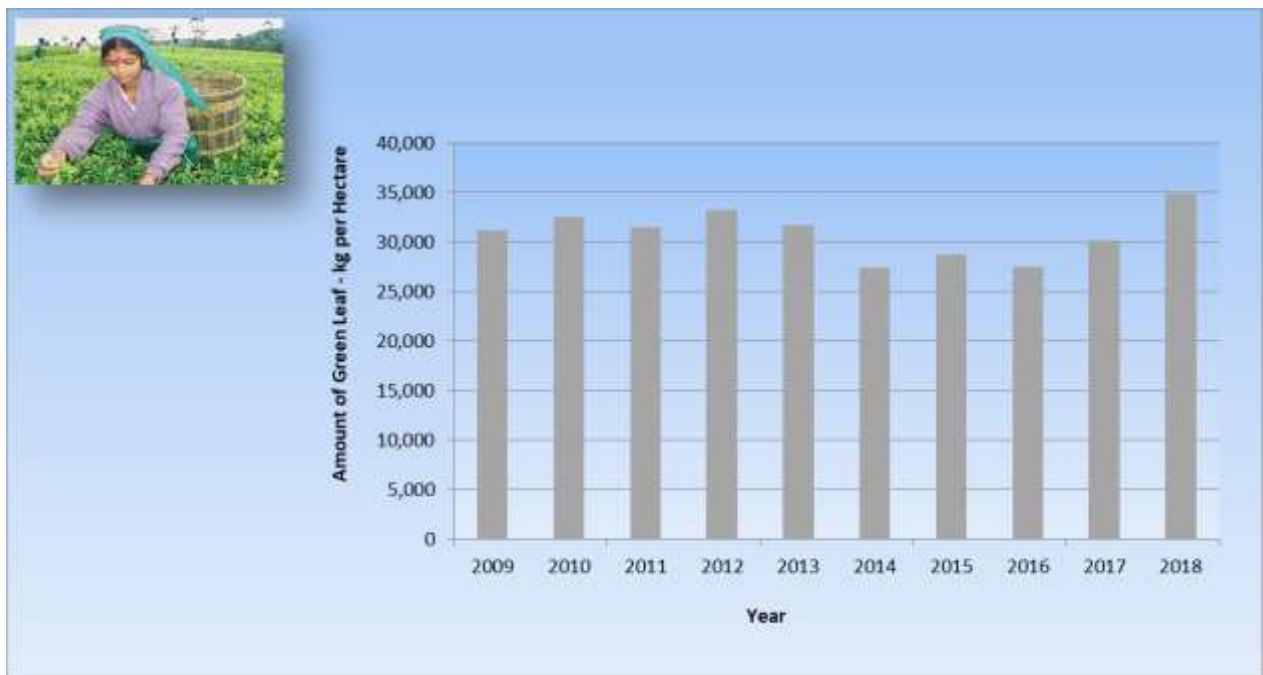


Image 03: Yield of Green Leaf per Hectare (2009-2018)

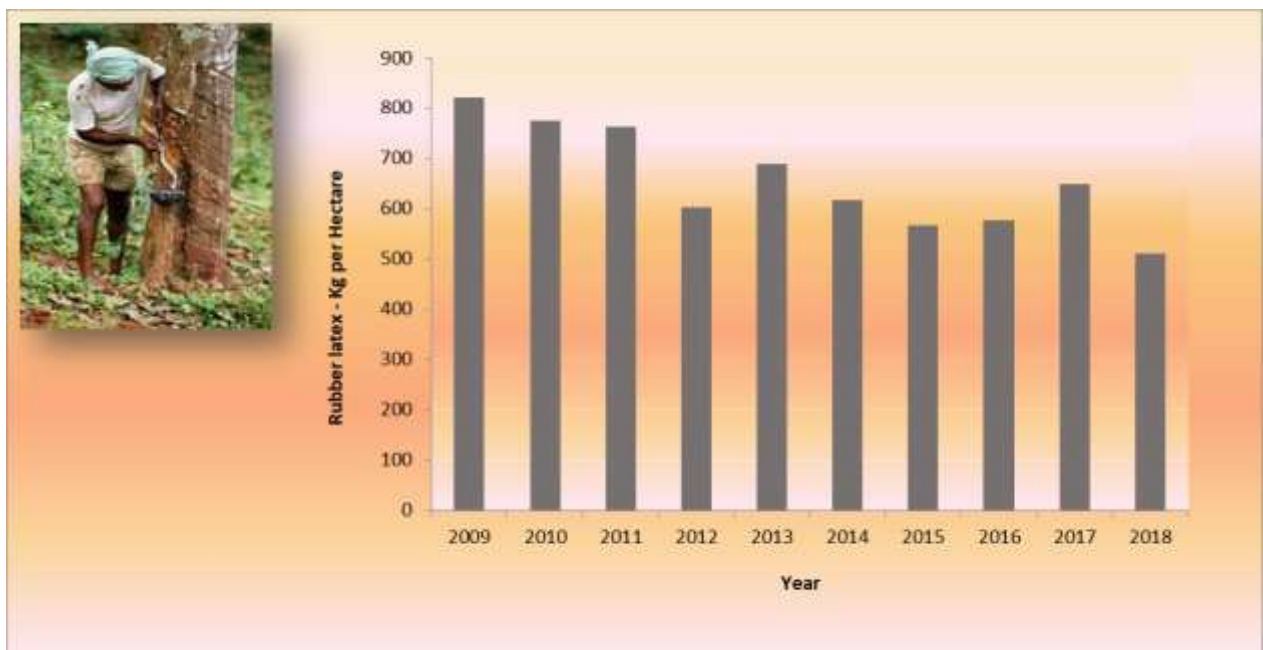


Image 04: Rubber Yield per Hectare (2009-2018)

## Annual Rainfall in West Central Region 2018

Table 08- Annual Rainfall in West Central Region in 2018

Annual Rainfall - 2018	
Estate	Rainfall (m.m.)
Alakolla	2792
Cottaganga	2403
Galphelle	1973
Goomera	2944
Hagala	2362
Harepark	3037
Hunnasgiriya	1674
Kellebokka	3509
Midlands	3588
Nicholaoya	2508
Opalgala	2161
Rangala	3134
Waithalawa	2250

According to the above data, there has been good rainfall throughout the year 2018 in the West Central region and Sri Lanka State Plantation Corporation has used 229 tons of fertilizer for plantations.

### Fertilizer use for last three years

Overall, significant financial concessions have been received. But it appears that the management has failed to properly provide fertilizers and herbicides as an agricultural necessity.

Table 09- Fertilizer use for last three years

Year	Amount of Fertilizer Used (Mt)	Cost of Fertilizer(Rs.)	Amount of herbicide used (litres/kg)	Cost of Herbicide (Rs.)
2016	67	3,283,300.00	800 kg	5,959,464.00
			3340 l	
2017	306	15,918,300.00	400 kg	7,352,984.00
			1628 l	
2018	229	7,530,941.60	3347 l	14,308,425.00

In the year 2018, the selling price of one kilogram of green leaves produced by the Sri Lanka State Plantation Corporation was 84.78 rupees, while the selling price of one kilogram of green leaves in the West Central region was 76.32 rupees. Accordingly, in the year 2018, the sales ratio of Sri Lanka State Plantation Corporation has been maintained at a value of 8.46 higher than the sales ratio of the West Central region.

## Cost of production per kg of green leaves of the Plantation Corporation for three years

*Table 10 – Cost of Production per kg of Green Leaves of the Plantations Corporation for three Years*

Year	Production cost per kg of green tea leaves (Rs.)					
	Harvesting of leaves	Field work	Fertilizer	Herbicide	General expenditure	Total
2016	32.48	10.07	1.80	5.70	46.28	96.32
2017	31.16	12.31	3.64	6.08	49.45	102.64
2018	32.44	13.24	2.59	7.84	45.96	102.07

Accordingly, the cost of fertilizer is a lesser value of the production cost of one kilogram of raw leaves. Expected yield has been reduced due to controlling the investment in fertilizers without managing the cost of green leaves yielding and overheads, which take up a larger share of the production costs. The lack of understanding of this situation by the controlling authority and the management of the State Plantation Corporation of Sri Lanka has been one of the reasons for the long-term losses of the State Plantation Corporation of Sri Lanka.

## Tea Production

The State Plantations Corporation of Sri Lanka has 10 tea factories but, only three C.T.C. factories are currently operating. Those three tea factories namely Kellebokka, Midlands and Rangala produce Made tea from the green leaves of several estates of our corporation and the status of those productions is shown in the table below.

*Table 11 – Tea Production*

Factory	Green leaves (Kg)			Finished tea (Kg.)			The amount of finished tea produced as a percentage			Cost of production - Rupees per 1 kg			Net sales average - Rupees per 1 Kg.		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
<b>Kellebokka</b>	1,645,349	1,579,731	1,468,809	353,839	339,726	315,873	21.50	21.50	22.89	453.15	530.25	569.36	297.52	416.11	385.39
<b>Midland</b>	481,136	544,231	586,207	103,470	117,039	126,066	22.64	22.59	23.21	581.99	621.93	560.09	339.91	418.10	428.20
<b>Rangala</b>	626,639	497,796	606,262	134,761	107,053	130,379	22.29	21.78	21.82	465.43	653.12	592.84	356.54	479.13	412.44
<b>Total</b>	<b>2,753,123</b>	<b>2,621,759</b>	<b>2,661,279</b>	<b>592,070</b>	<b>563,818</b>	<b>572,318</b>									

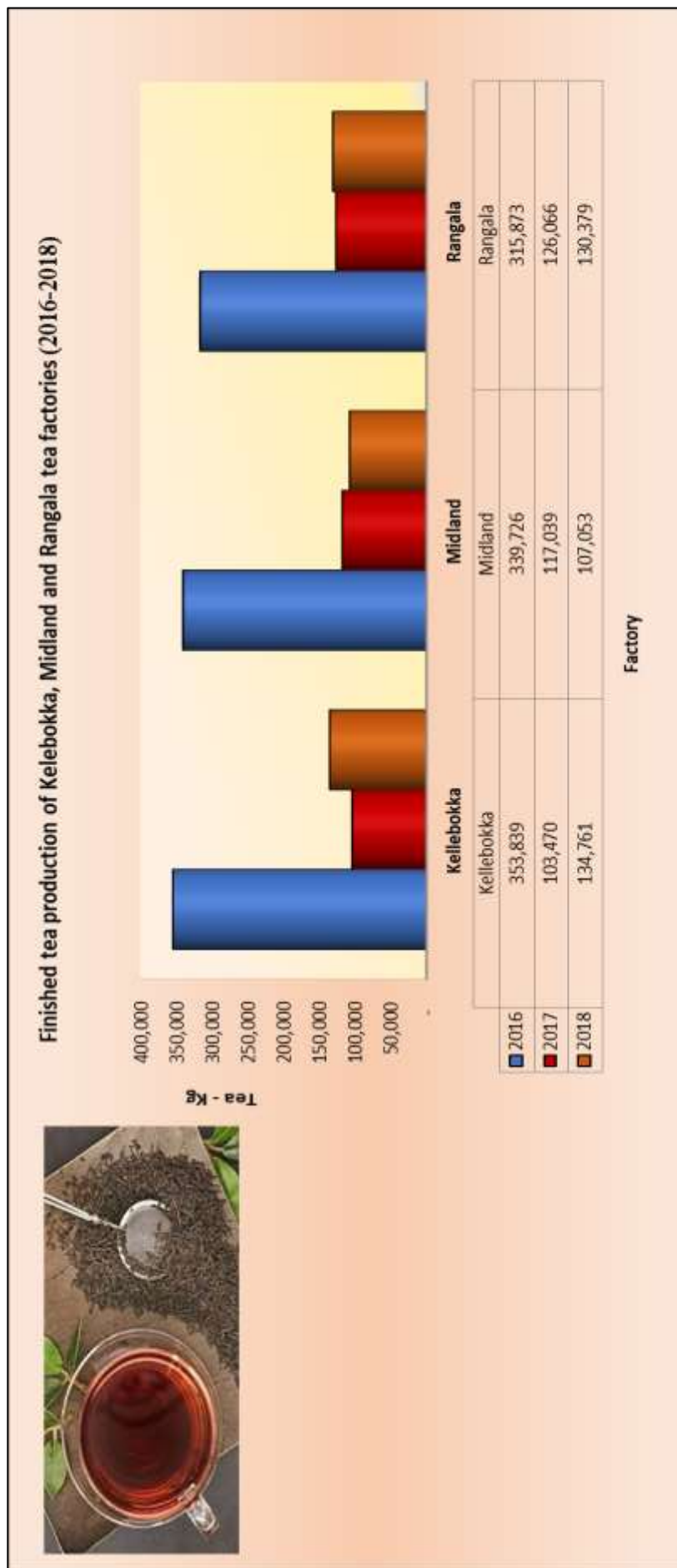


Image 05 – Made Tea Production (2016-2018)

Table 12- Details of Tea Factories

Factory	District of location	type of the tea produced	capacity (Kg)		Current status
			Sifting	Sifting	
Cottaganga	Kandy	Orthodox	1,290	6,000	Non-operational
Goomera	Kandy	Orthodox	8000 (total capacity)		Non-operational
Hagala	Kandy	Orthodox	1,419	6,600	Non-operational
Hunnasgiriya	Matale	CTC	1,720	8,000	Non-operational
Kellebokka	Kandy	CTC	12,000 (total capacity)		Operational
Midland	Matale	CTC	1,400	10,224	Operational
Dankanda	Matale	Orthodox	860	4,000	Non-operational
Nicholaoya	Matale	Orthodox	645	3,000	Non-operational
Rangala	Kandy	CTC	1,500	7,000	Operational

Midland Factory is the only CTC in Matale district. The tea factory and the Kellebokka and Rangala factories are located in Kandy district.

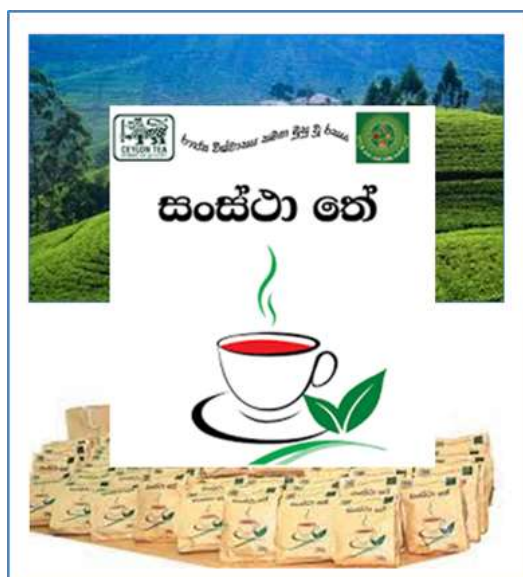
Sri Lanka State Plantation Corporation has gradually faced a severe financial crisis due to high production cost in our factories and very low selling price for our products.

It is a pathetic situation that the price of green leaves and tea produced by the plantation corporation with experienced, trained management and supervisory staff is lower than the average price in the country.



## Sanstha Tea

The production of "Sanstha Tea" was started in November 2016 in order to provide relief to the temporary financial crisis caused by the fluctuations in the price of Sanstha tea in the tea auction, by providing Sanstha tea to the local market.



The market share of the Corporation's tea, which showed an average value in the middle of 2017, has achieved a high value by the last quarter of that year indicating a maximum value. Corporation's tea sales showed a high sales value in the middle of 2018, but could not reach the expected sales targets at the end of the year, however, it showed a higher sales value in the last quarter of 2018 compared to 2017.

Table 13: Sales of Sanstha Tea – Quantitative Comparison (2017-2018)

Month	Quantity of tea sold (Kg)	
	2017	2018
January	86.00	2539.70
February	100.00	2079.50
March	1250.00	3947.65
April	553.00	2156.45
May	1001.00	3369.60
June	1410.00	3502.15
July	1605.00	3379.45
August	2186.00	4036.70
September	2036.75	3663.70
October	2221.05	2507.20
November	2232.70	2919.30
December	3027.70	3493.80
<b>Total</b>	<b>17709.20</b>	<b>37595.20</b>

Table 14: Income of Sanstha Tea (2017-2018)

Month	Sanstha tea sales income (Rupees)	
	2017	2018
January	49,000.00	1,717,815.75
February	72,433.00	1,488,562.75
March	752,047.00	2,812,306.69
April	366,624.00	1,602,650.75
May	672,188.75	2,418,044.32
June	1,083,306.75	2,609,889.00
July	1,158,942.80	3,098,106.25
August	1,590,875.25	3,141,931.85
September	1,685,311.00	2,900,447.15
October	1,604,608.25	1,934,503.70
November	1,609,647.25	2,354,412.15
December	2,159,990.25	2,877,599.25
<b>Total</b>	<b>12,804,974.30</b>	<b>28,956,269.61</b>

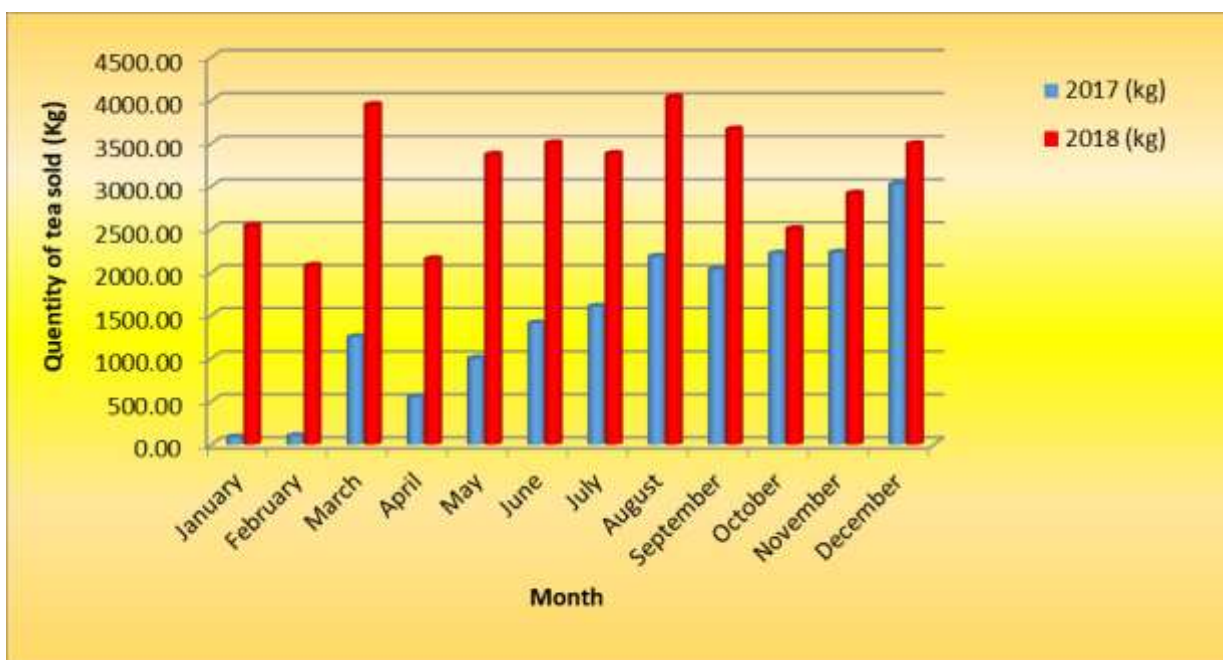


Image 06: Sanstha Tea Sales Income – Quantitative Comparison (2017-2018)

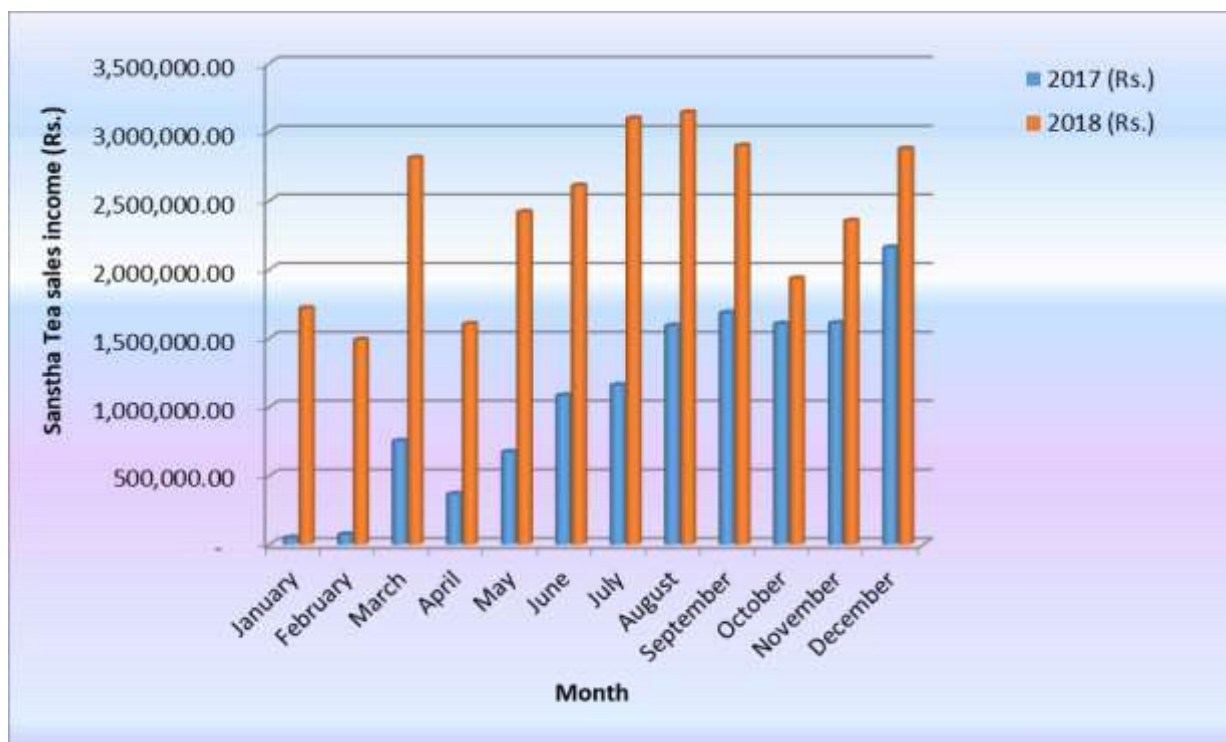


Image 07: Sanstha Tea Sales Income Comparison (2017-2018)

## Rubber production

Sri Lanka State Plantation Corporation has only one rubber plantation. It is located in Walahanduwa area of the Galle district. The total latex production for three years is shown in the table below.

Table 15 - Total Rubber Production for Three

Year	Latex(Kg)	Total Expenditure (Rs.)	Profit/Loss (Rs.)	NSA (Rs.)	COP per Kg (Rs.)	Profit/Loss per Kg (Rs./kg)
2018	4,318	1,347,734.16	(397,747)	220.00	312.12	(92.12)
2017	42,470	5,617,931.60	(3,350,208)	123.85	132.28	(8.43)
2016	37,525	13,548,401.25	(5,221,271)	221.91	361.05	(139.14)

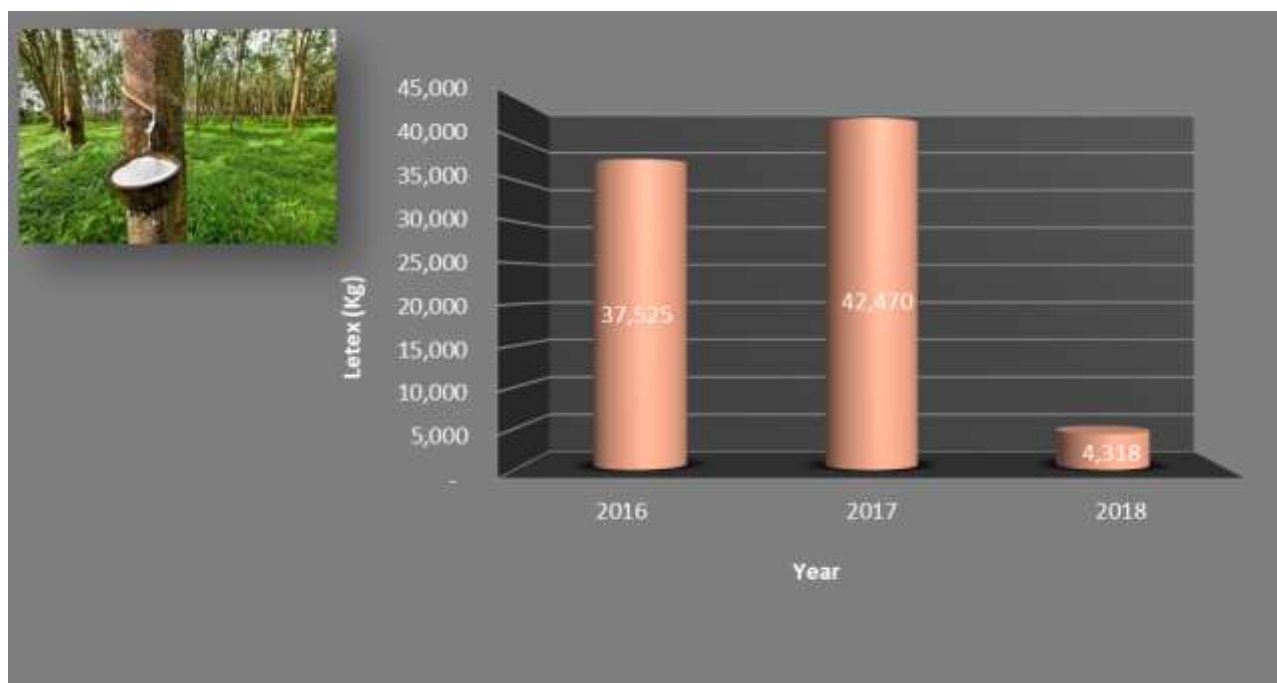


Image08 – Rubber Production (2016-2018)



## **Summary of the grants made by the Treasury to the State Plantations Corporation of Sri Lanka**

As in previous years, this year as well, the Treasury has given a financial grant of 158 million rupees to manage salaries and day-to-day expenses. The following table shows the amount of money given by the Treasury for five years and the use of such grants. .

*Table 16 – Treasury Grants*

<b>Item</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Operating expenses (labour wages and staff salaries)	49	104	100	130	68
Statutory Payments (EPF/ETF/ Gratuity)	362	100	0	134	90
Development activities of Sri Lanka State Plantation Corporation	73	0	0	0	0
<b>Total receipts (Rs. Mn.)</b>	<b>484</b>	<b>204</b>	<b>100</b>	<b>264</b>	<b>158</b>



## Performance as per Annual Estimate 2018 and Statement of Accounts 2018

Table 17- Performance as per Annual estimate 2018 and Statement of Accounts 2018

Description	2018 Esatimate	Annual accounts - 2018	Performance	2017 Estimate	Annual accounts - 2017	Performance
Processed Tea – Cost of Production (C.O.P.)	425.88	445.58	104.63	382.65	473.64	123.78
- Net sales average (N.S.A.)	450.94	371.22	82.32	309.34	419.28	135.54
Rubber – cost of production (C.O.P.)	299.24	420.59	140.55	242.53	320.81	132.28
- Net sales average (N.S.A.)	350.00	244.25	69.79	250.00	309.63	123.85
Estimated Production - Made Tea (kg)	2,367,400	1,585,483	66.97	2,439,500	1,532,487	62.82
Estimated Production - Rubber (kg)	45,500	33,395	73.40	55,200	42,472	76.94
<b>Income</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Made tea and Green leaves	1,067,555,575	588,555,635	55.13	754,638,000	642,542,493	85.15
Rubber-latex	15,925,000	8,156,688	51.22	13,800,000	13,150,501	95.29
Total income	1,083,480,575	596,712,323	55.07	768,438,000	655,692,994	85.33
Less: Production costs						
Made tea and Green leaves	1,008,236,601	706,455,462	70.07	933,479,468	725,853,020	77.76
Rubber	13,615,324	10,045,649	103.16	13,387,511	13,625,380	101.78
Total cost of production	1,021,851,925	720,501,111	70.51	946,866,979	739,478,400	78.10
Gross Profit/(Loss) - Estates	61,628,650	(123,788,787)	(200.86)	(178,428,979)	(83,785,406)	46.96
Added: Other income						
	336,320,599	74,648,845	22.20	356,950,095	64,934,597	18.19
	88,371,690	42,098,097	47.64	47,355,000	44,529,539	94.03
Total Other Income - Estates and Head Office	424,692,289	116,746,942	27.49	404,305,095	109,464,136	27.07
Total Income	486,320,939	(7,041,846)	(1.45)	225,876,116	25,678,730	11.37
Less : expenditure						
Administrative expenditure : Estates	82,871,726	47,584,324	57.42	76,368,593	53,231,368	69.70
- Head Office	26,170,569	35,189,977	134.46	20,836,402	20,065,142	96.30
Personnel Expenses - Head Office	44,681,990	45,892,546	102.71	39,407,052	39,440,824	100.09
Financial Charges - Estate	6,826,282	4,694,004	68.76	6,114,324	4,480,462	73.28
- Head Office	9,900,000	7,396,411	74.71	8,650,000	3,393,534	39.23
Total Expenditure	195,890,568	140,756,662	71.85	151,376,371	120,611,330	79.68
Profit/(Loss) - Estates and Head Office	<b>290,439,372</b>	<b>(147,798,507)</b>	<b>(50.89)</b>	<b>74,499,745</b>	<b>(94,932,600)</b>	<b>(127.43)</b>

\*\* Approved by the Board of Directors of Sri Lanka State Plantation Corporation approved on 5 January 2017.

## Profit/Loss of Sri Lanka State Plantations Corporation in Last 05 Years

Table 18 - Profit/Loss of Sri Lanka State Plantations Corporation in Last 05 Years

Year	Profit/Loss
2014	(177,215,397)
2015	(222,236,596)
2016	(150,916,820)
2017	(94,932,600)
2018	(147,798,507)

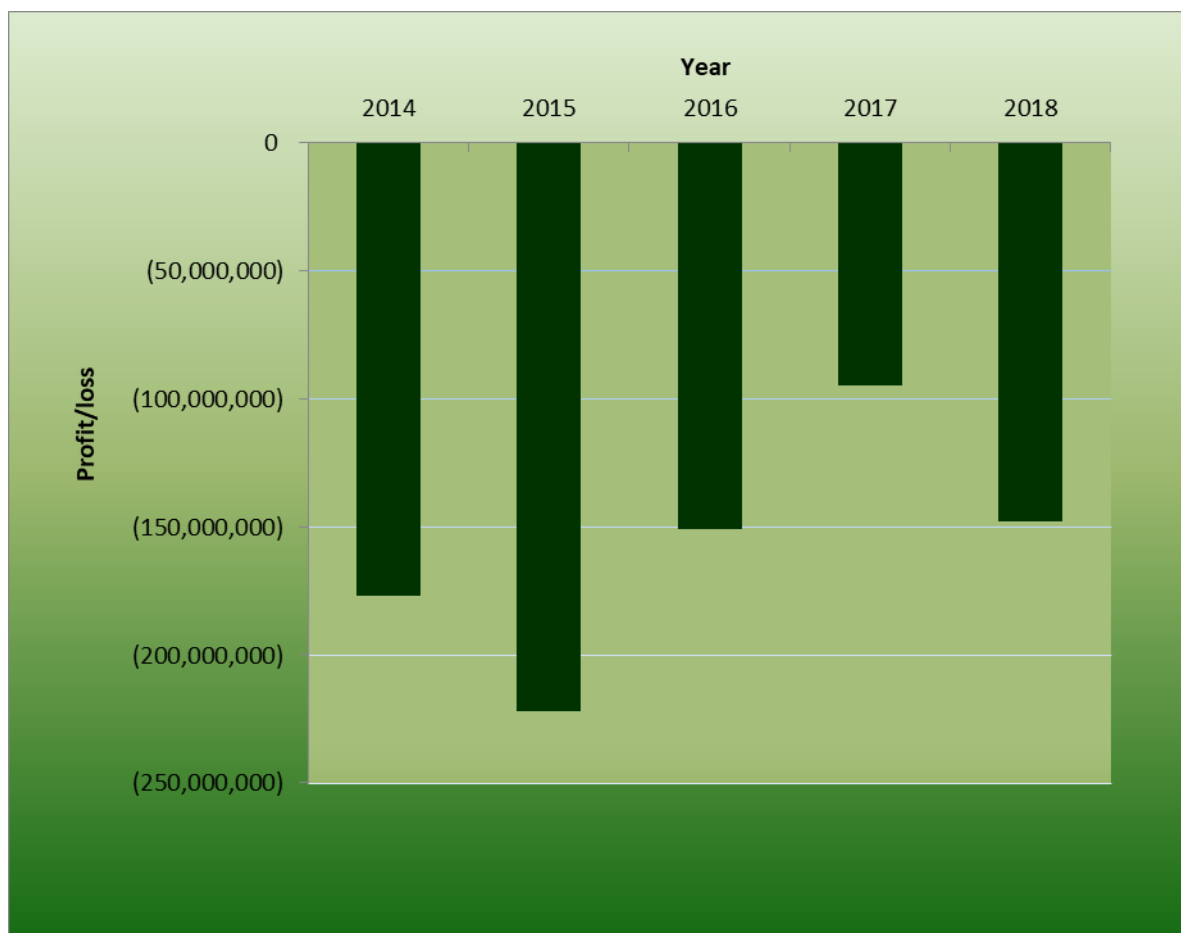


Image 09 – Profit/Loss Comparison for Last 5 Years

## Human Resources of the Sri Lanka State Plantation Corporation

The following table shows the management and supervision and production staff of Sri Lanka State Plantation Corporation in the year 2018.

Table 19 - Human Resources of Sri Lanka State plantations Corporation

Estate	Superintendents	Assistant Superintendents	Staff		Labourers		Total
			Permamnt	Contract	Permamnt	Contract	
Alakolla	1	2	16	1	306	0	326
Cottaganga	1	1	14	1	187	0	204
Galphelle	1	2	20	0	220	4	247
Goomera	1	2	16	2	279	11	311
Hagala	1	1	11	0	206	0	219
Harepark	1	1	11	0	137	2	152
Hunnasgiriya	1	1	18	0	217	0	237
Kellebokka	1	4	36	1	760	32	834
Midland	1	2	19	1	268	0	291
Nicholaoya	1	0	7	0	61	0	69
Oplagla	1	0	13	0	80	0	94
Rangala	1	2	18	2	228	42	293
Waithalawa	1	0	3	1	55	0	60
Walahanduwa	1	1	5	0	54	7	68
Head Office and Regional Office	0	0	49	13	0	0	62
<b>Total</b>	<b>14</b>	<b>19</b>	<b>256</b>	<b>22</b>	<b>3058</b>	<b>98</b>	<b>3467</b>

At the beginning of 2017, there were 59 staff members who are paid by the head office and by the end of 2017 it was 60. In 2018, this number had grown to 62. In 2017, 33 million rupees were spent to pay salaries to this staff, this has increased by 6.7 million rupees, i.e. 20.3%, in 2018. It is observed that the reason for this is improper recruitment outside the approved cadre and improper promotions at the end of 2018. In the year 2018, the Human Resource Development Division has not conducted any internal training program.

At the beginning of 2017, there were 194 office and field staff in estates, and at the end of that year, it has grown to 198. In the year 2018, it has again increased to 256. In the year 2017, 74.9 million rupees were spent to pay the salaries of these staff and it was 89.7 million rupees in the year 2018.

### **Board of Directors and Audit Committee Meetings**

The Auditor General of Sri Lanka has also given a negative opinion on the 2018 financial statements of Sri Lanka State Plantation Corporation. The State Plantation Corporation of Sri Lanka has had a negative opinion for financial disclosure for a long time and has not been able to correct it this year as well.

During the year under review, 6 meetings of the board of directors were held and no audit committee meetings have been held.

**Sri Lanka State Plantations Corporation**

**STATEMENT OF FINANCIAL POSITION**

In LKR.

As at 31st December

	Notes	2018	2017
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	756,206,267	750,687,203
Biological Assets	9	3,466,853,617	3,459,074,142
Investment Property	10	1,611,520,641	1,611,520,641
Fixed Deposits		8,532,777	8,188,992
Capital Work in Progress		-	335,347
Deferred Assets		781,064	1,128,930
<b>Total Non-current Assets</b>		<b>5,843,894,366</b>	<b>5,830,935,254</b>
<b>Current Assets</b>			
Inventories	11	48,241,155	25,182,454
Trade and Other Receivables	12	115,551,243	106,392,662
Other Deposits	13	-	1,935,020
Cash and Cash Equivalents	14	53,812,300	101,871,142
<b>Total Current Assets</b>		<b>217,604,698</b>	<b>235,381,278</b>
<b>Total Assets</b>		<b>6,061,499,064</b>	<b>6,066,316,532</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Contributed Capital	15	5,657,852,850	5,499,852,851
Retained Earnings		(1,067,273,122)	(918,393,477)
<b>Total equity</b>		<b>4,590,579,728</b>	<b>4,581,459,374</b>
<b>Non-current liabilities</b>			
Employee Benefit Obligations	16	339,598,126	352,203,370
<b>Total Non-current liabilities</b>		<b>339,598,126</b>	<b>352,203,370</b>
<b>Current liabilities</b>			
Trade and Other Payables	17	1,091,072,027	1,126,997,896
Bank Overdraft		40,249,182	5,655,892
<b>Total Current liabilities</b>		<b>1,131,321,209</b>	<b>1,132,653,788</b>
<b>Total liabilities</b>		<b>1,470,919,336</b>	<b>1,484,857,158</b>
<b>Total equity and liabilities</b>		<b>6,061,499,063</b>	<b>6,066,316,532</b>

The accounting policies and notes on pages 5 through 19 form an integral part of the financial statements.

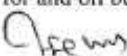
The undersigned certify that these financial statements are prepared in accordance with Sri Lanka Accounting standards Sri Lanka.

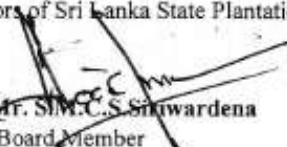
  
Mr. S.M. Hassan

Deputy General Manager - Finance

  
Mr. R.G.H.S. Gunathilake  
Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of Board of Directors of Sri Lanka State Plantations Corporation by,

  
Mr. Srima Wijesekara  
Chairman/CEO

  
Mr. S.M.C.S. Sewardena  
Board Member

  
Mr. B.R.S. Senarathne  
Board Member

22 May 2020, Colombo.

**Sri Lanka State Plantations Corporation**  
**STATEMENT OF INCOME**

<b>In LKR.</b>				
<b>Year ended 31st December</b>	<b>Notes</b>	<b>2018</b>	<b>2017</b>	
<b>Revenue</b>	18	<b>597,950,423</b>	<b>662,528,772</b>	
Cost of Sales	20	(720,501,111)	(739,478,400)	
<b>Gross Profit / (Loss)</b>		<b>(122,550,687)</b>	<b>(76,949,628)</b>	
Other Income	19	115,508,842	102,628,358	
Administrative Expenses	21	(128,666,247)	(112,737,334)	
<b>Operating Profit / (Loss)</b>		<b>(135,708,092)</b>	<b>(87,058,604)</b>	
Finance Expenses	22	(12,090,415)	(7,873,996)	
<b>Profit/ (Loss) for the Period</b>		<b>(147,798,507)</b>	<b>(94,932,600)</b>	

The accounting policies and notes on pages 5 through 19 form an integral part of the financial statements.

## Sri Lanka State Plantations Corporation

### STATEMENT OF CHANGES IN EQUITY

In LKR.

Year ended 31 December 2018	Capital	Land Contribution	Accumulated Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 January 2017</b>	3,015,250,925	2,220,601,926	(755,362,392)	4,480,490,459
Grants Received from Treasury	264,000,000	-	-	264,000,000
Loss for the year	-	-	(94,932,600)	(94,932,600)
Prior year adjustments (Note 26)	-	-	(68,098,890)	(68,098,890)
<b>Balance as at 31 December 2017</b>	<b>3,279,250,925</b>	<b>2,220,601,926</b>	<b>(918,393,882)</b>	<b>4,581,458,969</b>
<b>Balance as at 01 January 2018</b>	3,279,250,925	2,220,601,926	(918,393,477)	4,581,459,374
Grants Received from Treasury	158,000,000	-	-	158,000,000
Loss for the year	-	-	(147,798,507)	(147,798,507)
Prior year adjustments (Note 26)	-	-	(1,081,138)	(1,081,138)
<b>Balance as at 31 December 2018</b>	<b>3,437,250,925</b>	<b>2,220,601,926</b>	<b>(1,067,273,122)</b>	<b>4,590,579,729</b>

The accounting policies and notes on pages 5 through 19 form an integral part of the financial statements.

## Sri Lanka State Plantations Corporation

### STATEMENT OF CASH FLOWS

In LKR.

Year ended 31st December	Notes	2018	2017
<b>Cash Flows from Operating Activities</b>			
Net Profit /(Loss) Before Taxation		(147,798,507)	(94,932,600)
<b>Adjustments for :</b>			
Depreciation of Biological Assets	9.2	3,333,614	3,185,380
Depreciation of Assets	8	8,453,297	7,969,478
Road Rehabilitation Fund		-	148,078
Finance Expense	21	12,090,415	7,873,996
Gratuity Provision	16	25,853,232	36,159,924
Loan Interest		(1,600,000)	(1,600,000)
Audit fee Provisions		208,000	534,630
Insurance Provision		204,055	532,134
Management Fee Expenses		-	(172,409)
Over Provision of Holiday Pay		-	9,353,603
Prior year adjustments	26	(1,240,487)	(69,698,890)
Identified Difference			-
<b>Profit before Working Capital Changes</b>		<b>(100,496,382)</b>	<b>(97,446,676)</b>
<b>Changes in Working Capital</b>			
(Increase) / Decrease in Inventories		(23,058,701)	26,416,546
(Increase) / Decrease in Trade and Other Receivables		(9,127,674)	3,341,753
(Increase) / Decrease in Other Deposits		1,935,020	10,000
Increase / (Decrease) in Current Liabilities		(65,771,625)	(112,806,584)
<b>Cash generated from operations</b>		<b>(96,022,980)</b>	<b>(180,484,962)</b>
<b>TRADE AND OTHER RECEIVABLES</b>			
Gratuity Paid		(9,024,774)	(43,727,764)
Finance Cost Paid		(10,490,415)	(6,273,996)
Treasury Grants Received		158,000,000	264,000,000
<b>Net cash generated from operating Activities</b>		<b>138,484,811</b>	<b>33,513,278</b>
<b>Cash flows from Investing Activities</b>			
Additions to Property, Plant and Equipment	8	(13,913,013)	(13,935,310)
Additions to Biological Assets	9.2	(11,013,089)	(10,363,351)
Deferred Assets		347,867	-
Investment in capital WIP		335,347	(256,690)
Investment in FDs		(343,785)	(757,992)
<b>Net cash Used in Investing Activities</b>		<b>(24,586,674)</b>	<b>(25,313,343)</b>
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>			
		<b>(82,621,225)</b>	<b>8,199,935</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of the period		96,215,249	88,015,314
Increase/(Decrease) for the year		(82,621,225)	8,199,935
<b>Cash &amp; Cash Equivalents at end of the year</b>		<b>13,594,025</b>	<b>96,215,249</b>

## **ACCOUNTING POLICIES AND NOTES**

### **1. CORPORATE INFORMATION**

#### **General**

Sri Lanka State Plantations Corporation (Corporation) is a Government Corporation incorporated in 1958 under the Act No. 4 of 1958 and domiciled in Sri Lanka. It is a Government Corporation located at No 21, Meerania Street, Colombo 12.

The Corporation prepares financial statements for the twelve month's period ended 31st December and these financial statements are authorized by the board of directors.

#### **Principal Activities**

Manufacture and marketing of made tea through tea auction, selling latex and minor or export crops (Cloves, Pepper, Cardamom, Cinnamon etc.) and planting and selling commercial timber of the Corporation.

### **2. BASIS OF PREPARATION**

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS as issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements have been prepared on a historical cost basis other than the biological assets which are at fair value.

The financial statements are presented in Sri Lankan Rupees.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1.1 Significant Accounting Policies**

The following are the significant accounting policies used by the Corporation in preparing these financial statements.

#### **3.1.2 Property Plant and Equipment**

Property, Plant and Equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

#### **3.1.3 Depreciation**

Depreciation is provided on the Property, Plant and Equipment acquired and disposed during the year from date of purchase to the date of disposal.

The estimated useful lives and rates of depreciation of Property, Plant and Equipment are as follows.

<b>Item</b>	<b>Useful Life</b>	<b>Rate</b>
Buildings	20 years	5%
Motor Vehicles	4 years	25%
Furniture and Fittings	8 years	12.5%
Office Equipment	8 years	12.5%
Machinery	8 years	12.5%
Computer and Printers	3 years	33.33%

### **3.1.4 Biological Assets**

Biological assets relate to a living animal or a plant. According to LKAS 41, certain common features exist for biological assets, i.e. (a) Capability to change (capability for biological transformation) (b) Management of change (Management facilitates biological transformation by enhancing the conditions necessary for the process to take place. Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources) and (c) Measurement of change (The change in or brought about by biological transformation or harvest is measured and monitored as a routine management function.)

Biological assets are two types namely, bearer biological assets and consumable biological assets.

#### **3.1.4.1 Bearer Biological Assets**

Bearer Biological Assets are the assets other than consumable biological assets and would include the major plantations such as Tea bushes, Rubber Trees and any field crops for the corporation. These would be carried at Cost less any accumulated depreciation and any accumulated impairment losses as per the option given by CA Sri Lanka.

The estimated useful lives of the bearer biological assets are as follows.

Coconut	25 years	Cocoa	20 years
Pepper	15 years	Cinnamon	25 years
Rubber	35 years	Nutmeg	30 years
Cloves	50 years	Reforestation	25 years
Coffee	25 years	Ginger	01 year
Arecanut	40 years		

#### **3.1.4.2 Consumable Biological Assets**

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets and comprises of timber. Agricultural produce is valued as fair value less estimated point of sale costs and costs necessary to get them to the market. A gain or loss on valuation is recognised under the Statement of Comprehensive Income.

### **3.1.4.3 Deferred Assets**

Deferred Assets are amortized at 10 % per annum.

### **3.1.5 Investment property**

Investment property includes properties held for capital appreciation and / or to earn rental income. They are initially measured at cost, including related transaction costs and costs incurred subsequently to add to, replace part of, or service a property. Subsequent measurement is also at cost less accumulated depreciation.

### **3.1.6 Capital work in progress**

Capital expenses incurred during the year, which are not capitalized as at the balance sheet date are shown as Capital work in progress, whilst the capital assets which have been capitalized during the year and put to use have been transferred to Property Plant & Equipment.

### **3.1.7 Leases**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### **Finance leases**

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Corporation is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'lease creditors'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

#### **Operating leases**

All other leases are classified as operating leases. When the Corporation is the lessee, leased assets are not recognised on the balance sheet. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Administrative expenses' and 'Other operating income', respectively.

### **3.2.1 Inventories**

Inventories are recognized at cost and net realizable value, whichever is lower after making due allowance for obsolete and slow moving items which are valued at 'First in first out' basis.

## **Measurement of inventories**

### **3.2.2 Cost of Inventories**

#### **Raw Materials**

Cost of purchases together with any incidental expenses.

#### **Work in progress**

Raw material cost and variable manufacturing expenses in full.

#### **Finished Goods**

Raw material cost and variable manufacturing expenses in full.

### **3.2.3 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and bank, fixed deposit investments, other short-term highly liquid investments with original maturities of six months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **3.2.4 Research costs**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

## **4. LIABILITIES AND PROVISIONS**

### **4.1 Retirement Benefit Obligations**

#### **4.1.1 Defined benefit plan – Retirement Gratuity**

The Corporation is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983. The liability for gratuity to an employee arises only on completion of five years of continued service with the Corporation. In order to meet this liability, a provision is carried forward in the Balance Sheet. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is recognised in the Income Statement.

The liability is not externally funded. The item is grouped under Non-Current Liabilities in the Balance Sheet.

#### **4.1.2 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund**

The Corporation contributes to Employees' Provident Fund and Employees' Trust Fund. These contributions are covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

### **Employees' Provident Fund**

The Corporation and Employees contribute to provident fund at 12% and 10% respectively on the basic salary.

### **Employees' Trust Fund**

The Corporation contributes 3% on the basic salary to the Employees' Trust Fund.

## **5. INCOME STATEMENT**

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

### **5.1.1 Revenue Recognition**

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

The following specific recognition criteria must also be met before revenue is recognised:

#### **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 delivery of the goods.

#### **Rendering of services**

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

#### **Other Income**

Other income is recognised on an accrual basis. This mainly includes management income, registration fee, tree tender proceeds and lease rent income.

### **5.1.2 Expenses**

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

### **5.1.3 Financial Expenses**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. The corporation's finance expenses comprise of overdraft interest, commission on cash, loan interest (bank & others) and broker's interest.

## **6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT**

### **6.1 Financial Assets**

#### **6.1.1 Initial Recognition and Measurement**

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 and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

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

The Corporation's financial Assets include cash and short term fixed deposits, trade and other receivables and other deposits. The above financial assets are shown under current assets.

#### **6.1.2 Subsequent Measurement**

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

##### **6.1.2.1 Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Corporation did not have any financial assets at fair value through profit or loss during the year ended 31 December 2018.

##### **6.1.2.2 Loans and Receivables**

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

##### **6.1.2.3 Held-to-Maturity Investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement in finance cost. The Corporation does not have any held to maturity investments during the year ended 31 December 2018.

#### **6.1.2.4 Available-for-Sale Financial Investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Corporation did not have any available-for-sale financial investments during the year ended 31 December 2018.

#### **6.1.2.5 De recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

- i) The rights to receive cash flows from the asset have expired
- ii) The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either
  - (a) The Corporation has transferred substantially all the risks and rewards of the asset, or
  - (b) The Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **6.1.2.6 Impairment of Financial Assets**

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group 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 reorganization 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. Currently the Corporation identifies a specific provision for trade receivables.

#### **6.1.2.7 Financial Assets Carried at Amortized Cost**

For financial assets carried at amortized cost, the Corporation 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 Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group 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.

## **6.2 Financial Liabilities**

### **Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation 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. The Corporation's financial liabilities include trade and other payables and bank overdrafts.

### **Subsequent measurement**

The measurement of financial liabilities is at the amortised cost.

### **De Recognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## **7. FIRST- TIME ADOPTION OF SLAS (SLFRS/LKAS)**

The financial statements, for the year ended 31 December 2012 are the first the Corporation prepared in accordance with SLAS comprising SLFRS/LKAS effective as at 1<sup>st</sup> January 2012. For the periods up to and including year ended 31 December 2011, the Corporation prepared its financial statements in accordance with previous Sri Lanka Accounting Standards.

**Sri Lanka State Plantations Corporation**

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT AND EQUIPMENT

Head office	Freehold land	Buildings	Equipment	Furniture	Motor Vehicles	Computer	Total
<b>Cost or Valuation</b>							
At 1st January 2018	4,031,845	4,959,427	10,935,726	2,456,911	66,115,401	3,054,875	91,554,185
Additions	-	-	800,240	2,508,875	-	887,835	4,196,950
Disposals	-	-	-	-	-	-	-
At 31st December 2018	4,031,845	4,959,427	11,735,966	4,965,787	66,115,401	3,942,710	95,751,135
<b>Depreciation</b>							
At 1st January 2018	-	4,959,384	9,853,234	1,981,802	66,094,153	2,674,122	85,562,695
Depreciation Charge for the year	-	-	215,320	303,966	-	298,948	818,234
Disposals	-	-	-	-	-	-	-
At 31st December 2018	-	4,959,384	10,068,554	2,285,768	66,094,153	2,973,070	86,380,929
<b>Net book value</b>							
At 31st December 2018	4,031,845	43	1,667,412	2,680,018	21,247	969,640	9,370,206
<b>Estates</b>							
	Lands	Buildings	Equipment, Furniture & Fittings	Motor Vehicles	Other Vested Assets	Machinery	Total
<b>Cost or Valuation</b>							
At 1st January 2018	645,345,972	162,771,551	24,134,486	79,919,892	6,672,973	115,713,335	1,034,558,209
Additions	-	7,277,474	301,732	832,800	-	1,304,057	9,716,063
At 31st December 2018	645,345,972	170,049,025	24,436,218	80,752,692	6,672,973	117,017,392	1,044,274,272
<b>Depreciation and Impairment</b>							
At 1st January 2018	-	100,892,582	18,060,179	67,361,193	6,672,972	96,875,570	289,862,495
Depreciation Charge for the year	-	3,941,872	587,722	2,347,967	-	757,502	7,635,063
At 31st December 2018	-	104,834,455	18,647,901	69,709,160	6,672,972	97,633,072	297,438,210
<b>Net book value</b>							
At 31st December 2018	645,345,972	65,214,570	5,788,317	11,043,532	1	19,384,321	746,836,061
<b>Net book value Head office and Estate</b>							
At 31st December 2018 (Head office and Estates Total)	649,377,816	65,214,613	7,455,729	13,723,551	21,248	20,353,961	756,206,267

**Sri Lanka State Plantations Corporation**

NOTES TO THE FINANCIAL STATEMENTS

9 BIOLOGICAL ASSETS

	As at 31.12.2018	As at 31.12.2017
	Rs.	Rs.
9.1 Consumable Biological Assets		
Timber	3,314,581,133	3,312,160,200

No valuation done during the year 2018 since some of this timber areas falling under Knuckles Conservation range and demarcation by Forest department is not completed. Also the valuation will huge cash outflow and due to the prevailing tight cash flow situation SLSPC is not in a position to incur these costs at this time.

9.2 Bearer Biological Assets

Bearer biological assets would be carried at cost less any accumulated depreciation.

Cost	Tea	Coconut	Pepper	Rubber	Coffee	Other	Reforestation	Total
Cost or valuation								
As at 1st January 2018	464,757,498	3,588,367	2,867,652	15,270,484	1,501,242	3,893,376	23,191,779	514,970,398
Additions	6,095,322	220,840	370,566	-	-	591,779	1,313,649	8,592,156
Previous year adjustment								-
Transfer								-
Disposals								-
As at 31st December 2018	470,852,820	3,809,207	3,238,219	15,270,484	1,501,242	4,485,155	24,505,428	523,662,555
								-
Depreciation	357,072,493	2,646,007	1,921,548	2,744,531	1,406,674	610,916	1,654,287	368,056,457
At 1st January 2018								-
Depreciation Charge for the Year	1,984,601	22,931	112,569	374,806	5,114	136,273	698,603	3,333,614
Previous year adjustment	-	-	-	-	-	1,283	-	1,283
Disposals	-	-	-	-	-	-	-	-
As at 31st December 2018	359,057,094	2,668,938	2,034,117	3,119,337	1,411,788	745,906	2,352,890	371,390,070
Net book value								
As at 31st December 2018	111,795,726	1,140,269	1,204,102	12,151,147	89,454	3,739,249	22,152,538	152,272,484
<b>TOTAL BIOLOGICAL ASSETS (Note 9.1 + 9.2)</b>	<b>111,795,726</b>	<b>1,140,269</b>	<b>1,204,102</b>	<b>12,151,147</b>	<b>89,454</b>	<b>3,739,249</b>	<b>22,152,538</b>	<b>3,466,853,617</b>

**Sri Lanka State Plantations Corporation**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>10 INVESTMENT PROPERTY</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Land Contribution from Government	1,600,601,926	1,600,601,926
Land for Capital Appreciation	10,918,715	10,918,715
	<u><b>1,611,520,641</b></u>	<u><b>1,611,520,641</b></u>

According to the Gazette number 181/12 dated 27th February 1982, the ownership of some estates was vested to Sri Lanka State Plantations Corporation by the Government of Sri Lanka. These were handed over to nineteen (19) regional Plantation Companies (RPCs) in 1992 on long term lease. Management is of the view that the cost of such land as of the date these lands were handed over to the RPCs reflects reasonably the cost of land and such amounts are carried forward in the books.

As per LKAS 40, an investment property shall be measured initially (at the point of transfer) at its cost and subsequently using either the fair value model or the cost model. At the time of converting to SLFRS the Management was not in a position to get the monetary values as at the date of transfer and instead the values as at handing over the lands to RPCs were considered to be the fair value of the estates. Therefore the land value was extracted proportionately from the balance sheets of RPCs as at 1992.

These Investment properties were not valued, since valuation will require large sum of money and the present cash flow situation of SLSPC does not allow a huge expenditure of this nature at a time where even the large amounts of statutory dues are not being settled to date.

<b>11 INVENTORIES</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Finished Product	38,764,682	14,018,305
Consumable Stock	9,476,474	11,164,149
	<u><b>48,241,155</b></u>	<u><b>25,182,454</b></u>

Inventory value was calculated after considering the lower of Cost and the Net Realizable Value (NRV).

<b>12 TRADE AND OTHER RECEIVABLES</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Trade Debtors - Head office (a)	49,756,434	50,580,280
<b>Less : Specific Impairment of Head office debtors</b>	<b>(15,404,568)</b>	<b>(15,404,568)</b>
Trade Debtors - All Estates (b)	64,272,928	59,426,206
<b>Less : Specific Impairment of estate debtors</b>	<b>(49,128,420)</b>	<b>(49,128,420)</b>
Other Receivables - Head office	21,822,783	17,901,856
Other Receivables - All Estates	44,201,179	43,017,308
	<u><b>115,520,336</b></u>	<u><b>106,392,662</b></u>

**a). Trade Debtors - Head office includes the following**

B.C.C. Company	15,404,568	15,404,568
<b>Less : Specific Impairment of Head office debtors</b>	<b>(15,404,568)</b>	<b>(15,404,568)</b>
Receivables from Green Leaf Buyers	25,899,656	27,721,676
Elkaduwa Plantation	1,916,092	1,916,092
Woodside Estate	992,125	992,125
Dukwarie	2,500,000	2,500,000
Sundry and Other Debtors	3,043,992	1,673,292
	<u><b>34,351,865</b></u>	<u><b>34,803,185</b></u>

**b). Trade Debtors - Estates includes the following**

Sundry Debtors	7,723,673	6,350,718
Consumer debtors	41,071,407	41,071,407
Sundry Income Debtors	2,588,530	2,588,530
J.E.D.B	1,668,269	1,668,269
Debtors for Produce	752,520	752,520
<b>Less : Specific Impairment of estate debtors</b>	<b>(47,537,070)</b>	<b>(47,537,070)</b>
<b>Less : Provision for Bad Debts</b>	<b>(1,591,349)</b>	<b>(1,591,349)</b>
Interplantation Current Account	1,930,180	1,930,180
Other Debtors	8,538,349	5,064,582
	<u><b>15,144,509</b></u>	<u><b>10,297,786</b></u>

## Sri Lanka State Plantations Corporation

### NOTES TO THE FINANCIAL STATEMENTS

<b>13 OTHER DEPOSITS</b>	<b>As at 31.12.2018 Rs.</b>	<b>As at 31.12.2017 Rs.</b>
Deposits and Advances	-	2,087,520
	<u>-</u>	<u>2,087,520</u>

<b>14 CASH AND CASH EQUIVALANTS</b>	<b>As at 31.12.2018 Rs.</b>	<b>As at 31.12.2017 Rs.</b>
<b>Favourable balances :</b>		
Cash in hand and at bank		
- Head Office	52,932,601	89,444,649
- Estates	879,699	10,202,389
	<u>53,812,300</u>	<u>99,647,037</u>

<b>15 CONTRIBUTED CAPITAL</b>	<b>As at 31.12.2018 Rs.</b>	<b>As at 31.12.2017 Rs.</b>
Government Contribution	3,041,262,947	3,279,250,925
Land Contribution from Government	2,616,589,903	2,220,601,926
	<u>5,657,852,850</u>	<u>5,499,852,851</u>

Total Government contribution consists of cash received from government (Treasury) and the lands transferred to Sri Lanka State Plantations Corporation by the government through gazette notifications. During the year Under review treasury grants of Rs. 90 Million received towards the settlement of long outstanding statutory dues and Rs. 68 Million was received for operational expenditures of the SLSPC.

<b>16 EMPLOYEE BENEFIT OBLIGATIONS</b>	<b>As at 31.12.2018 Rs.</b>	<b>As at 31.12.2017 Rs.</b>
Opening Balance - Estates	337,135,449	331,230,311
- Head office	15,067,921	14,813,144
Gratuity Adjustment		
Provision for the Year	25,853,232	27,819,035
Under Provision / Overprovision Adjustment (Estates & H)	(10,612,275)	8,340,889
Transferred to Gratuity Payable	(17,658,276)	(23,880,447)
Payment During the Year	(9,024,774)	(2,894,191)
Other Transaction	(1,163,150)	(3,225,371)
	<u>339,598,126</u>	<u>352,203,370</u>

## Sri Lanka State Plantations Corporation

## NOTES TO THE FINANCIAL STATEMENTS

## 17 TRADE AND OTHER PAYABLES

	As at 31.12.2018	As at 31.12.2017
	Rs.	Rs.
Head office (a)	277,029,870	263,406,193
Estates (b)	812,109,113	861,658,660
Non Operative Balance	1,933,044	1,933,044
	<b>1,091,072,027</b>	<b>1,126,997,896</b>

## a). Trade and other payables for Head office includes the following

	As at 31.12.2018	As at 31.12.2017
Advance - Opalgala ( Lease Advance )	4,480,000	4,480,000
Timber Advance	786,379	786,379
Poly Chemix	715,389	715,388
Perth Estate	6,932,399	6,985,532
Janatha Estates Development Board (JEDB)	97,709,342	97,709,342
Brokers - LCBL & CTB	8,968,682	9,454,115
Advance Received - Green Leaf Buyers	15,369,689	3,582,524
State Resources Management Corporation	28,709,029	28,709,029
Fertilizer Corporation	35,931,679	35,931,679
Chilaw Plantation	33,210,959	31,610,959
Loan - Lanka Mineral Sands	25,000,000	25,000,000
Accrued Expenses	2,903,924	1,128,743
EPF - Payable	235,607	175,019
ESPS - Payable	442,729	224,109
CPPS - Payable	421,371	308,723
E.T.F	123,447	98,155
Gratuity Payable	290,420	580,580
Security Deposit - Green Leaf	-	2,000,000
Other Payables	11,997,826	13,925,917
Credit On Tree Sales	2,801,000	-
<b>Total</b>	<b>277,029,870</b>	<b>263,406,193</b>

## b). Trade and other payables for Estates includes the following

	As at 31.12.2018	As at 31.12.2017
Sundry Creditors	48,154,401	41,108,917
Elkaduwa Plantation	172,137	172,137
Estates' Current Account	-	15,571,454
Refundable Tender Deposits	6,379,570	6,379,570
Other Liabilities	19,646,826	17,455,661
Trade Unions	7,585,493	7,122,674
Staff and Workers Payables	30,758,462	40,253,653
Prov. for Audit Fees	4,789,355	4,377,300
E. P. F. Payable	367,667,260	406,651,176
E.S.P.S Payable	2,817,215	990,214
C.P.P.S. Payable	104,263	179,118
E.T.F. Payable	8,189,921	17,600,977
Gratuity Payable	245,328,735	230,175,454
Accrued Expenses	3,718,286	1,962,286
Attendance Bonus Payable	1,762,706	1,849,762
E.P.F Surcharges Payable	49,970,387	48,002,479
E.T.F Surcharges Payable	292,830	2,193,935
Gratuity Surcharges Payable	7,832,287	14,841,411
Other Payables	6,938,979	4,770,480
<b>Total</b>	<b>812,109,113</b>	<b>861,658,660</b>

## Sri Lanka State Plantations Corporation

### NOTES TO THE FINANCIAL STATEMENTS

18 REVENUE	31.12.2018	31.12.2017
	Rs.	Rs.
Tea	211,586,544	210,310,097
Green Leaf	376,969,092	432,232,396
Minor Crops	1,238,100	6,835,779
Rubber	8,156,688	13,150,501
<b>Total Revenue</b>	<b>597,950,423</b>	<b>662,528,772</b>

Tea Sales Includes Income received from sale of refuse tea. Income from Refuse tea, Minor Crops and Trees are shown after deducting the relevant expenditures /Cost of sales.

19 OTHER INCOME	31.12.2018	31.12.2017
	Rs.	Rs.
Tree Tender	55,095,950	45,396,115
Lease Rentals	30,448,900	25,289,441
Management Fee	16,189,644	15,688,237
Interest Income	3,197,413	4,134,857
Income from Hunnas Water Falls Leisure Park	3,451,097	3,577,444
Other Income - Estates & Head Office	6,535,510	7,913,463
Guest Bungalow Income	590,328	628,800
<b>Total Other Income</b>	<b>115,508,842</b>	<b>102,628,358</b>

20 ADMINISTRATION EXPENSES	31.12.2018	31.12.2017
	Rs.	Rs.
Personnel Cost	41,954,687	35,393,501
Defined Contributions - EPF, CPPS & ESPS	3,149,081	2,501,948
Defined Contributions - ETF	788,778	590,875
Depreciation - Head office	818,234	879,479
Gratuity Expense Head office and Estates	25,853,232	27,835,515
Sale Expenses	3,518,478	2,868,920
Other Administration Cost - Estates and Head Office	52,583,757	42,667,097
<b>Total Administrative Expenses</b>	<b>128,666,247</b>	<b>112,737,334</b>

21 FINANCE EXPENSES	31.12.2018	31.12.2017
	Rs.	Rs.
Commissions on Cash	4,694,004	4,480,462
Interest on Tea Brokers' Advances	4,620,075	1,547,928
Bank Charges	50,177	40,076
Bank O / D Interest & Cash Commission	1,126,160	205,530
Other Loan Interest - Chilaw Plantation	1,600,000	1,600,000
<b>Total Finance Expenses</b>	<b>12,090,415</b>	<b>7,873,996</b>

### 22 INCOME TAX

Income tax calculations are not appearing in the annual accounts of SLSPC for the past eighteen years. Due to this reason and with the existence of continuous losses it is presumed that in the future taxable profits may not be available and paying income tax is unlikely by SLSPC. For the past twenty two years (1995 to 2016) SLSPC has made profits only for four years.

## Sri Lanka State Plantations Corporation

### NOTES TO THE FINANCIAL STATEMENTS

#### 23 RELATED PARTY TRANSACTIONS

##### Transactions with State and State Controlled Entities

In the normal course of its operations, the Corporation enters into transactions with related parties. Related parties include the Government of Sri Lanka (State as the ultimate owner of the Corporation),

	2018 Rs.	2017 Rs.
<b>Outstanding Balances:</b>		
<b>Payable to</b>		
State Resources Management Corporation	28,709,029	28,709,029
Fertilizer Corporation	35,931,679	35,931,679
Peoples Bank	-	-
Chilaw Plantations	31,610,959	33,210,959
Lanka Mineral Sands Limited	25,000,000	25,000,000
Elkaduwa Plantation	172,137	172,137
Janatha Estates Development Board (JEDB)	97,709,342	97,709,342
Perth estate	6,985,532	6,932,399
<b>Receivable from</b>		
Elkaduwa Plantation	1,916,092	1,916,092
Janatha Estates Development Board (JEDB)	41,071,407	41,071,407
Janatha Estates Development Board (JEDB)	1,668,269	1,668,269

#### 24 COMMITMENTS AND CONTINGENCIES

As at date over 510 legal cases have been filed against the SLSPC's management which includes the cases claiming the unpaid EPF, ETF and Gratuity. The Corporation has been advised by its lawyers that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any contingent liability has been made in these financial statements. However in the year 2018 too, SLSPC continued to pay part of the statutory Liabilities from the funds received in 2018 from the Treasury

#### 25 EVENTS AFTER THE BALANCE SHEET DATE

All the material events after the balance sheet date have been considered and appropriate adjustments and disclosures have been made in to the financial statements, where necessary.

#### 26 PRIOR YEAR ADJUSTMENTS

Prior year adjustments includes the following transactions relating to the previous financial years and these adjustments were made during this year by the plantations.

Details	2018 Rs.	2017 Rs.
Salaries Arrears	641,567	17,368,956
EPF/ETF Surcharges	439,572	51,078,837
Gratuity (Surcharges, Under / Over Provision)	-	(348,903)
Other Expenditures/Adjustments	-	
<b>Total</b>	<b>1,081,138</b>	<b>68,098,890</b>

## **REPORT OF THE AUDITOR GENERAL**

My No: PAL/C/SLSPC/01/2019/18

Date: 01<sup>st</sup> July 2022

The Chairman  
Sri Lanka State Plantations Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of Sri Lanka State Plantations Corporation for the year ended 31 December 2019 in terms of the Section 12 of the National Audit Act No: 19 of 2018

**Chairman**  
**Sri Lanka State Plantation Corporation**

**The Audit Report in terms of as per the Section 12 of National Audit Act No 19 of 2018 on the financial Statement and Other legal and Regulatory Requirement of Sri Lanka State Plantation Corporation as at 31<sup>st</sup> December 2018**

### **1. Financial Statement**

#### **1.1 Adverse Opinion**

The audit of the financial statements of the Sri Lanka State plantation Corporation for the year ended 31 December 2018 comprising the statement of financial position and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies year ended 31 December 2018, was audited in terms of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be published in the Annual Performance report are appeared in this report and in the report I have submitted to the president of the corporation on 11 October 2019. My report will be tabled in the Parliament in terms of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, because of the significance of the matters discussed in the section of the basis for the adverse opinion of my report, the accompanying financial statements do not give a true and fair view of the financial position of the corporation as at 31 December 2018 and its financial performance and cash flow statement for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for adverse Opinion**

##### **1.2.1 Noncompliance with the Sri Lanka Accounting Standards**

a) Although it should be disclosed the cash flows from interest receipts separately in accordance with the paragraph 31 of standard No. 07, the interest income of Rs.2,853,628 received in cash during the year under review, had not been disclosed separately.

b) Although the non-cash transactions should not be included in the cash flow statement in accordance with the paragraph 44 of the standard No. 07, the reduction of the total aggregate of differed assets and working progress of Rs.683, 214 had been mentioned under investing activities in the cash flow statement.

c) The lands of 10,917 hectares which belong to the 14 estates of the corporation and freehold lands which have been valued at Rs.649 million of the statement of the financial position for a period of more than 10 years, had not been valued at a fair value in accordance with paragraph 37 of the Standard No. 13.

d) Although it has been mentioned that only the similar nature and assets in use should be categorized and accounted in accordance with the paragraph 37 of the Standard in No.16, all the types of fixed assets such as computers, equipment, furniture and fitting, which belong to the estates of the corporation had been stated under the furniture as a single item in the statement of financial position in the year under review.

e) Although the depreciation rate or useful lifetime should be disclosed in the financial statements in accordance with the paragraph 73(c) of the Standard No. 16, it had not been disclosed the depreciation rates used in depreciating of the Land Development cost in the Financial Statements in the year under review.

f) Though the model used to measure investment property is required to be disclosed by the financial statements in accordance with paragraph 75(a) of the standard No. 40, it was not disclosed weather, which model has been applied out of the two models of, the cost of investment property or the fair value which have been disclosed according to the financial statements of the corporation for the year under review and it has been mentioned the same value of Rs.1,611.5 million as mentioned in the balance sheet of the regional estate company in the year 1992, in the statement of financial position under investment properties in the year under review.

g) Although the description of the investment property by the financial statements should be disclosed in accordance with the paragraph 78(a) of standard No. 40, it had not been disclosed about the assets transferred to the corporation by the government Gazette notification No. 181/12 dated 27 February 1982 from the financial statement.

h) Although the forest cultivation should accounted under consumer biological assets in accordance with the paragraph 04 of the Standard No 41, the forest cultivation of the cost of Rs.24, 505,428 has been accounted under bearer biological assets.

i) Although the biological assets should be presented separately as mature and immature cultivation in accordance with paragraphs 43, 44 and 45 of the Standard No. 41, the biological Assets of Rs.152, 272,484 which has been disclosed under non-current assets in the financial statement of the year under review, has not submitted with such categorizing.

j) Although the useful life time or the applied depreciation rate regarding the bearer biological assets should be disclosed in the financial statements in accordance with the paragraph 54(e) of the standard No. 41, it has not been disclosed the applied depreciation rate which was used for

the depreciation of tea cultivation of 4114 hectares of 17 estates belong to the corporation, in the financial statements.

### **1.2. 2. Accounting Policies**

a) Although the consumer biological assets are valued at a fair value as per the Accounting Policy 3.1.4.2 of the notes to the financial statements, the biological Assets of Rs.3,312,160,200 were in 2012 and the biological Assets Rs.2,420,933 capitalized the year 2018 had not been valued and accounted to the fair value. Further, instead of being valued and accounted to a fair value, the losses incurred by the corporation had been overstated due to the fact that the cultivations spreading over 726.73 hectares of 11 estates owned by the corporation were depreciated at 4 percent or Rs.698, 603 at the end of the year under review.

### **1.2. 3. Accounting Deficiencies**

a) Although the correct amount of depreciation in the year under review for the seven categories of fixed assets registered under fixed assets in the statement of financial position should be Rs. 6,716,561 due to an increase of Rs.428, 654. In the difference between the ledger accounts of the corporation and accurately calculated depreciation amount, the loss has been over stated in that particular amount.

b) The gratuity amounts, which should be paid in Woodside and Nicholaoya estates, of Rs.10,814,200 and Rs.14,074,561 respectively, are not identified as to be paid gratuities and due to that, in the financial position statement, mobile responsibilities are low calculated at Rs.24,888,761.

c) It could not be satisfied with the accuracy of the financial results of the corporation due to financial statement are prepared based on the book value without conducted the stock physical verification of the stock of Mosquito sticks Rs.1, 609,054 and 44,639 kg of Made Tea value of Rs. 23,381,823 relating to states of Kellebokka, Midland and Rangala and the stock of fertilizer and the chemical stocks of 15 estates in the year under review.

d) The value of plant nurseries of Rs.6, 644,470 had been included to the debtor balance under the current assets in the statement of financial position. The value of them had been taken the amount of zero due to physically nonexistence or expired of the nurseries which were valued as Rs. 4,978,340 of six estates.

e) The amount paid of Rs.1, 910,225 by the corporation as compensation in the labour tribunal case in 2016, had been stated as deposits under the current assets in the financial statement of 2016. Furthermore in statement of financial position in 2017, that amount had been stated as an expense and it had been revealed as a current liability. Due to the above erroneous accounting entries, that particular balance has also been remained unchanged under current assets and current liabilities in the statements of financial position of the year under review.

f) Due to including the recurrent expenditure of Rs.602, 039 which have been spent for the repairing of vehicles, as the trade receivables of the current assets in the statement of financial position, during

the year under review, current assets have been overstated and the loss had been understated from that amount.

g) The cash flow statement, which is a part of Financial Statement of the year under review, has prepared with the following deficiencies.

i) Although an interest expense of Rs.1, 600,000 should be added under the adjustment done for losses in the cash flow statement, the cash flow generated from the operating activities had been decreased as the reason of above amount stated as addition and the same amount stated as deduction.

ii.)When adjusting to the cash flow statement, as the prior period loss, in the year under review, the identified amount is Rs.1, 081,138, and it has been stated as Rs.1, 240,487, which is less by Rs.159, 349.

iii.) Though the payment had been made previous year for the computer software of Rs.235, 500 purchased during year under review, it has been mentioned under investment activities of the flow statement in year under review.

#### **1.2.4 Un- reconciled control accounts**

It was observed a difference of Rs. 1,930,180 between the debit and credit balances of inter estate Control Accounts.

#### **1.2.5. Unexplained Changes**

a) It was observed the differences of Rs. 174,726,841 and Rs. 360,271,689 respectively in the ledger accounts of the fixed assets register and the relevant assets such as the bearer biological Assets and property plant equipment which has been stated under the non-current assets in the statement of financial position.

b) Although the value added for other intercropping as per the financial statements for the year under review was Rs. 591,779 it was observed a difference of Rs. 318,142 between these balances hence the balance was Rs. 273,637 according to the accounts of the estates.

#### **1.2.6. Receivable and payable accounts**

a.) The total credit balance of the corporation was Rs. 1,089,138,983 at the end of the year under review and from this balance an amount of Rs. 543,711,753 or 50% belong to the period of the time from 4 years to 14 years, necessary action has not been taken to settle these long-term credit balance even in the year under review.

b) It had not been taken action to settle the total of Rs. 786,379 of tree tender account advances, in Opalgala estate for year 2010 and 2011, by the end of the year under review.

c) In the outstanding balance of Rs 88,813,279 under other current assets stated in the financial statements, it has been included the outstanding loan balance of Rs. 70,092,898, which has been prevailed from the period of 04 years and 14 years' time and a loan balance of Rs. 15,404,568 which

is to be received from the BCC company which has been beyond 15 years. The adequate steps have not been taken by the corporation to collect this debtor balance even in the year under review.

d) The creditors balance with the total of Rs. 118,319,660 relating to head office and estates were respectively Rs. 103,131,935 and Rs. 15,187,725 and the balance confirmations of 09 debtor balances with the total of Rs. 53,881,380 and the subsequent balances settlement reports have not been submitted to the audit.

### **1.2.7. Lack of evidence for Audit**

a.) The deeds/ licenses for certifying the ownership of the buildings of the value of Rs. 175,008,452 and the lands with the value of Rs.649,377,817 registration Certificates for certifying the ownership of vehicles under property plant and equipment of Rs.1,140,025,407 of the statement financial of financial position had not been submitted to the audit.

b) The documents and the information required to verify the Assets balance of consumer biological Assets of Rs.3, 314,581,133 and bearer Biological Assets of Rs. 160,864,640 which have been stated under the non-current assets in the statement of financial position had not been submitted to the audit.

c) An inactive accounts balance of Rs.1,933,043 which has been prevailing before the year 2012 had been mentioned in the current liabilities as the other payables in the statement of financial position even in the year under review and documentary evidence to verify this balance had not been submitted to the audit.

d) The creditors balance with the total of Rs.118,319,660 relating to head office and estates were respectively Rs.103,131,935 and Rs.15,187,725 and the balance confirmations of 09 debtor balances with the total of Rs.53,881,380 and the subsequent balances settlement reports have not been submitted to the audit.

e) A balance of Rs.6, 379,570 as the refundable tender deposits which belong to 12 estates from the year 2006 had been mentioned under the current liability in the statements of financial position in the year under review and the documentary evidence has not been submitted to the audit to confirm this balances.

f) From the year 2011, to the year under review an amount of Rs. 3,486, 444 had to be paid as value added tax to the Department of Inland Revenue, further the documentary evidence had not been submitted to the audit for the confirmation of the opinion of the corporation that the value added is released from the tax.

g) The corporation had not the necessary documentary evidence to prove the debtor balance of Rs. 50, 220, 922 which has been disclosed under current assets of the statement of financial position.

h) The relevant information to provisions for doubtful debts of Rs.1, 591,349 and allocation of Rs. 47,537,070 provision for special impairment of which stated as a deduction from the debtor balance in the statement of financial position in the year under review which has been prevailing even prior

to the year 2012, could not be check for accuracy, as the basis for the allocations are not been explained.

i) The fixed assets such as the buildings, vehicles and machinery with the value of Rs. 73,683,136, which was prevailed up to 31st December of the previous year, had been removed from the fixed assets register of the year under review and the reasons which were the cause for this, had not been stated.

j) The necessary documentary evidence had not been submitted to the audit to examine the expenditure of forest management of Rs. 1,645,340 which has been stated under property plant and equipment in the statement of financial position.

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

### **1.2.1 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The responsibility for overseeing the Corporation's financial reporting process is held by the governance parties.

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

### **1.3 Auditor's Responsibility for the Audit of Financial Statements**

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. Further;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a continuum.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- The governance parties are made aware of the identified specific audit discoveries, chief internal control weaknesses, and other issues.

## **2. The Report on the Other Legal and Regulatory Requirements**

2.1. I am making the following statements in accordance with the Section 6 (1) (c) and Section 12 of the National Audit Act of No. 19 of 2018.

2.1.1. Except from the affect, which are mentioned in the adverse opinion, according to the requirements mentioned in the section 12 (a) in the National Audit Act N0. 19 2018, all the other information and explanations have been obtained by me and according to my observation, proper financial reports are not been maintained by the corporation.

2.1.2. In accordance with the requirement mentioned in the Section 6 (1) (c) (iv) of the National Audit Act of No. 19 of 2018, except the recommendations I made in the previous year, 2.2.1. (b) i,

ii ,iii, iv, 2.2.1. (c) 2.2.1. (d), other recommendations are included in the submitted Financial Statements.

2.2. Anything has not been drawn my attention to state the following matters, on the basis of followed procedure, evidence obtained and quantitative limits.

2.2.1. In accordance with the requirement mentioned in the Section 12 (c) of the National Audit Act of No. 19 of 2018, except the following information, that there is an external relationship in relation with any kind of agreement of the corporation, directly or indirectly, excluding the normal business procedure, in between the corporation and a member of the administration committee of the corporation.

2.2.2. In accordance with the requirement mentioned in the Section 12 (e) of the National Audit Act of No. 19 of 2018, except the following information, that there is actions have been taken with non-compliance with a relevant written law or other common specific law, by the administration committee of the corporation.

<b>Reference to law, rules and regulation</b>	<b>Description</b>
a) Section 15 of the Employees Provident Fund Act No.15 of 1958 and section 16(i) of Part ii of Employees' Trust Fund Act No.46 of 1980.	Actions had not been taken to pay the liabilities of Rs. 367,667,260 of Employees Provident Fund, the liabilities of Rs. 8,189,921 of Employees Trust Fund from the year 2006, up to the last date of the year under review due to that, an amount of total Rs.50, 263,217 had been enforced as the surcharge for the corporation.
b) Paragraph 6.5.1 annual of the Public Enterprises Circular No.12 dated 02nd June 2003.	Although the accounts related to the entity should be submitted to the Auditor General within 60days after the ending of the financial year, the accounts of the corporation had been submitted to the Auditor General on the 29th June 2020 of the year under review and by then the relevant period of submitting the accounts had been passed by 1 1/2 years.
c) Paragraph 02 of the Public Finance has Circular No: 438 dated 13 November, 2009.	To the corporation not been used from 5 years to more than 40 years, though the building, machinery, tools & equipment had not been used even during the closed period action had not been taken to equip them in a profitable investment activity or to discard those assets.

d) Paragraph 2 (a) of the Asset Management Circular No 01/2018 dated 19<sup>th</sup> March 2018 and paragraph 02 of the Public Finance Circular No02/2015 Dated 10<sup>th</sup> July 2015. It had not been taken action to dispose 13 lorries, 25 tractors and trailers, 7cars, 03 jeeps, 04 ambulances, 01three-wheeler and 43 motorcycles which were owned to the corporation and out of the usage up to 31st December 2020.

2.2.3 Non- compliance with the powers, duties and functions of the corporation, according to the requirements mentioned in the section 12 (g) in the National Audit Act No. 19 2018.

2.2.4. Except from the following observations according to the requirements mentioned in the section 12 (g) in the National Audit Act No. 19 2018, the resources of the corporation has been used efficiently, economically, and effectively according to the rules and regulations with procurement.

#### **2.2.4.1. Procurement and Contract Process**

a) A procurement plan has not been prepared by the corporation in accordance with the 4.2(a) of the Procurement Guidelines for the year 2018.

b) When purchasing flat Stainless steel for estates, spending a cost of Rs.1, 398,000 the bid security had not been obtained by the bidder in accordance with the 5.3.11(a) of the procurement guidelines, a letter of acceptance has not been issued for the supplier in accordance with 8.9.1 of the Procurement Guidelines

c) No of 200,000 packing covers for mosquito sticks of Rs.840, 000 had been purchased in the year under review and when obtaining bids, it had been obtained via E-mail without obtaining into the tender box or through registered post in accordance with 6.3.1(a) of the procurement guidelines. Further the process had been made delay by 100 days, due to non-compliance with 7.4.1 of the Procurement Guidelines.

d) The partitions had been done to divide the parts of the ground floor and the first floor of the head office spending cost of Rs.1, 950,000 the minimum period of time had not given to the bidders in accordance with 6.2.2 of the procurement guidelines. In accordance with the 2.8.1(b) of procurement guidelines, an expertise of the subject had participated in the technical evaluation committee, and formal acceptance letter had not been issued to the contractor in accordance with 8.9.1 of the procurement guidelines. A written agreement had not been signed in accordance with 8.9.1(a) the procurement guidelines and the final payment of Rs. 250,000 had been made to the contractor without obtaining the completion report in accordance with 8.12.2 of the procurement guidelines.

**W.P.C. Wickramarathna**  
**The Auditor General**

## ACTIONS INITIATED BY CORPORATION ON THE AUDIT REPORT

### Actions taken by the Institute in terms of Section 14(2) (c) of the Finance Act No. 38 of 1971 on the Financial Statements of the Sri Lanka State Plantation Corporation for the year ended 31 December 2018

#### 1.2.1. Noncompliance with the Sri Lanka Accounting Standards

(a) According to Paragraph No. 31 of Sri Lanka Accounting Standard No. 7, we agree with the statement that the cash flow generated by interest income should be shown separately. Although the cash flow generated by interest income has been shown, it has not been disclosed separately. (Separate disclosure). Arrangements have been made to properly expose this disclosure error in cash flow processing.

(b) This is a double non-monetary (non-monetary) transaction in the cash flow statement and this is also a misrepresentation for a number of previous years and it is a balance difference in the rectification process. Steps have been taken to rectify this in accordance with Accounting Standard No. 07 for the preparation of cash flow statements.

(c) The value of Rs. 649,377,816.36 mentioned under these fixed assets - land can be seen in detail as below.

Estate	Description	Year Added to the Accounts	Amount (Rs.)
Walahanduwa	Land value	2012	620,000,000.00
Allakola	Land development cost	1996	1,782,168.12
Cottaganga	Land development cost	1996	1,439,934.95
Galpehella	Land development cost	1996	1,247,732.90
Goomera	Land development cost	1996	2,562,873.16
Hagala	Land development cost	1996	2,291,138.59
Harepark	Land development cost	1996	1,436,449.45
Hunnasgiriya	Land development cost	1996	903,048.77
Kellebokka	Land development cost	1996	6,621,281.82
Midlands	Land development cost	1996	3,062,644.36
Opalgala	Land development cost	1996	1,772,601.24
Rangala	Land development cost	1996	2,226,098.34
Head Office	Land value	1996	4,031,845
<b>TOTAL VALUE</b>			<b><u>649,377,816.36</u></b>

For these fixed assets - land, there is no other information or document other than the information included in the description mentioned above, and a correct fixed asset document including fixed assets - land has not been maintained since 1996 until now.

It costs a lot to prepare this fixed asset register and due to the financial difficulties faced by the corporation for many years, the corporation does not have a fixed asset register till now. The identification of fixed assets and the preparation of a list of assets in each estate have been successfully completed so far as the initial steps necessary for the identification, valuation and registration of these fixed assets. The expert services required for the future work i.e. valuation of fixed assets and preparation of the final document should be obtained from a person or an organization, which is specialized in this field. Letters have been sent to the Ministry and the Treasury requesting the necessary funds for this and further, you are kindly informed to pay some reasonable attention in this regard.

(d) This is not included in the final accounts of 2018 due to an omission error in the preparation of financial statements in the review year i.e. 2018 financial year and the necessary arrangements have been made to correct this omission error from the final accounts in the 2019 financial year.

(e) In the 2012 accounts of this investment property, this Rs. 1, 611, 520, 641 have been taken and we agree with the problems here. The direct control of these local estates is done by the Central Treasury and the annual changes are reported and disclosed (according to Sri Lanka Accounting Standards). A relationship has not been established between the Corporation and the local estates since 1992. Necessary steps are being taken to resolve all these matters as soon as possible.

(f) Consumable biological assets/timber in the biological assets of the corporation refers to the timber resources owned by the corporation, ready for sale. Forest resources represent biological assets that cannot be considered consumable biological assets that add value to the forest resource each year. After these biological assets/forest resources that cannot be considered as consumable biological assets become biological assets/forest resources that can be considered as biological assets, the value of those assets should be evaluated and transferred to consumable biological assets/timber.

(g) Fixed asset register, as well as preparation of biological asset register, has been implemented so far. Informing that these issues need to be corrected in the coming financial year 2021 to be reported according to Sri Lankan accounting standards, the corporation is not able to bear these expenses due to financial difficulties faced by the corporation these days, since the allocations from the Ministry and the Treasury is not sufficient. Further, you are kindly informed to pay some reasonable attention in this regard.

(h) This is not included in the final accounts of 2018 due to an omission error in the preparation of financial statements in the review year i.e. 2018 financial year and necessary arrangements have been made to correct this omission error from the final accounts in the 2019 financial year.

### **1.2. 2. Accounting Policies**

The reason for the difference you have indicated is the capitalization of the commercial timber value added during the year. For previous years these values were capitalized and depreciated as afforestation expenses and this capitalization was done as per the audit queries sent by you earlier. It has been clearly mentioned by you in (d) (I) below.

### **1.2. 3. Accounting Deficiencies**

(a) Fixed asset register, as well as preparation of biological asset register, has been implemented so far. Informing that these issues need to be corrected in the coming financial year 2021 to be reported according to Sri Lankan accounting standards, the corporation is not able to bear these expenses due to financial problems faced by the corporation these days, since the allocations from the Ministry and the Treasury is not sufficient. Further, you are kindly informed to pay some reasonable attention in this regard.

(b) The figures taken by them for the balances payable of Rs.10,814,200 and Rs.14,074,561 respectively in Woodside and Nicholaoya estates cannot be applicable to the financial year 2018 only. Because the gratuity expenditure (allocation) of all estates for the financial year 2018, is 25,853,232 rupees. Therefore, we cannot agree with your statement that the annual profit was under calculated by 24,888,761 rupees due to the above mentioned values which will affect the profit or loss of the 2018 financial year where only these 2 estates have a gratuity allocation or credit to the gratuity payable account.

(c) Included in closing stock is Rs. 1,609,504 worth of mosquito rods is currently in a hall in front of the Galphelle Raxawa Tea Factory. The Corporation started and implemented this mosquito rods project with the aim of uplifting the life of the plantation community and providing self-employment opportunities to the common people, and the stock that could not be sold in the market is still in the warehouse today. At present, steps have been taken to sell these stocks by quoting prices to the incense sellers at a certain value, i.e. covering the cost incurred. This was shown as a loss in the financial year 2018 and no action was taken to add it to the loss of the corporation due to the reason mentioned above. After this is sold, the profit or loss is calculated and it has been decided to declare the comprehensive income of the relevant accounting period.

(d) Below is a brief description of the balance shown as physical non-existent stock valued at Rs.4, 978,340 in the document showing a total value of Rs.6,644,470 for tea plant nurseries. These are nurseries conducted in the respective estates with the objective of increasing the amount of tea cultivation such as planting new plants (New planting) and infilling in a certain period, and due to certain reasons, (Eg: weather, climate problems) these plants have not been possible to plant in the field. Of course, these cannot be mentioned as physically non - existing. Because most of the tea plants in each plantations are too old to be planted in the nursery field (grown tea trees). Another important point to be mentioned here is that in some estates, the estate superintendents took full advantage of these plant nurseries to see if they could use some of the plants.

Looking at the other thing that has happened here, in the final accounts of the year 2018, in taking these entire plant nurseries, ie Rs. 6,644,470 which by some mistake should have been shown in the statement of financial position in bulk, but it is recorded in the debtor account. This has not been omitted from the balance sheet. This item has been identified as an error and arrangements have been made to rectify this in the next financial year i.e. 2019 financial year.

(e) As there was a reasonable confirmation that some allocation would be made in relation to this judgment, it was paid to the court in cash. (On the advice of the Legal Department). There the bank account is debited and Rs. 1,910,225 and as this amount is already in the custody of the Court only, it was shown under current assets in the statement of financial position. After that as given by you, it needs to be recognized as a Contingent Liability and as an expense so it is a debit (recognition of expense) as an adjustment to the profit of the previous year and as this is a payment that we cannot identify with certainty, this is in the balance sheet as an unlikely liability until the court decision. (The fiscal year 2017) The judgment has been received and it has been removed from the statement of financial position using a double note, offsetting the intangible assets and liabilities identified by us in the 2019 financial year.

(f) In the financial year under review 2018, this Rs. 602,039 is shown in current assets and is actually an operating expense for the year. The reason for this happening was that the vehicle expenses maintained in the estates were not included in control accounts. This was identified as an error in the estate accounts that left no balance and created the environment to recognize this as an expense in the 2019 financial year itself. Thus, this is to rectify from the financial year 2019.

(g) In the cash flow statement submitted for the year ending December 31, 2018, the amount of interest paid (Finance Cost Paid) is identified as Rs 10,490,415. It is given in the Annexure below (Annexure 01) and the amount of Rs. 12,090,415 has been recognized as the finance cost. It is shown under the adjustments made for the transactions and events done on accrual basis and the amount which is not paid in cash but accrued as interest expense on behalf of the Chilaw Plantation Company mentioned by you, is Rs. 1,600,000 is shown separately in adjustments. It is stated that Sri Lanka will take the necessary steps to make the necessary

adjustments as per Standard No. 7, considering whether the transaction should be shown separately or not. We do not agree with the statement that saying because of this cash flow, the cash flow generated by the operations is decreased. Arrangements have been made to consider whether the difference in adjustments should be shown separately in the presentation or the net value will be shown from the year 2019.

(Annexure 01)

Net Profit / (Loss) Before Taxation		(147,798,507)	(94,932,600)
<b>Adjustments for :</b>			
Depreciation of Biological Assets	9.2	3,333,614	3,185,380
Depreciation of Assets	8	8,453,297	7,969,478
Road Rehabilitation Fund		-	148,078
Finance Expense	21	12,090,415	7,873,996
Gratuity Provision	16	25,853,232	36,159,924
Loan Interest		(1,600,000)	(1,600,000)
Audit fee Provisions		208,000	534,630
Insurance Provision		204,055	532,134
Management Fee Expenses		-	(172,409)
Over Provision of Holiday Pay		-	9,353,603
Prior year adjustments	26	(1,240,487)	(69,698,890)
Identified Difference			-
<b>Profit before Working Capital Changes</b>		<b>(100,496,382)</b>	<b>(97,446,676)</b>
<b>Changes in Working Capital</b>			
(Increase) / Decrease in Inventories		(23,058,701)	26,416,546
(Increase) / Decrease in Trade and Other Receivables		(9,158,581)	3,341,753
(Increase) / Decrease in Other Deposits		1,935,020	10,000
Increase / (Decrease) in Current Liabilities		(65,771,625)	(112,806,584)
<b>Cash generated from operations</b>		<b>(96,053,887)</b>	<b>(180,484,962)</b>
<b>TRADE AND OTHER RECEIVABLES</b>			
Gratuity Paid		(9,024,774)	(43,727,764)
Finance Cost Paid		(10,490,415)	(6,273,996)
Treasury Grants Received		158,000,000	264,000,000

( II ) For adjustments made to the profit or loss of previous periods Rs.1,240,487 and this Rs.159,349, there was a change in the balances in the non-financial opening balance. It is shown below.

(i) Accumulated depreciation of estates (property, plant and equipment) Balance Opening balance according to closing accounts was Rs. 289,862,495 which according to ledger accounts was Rs. 289,803,147. The difference here was Rs. 59,349.

ii ) The difference of Rs.100,000 between the opening balance of 2018, (according to the ledger accounts) and the closing account balance of 2018 of the biological assets of the planters, this total opening balance difference of Rs.159,349 is an adjustment difference made to the 2018 closing accounts. Let's prepare cash flow statements according to Accounting Standard No. 07. However, this opening balance difference has been a mistake for many years and was corrected in 2018.

This disclosure has been corrected since 2019.

(iii) Steps have been taken to make a proper disclosure from the financial year 2019, for the purchase of computer software by the head office, non-cash payment of Rs. 253,500 due to the fact that there is a decrease in the net cash flow generated by the investment activities, upon conducting a study of Sri Lanka Accounting Standard No. 07 which is relevant for the preparation of cash flow statements and.

#### **1.2.4. Unreconciled control accounts**

There is a view that this may be removed and some errors may be reflected in the corporation's accounts (compared to other estate-related accounts). Your instructions are expected, if any changes are required.

#### **1.2.5. Unexplained Changes**

(a) (b) Fixed asset register, as well as preparation of biological asset register, has been implemented so far. Informing that these issues need to be corrected in the coming financial year 2021 to be reported according to Sri Lankan accounting standards, the corporation is not able to bear these expenses due to financial problems faced by the corporation these days, since the allocations from the Ministry and the Treasury is not sufficient. Further, you are kindly informed to pay some reasonable attention in this regard.

#### **1.2.6. Receivable and payable accounts**

(a) Out of this amount Rs. 543,711,753 is a loan amount that is more than 14 years old and about 80% of this consists of provident funds, trust funds, and gratuity dues. These are actually the corporation's outstanding loan balances. A lot of attention has been paid to this regard and these loans are payments to the employees who worked in our company. The Board of Directors, headed by the Honorable Chairman, has taken several decisions regarding the payment of this loan and will take the necessary steps to make payments for this in the financial year 2021.

(b) There is no repayment of money (deposit advance money) received for tenders SLSPC/PL/TB/T-88/2010 and SLSPC/PL/TB/T-111 due to some problematic situation between the said customers and the corporation. It is planned to obtain the necessary information for this purpose from the procurement department and they plan to make the necessary payments in the next financial year 2020 or recognize this as income to the corporation without payment.

(c) As of December 31, 2018, this Rs. The balance of 1,916,092 has been confirmed from Alkaduwa Plantation Company and the necessary arrangements are currently being made to collect the amount. The top management of the corporation has decided the necessary actions to collect this receivable balance in the financial years 2020, 2021.

#### **1.2.7. Lack of evidence for Audit**

(a) The main reason for this problem which has been going on for many financial years is that we do not have a properly fixed asset register in our company. The arrangements to rectify this will be done in the 2020 financial year, and the fixed assets register (all estates, regional office, and head office) has been completed by now. The corporation does not have the necessary funds to carry out the assessments related to this and due to the existing financial difficulties, letters are currently being prepared requesting the Ministry and the Treasury to provide necessary funds for this purpose through the direct intervention of the Ministry or the Treasury. Other activities required to solve this problem in the coming financial year of 2021 are already being done.

(b) In current liabilities in the statement of financial position there is a non-performing account balance of Rs.1,933,044. This balance arises in the accounts as follows.

Prior to the year 2004, estate accounts were maintained separately and head office accounts were divided into 02 parts for preparing the corporation's accounts. This was due to an error in merging the two parts of the

accounts held in the head office in 2006. This inactive account was represented by the difference of Rs.1,933,044. This has been found to be an error in the preparation of the accounts and arrangements have been made to remove this from the accounts in the 2021 financial year.

(c) The confirmation letters to confirm the value of Rs. 103,131,935 and the creditor Rs.15,187,725 in the Head Office and Estate Accounts of the Corporation respectively, has been sent by the financial department of the corporation to the head office so far (09th January 2020) and the creditors mentioned in attachment 1 have confirmed their balances. The original copies of those letters have been sent to you herewith. Also, necessary arrangements have been made to confirm the balances in the future that could not be confirmed by contacting them. The main reason for not receiving these confirmations was the inactivity of the internal affairs and communication media (mail) of the business organizations that arose due to the Covid-19 epidemic situation. However, it is believed that you have received the copies sent to us at the time of confirming the balances mentioned in the above-mentioned attachment.

In the subsequent balance settlement report included in the debtor balance, Rs. 53,881,380 is the outstanding loan balances.

(d) Refundable Tender Deposits - The balance of Rs 6,379,570 is shown as a payable balance in the Corporation's accounts from the year 2006 and for this purpose, a proper record is not owned by the corporation of which tenders have received the refundable deposit money and to which tenderers these are to be paid. The necessary arrangements have now been made to send these balances to the Board of Directors to be written off in the books during the 2020 financial year and then to the Treasury for approval.

(e) Till the end of the year under review Rs. 3,486,444 on the added value of this payable amount is an amount collected from customers and due to the financial difficulties that existed at that time, this amount is shown as an amount payable even now, in the statement of financial position. But we do not agree with the fact that you have only verbally declared VAT exemption to you. Because Mr. Harsha from our financial department has been sent a message to your email address, jedb2016@gmail.com on August 27, 2020. and you have been provided with the relevant notes and clauses of the Inland Revenue Act at 12.02 p.m. It clearly states whether the crops are exempt from tax (VAT) as stated under Section 19 of Act No. 13 of 2014 and other relevant information and other relevant information also provided to you.

(f) At the end of the year under review Rs. 88,813,279.50 out of the total receivable balance of Rs. 70,092,898 are between 4-14 years. These balances are actually made up of loans and investments made in the form of loans in a particular financial year, for which balance confirmation letters are sent every financial year and most of them have been confirmed and returned. In many cases, the management has taken many steps to recover these and due to the financial difficulties of the respective institutions, these balances failed to be recovered till the end of the financial year 2018. Most of these balances are loss-making public institutions. In this regard, after discussing with the Ministry and reaching decisions, the necessary activities to recover these have been arranged for the financial years 2020-2021.

On behalf of BCC Ceylon, the amount of Rs. 15,404,568 in the year 2012, the company has taken a provision as an unrecoverable amount in the statement of financial position and has prepared to send to the Treasury in the financial year 2020 to obtain the necessary approval to remove the said balance from the books. This is to be removed from the statement of financial position in the 2021 financial statements.

(g) We do not agree with this statement that how the balance of Rs.47,537,070 was created on the basis of existing before the year 2012 value of Rs. 1,591,349 worth, which is a half loan and provision for special damages, and the detailed information were not provided to you. Documents are provided to you during the audit for that purpose.

(h) The main reason for this problem, which has been going on for many financial years, is that we do not have a properly fixed asset register in our company. The steps to rectify this issue will be done in the 2020 financial year, and in the meanwhile, the fixed assets register (all estates, regional office, and head office) has been completed. The corporation does not have the necessary funds to carry out the assessments related to this and due to the existing financial difficulties, letters are currently being prepared requesting the Ministry and the Treasury to take necessary measures to provide the necessary funds for this purpose through the direct intervention of the Ministry or the Treasury. Other activities, which required solving this problem in the coming financial year 2021, are already being done.

### **2.2.2**

(a) Employees Provident Fund Employees, trustee funds, and gratuities payable at the end of the financial year 2018 amounted to 621,185,916 rupees. This was due to financial difficulties caused by poor management since 2002. We cannot agree with the statement that this has not been paid for almost 50 years. Because these balances has been started after the year 2000/2002. This balance due is included in the balances you have enquired about. These balances have been prepared to make payments starting from the year 2021 based on a decision of the Board of Directors under the patronage of the Chairman as mentioned above.

(b) This can be indicated as a result of a delay in the final accounts of the corporation for several years (12 years) and is currently preparing the accounts for the year 2018. Here, I would like to inform you that the final accounts of 2020 have been handed over on the due date (25.02.2020).

(c) (d) This stock of waste material was taken to Kellebokka State Estate to gather all the waste material in one place and call for tenders to devalue those materials. At present, all the waste material is in Kellebokka State Estate and no physical verification of this stock or any other waste material has been done. In the financial year 2021, it has been decided to make an accurate assessment of these waste materials and call for price calculations through the tender procedure, and to get an income for the corporation by devaluing the waste materials.

#### **2.2.4.1. Procurement and Contract Process**

(a ) procurement plan has not been prepared for the year 2018 and it has been submitted to the Director Board on 02.05.2018.

(b ) This has been done to expedite the process of establishment of the office in a new premises.

(c ) Actions have been taken according to the vocal instructions received by the Heads of the institution, on the basis of service requirement.

(d ) I agree that we do not have the assistance of an expertise of the subject.