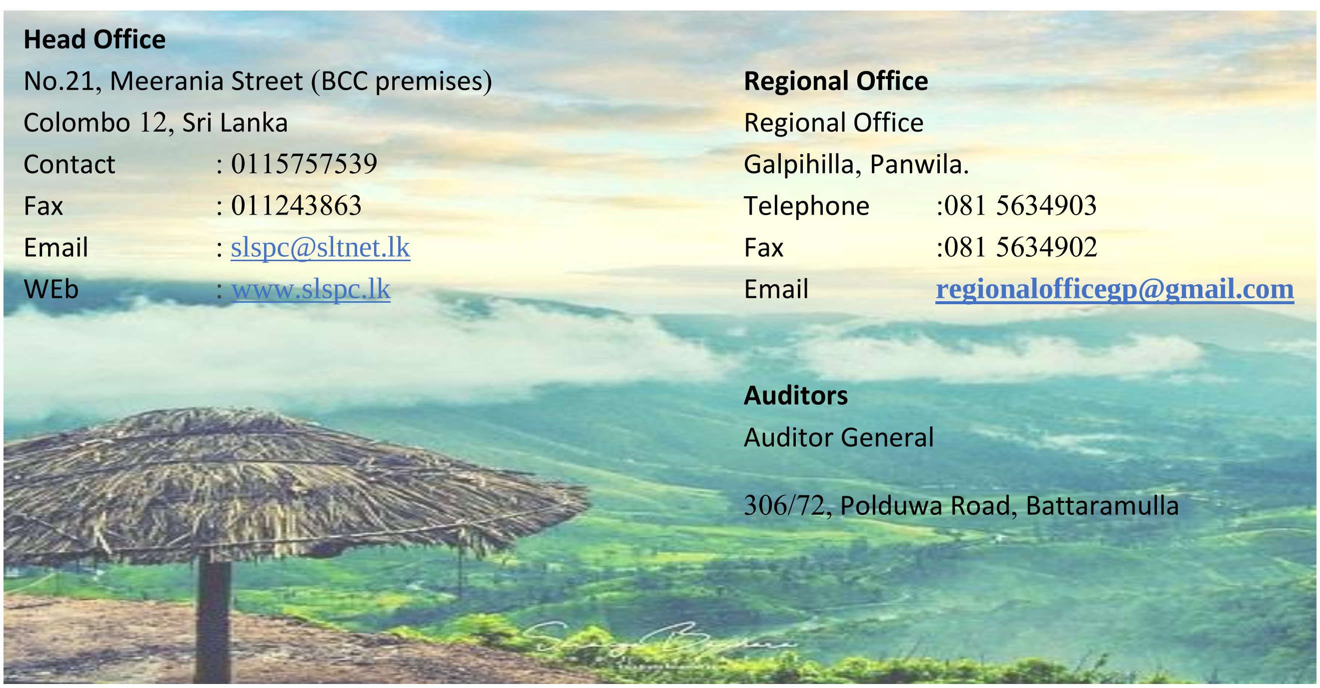
ANNUAL REPORT
2019

SRI LANKA STATE PLANTATIONS CORPORATION

Contents



Head Office

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Regional Office

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Fax :081 5634902
Email **regionalofficegp@gmail.com**

Auditors

Auditor General

306/72, Polduwa Road, Battaramulla

Vision and 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.

Board of Directors 2019

Name	Position
• Mr. M. G. G. Tillakasiri	Chairman and Chief Executive Officer
• Mr. Perumal Ramesh	Director/ Working Director
• Mr.A.J.M.D.P.B. Aviruppola	Board Member / (February to December 2019)
• Mrs. H. G. T. Prasangika	Treasury Memeber (May to December 2019)
• Mr. A. Lakkadasa	Ministry's observer (October to December 2019)
• Mr. D.R.B. Rathnayake	Board Member (August to December 2019)
• Mr. S. Rajarathnam	Board Member (August to December 2019)
• Mr. E. M. D. W. A. S. K. Amunugama	Board Member (August to December 2019)
• Mr.D.V.G. Priyankara	Board Member (January to December 2019)
• Mr. W.K.M.M. Kalum Sanjeeva	Board Member (January to December 2019)

Audit Committee – 2019

Name	Position
• Mrs. H. G. T. Prasangika	Committee Chairman, from the Treasury
• Mr.A.J.M.D.P.B. Aviruppola	Committee memeber
• Mr. E. M. D. W. A. S. K. Amunugama	Committee member
• Mr. K.A.C. Shamantha Perera	Internal Auditor / Committee memeber (Ministry of Public Enterprises and Kandy City Development)
• P.D. Manoj P. Kumara	Audit Supervisor / Observation Officer (Auditor General's Department)
• Mr.H. N.P. Jinasena	General Manager, Sri Lanka State Plantation Corporation
• Mr.S.I. M. Hassan	Deputy General Manager (Finance), Sri Lanka State Plantation Corporation
• Mr. E.R.I.B.S. Sampath Bandara	Internal Auditor, Sri Lanka State Plantation Corporation

Management Staff - Head Office -2019

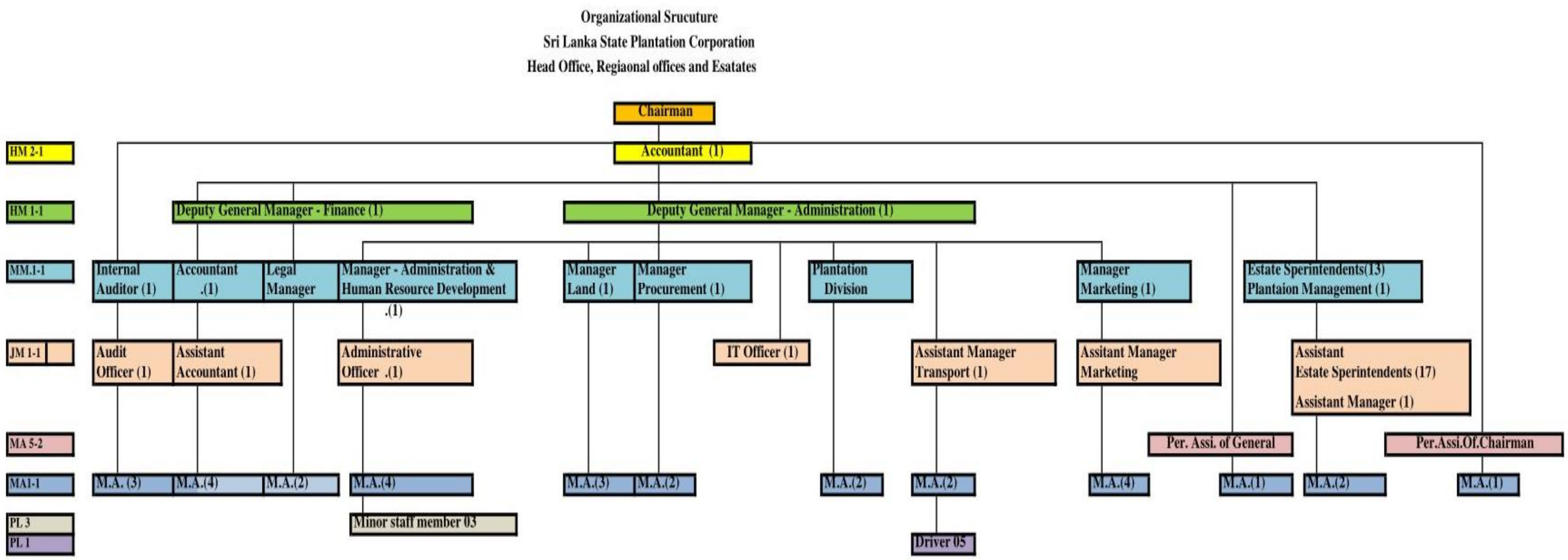
Name	Position
• Mr. M. G. G. Tillakasiri	Chairman/Chief Executive Officer
• Mr.H. N.P. Jinasena	General Manager
• J. H. I. Jayasundara	Acting Deputy General Manager - Administration
• Mr.S.I. M. Hasan	Deputy General Manager - Finance
• Mrs. K.A.H. D. Perera	Manageress - General Manager Division (08/07/2018-01/07/2019)
• Mr. K. Munasingha	Manager-Legal
• Mrs. K.A.H. D. Perera	Manageress - Procurement (From 01/07/2019)
• Mr. W.D.W. Keerthy	Manager- Marketing
• Mr. E.R..IB.S.S. Bandara	Internal Auditor (From 2018.08.01)
• Mr. Gayan Yapa	Assistant Manager - Transport
• Ms. G. D. S. C. Sudasingha	Assistant Manageress (Administrative / HR - Contract)
• Mr. P. V. Pradeep	Assistant Manager- Lands
• Mrs.H.M.S.N. Herath	Assistant Manageress (Sales)
• Mr. R.G.S.H. Gunathilaka	Accountant
• Mr.P.C.J. Panagoda	Assistant Accountant
• Mr. Kuruppu	Audit Officer
• Mr.L.W. Sirirathne	Acting Audit Officer
• Mrs.N.S. Anuradhanayak	LegalOfficer (01/10/2019-20/12/2019)
• Mr.J.B.C. Fonseka	Administrative Office

Management Staff – Plantations 2019

Name	Position
• Mr.S. De Costa	Deputy General Manager (Plantations - Contract)
• Mr. R.C.Kahavita	Manager (Plantation)
• Mr. W.A,D.P. Wijesinghe	Acting Manager (forests)
• Mrs. T. Morahela	Assistant Accountant
• Mr. Y. A. T. B. Wadugudapitiya	Superintendent – Alakolla Estate
• Mr. S.Y. Liyanage	Superintendent - Cottaganga Estate
• Mr. M. P. G. I. Thennakoon	Superintendent - Galpehella Estate
• Mr.R. A. M. Dayaratne	Superintendent – Goomera Estate
• Mr.G. W. G. Wijeratne	Superintendent - Opalgalla Estate
• Mr. T. R. H. Hewage	Superintendent - Hagala Estate
• Mr.K. D. M. P. Weerasinghe	Superintendent - Harepark Estate
• Mr. R.A.R.M. Ranawaka	Superintendent- Hunnasgiriya Estate
• Mr. P. I. L. Perera	Superintendent - Kellebokka Estate
• Mr. W.T..K. Samarathunga	Superintendent - Midlands Estate
• Mr. A.C. Abewarna	Superintendent - Rangala Estate
• Mr. I.W.R. Jayawardene	Superintendent - Walahanduwa Estate
• Mr. D.W.T.C. Danthasinghe	Superintendent - Waithalawa Estate
• Mr. M.M.M.C.B. Ehelamalpe	Superintendent - Woodside Estate
• Mr.C.S.S.M .Dissanayake	Superintendent - Nicholoya Estate
• Mr. C.J. Dasanayake	Superintendent (on leave overseas)
• Mr. C.H.H.K.G. Lakruchira	Senior Asst. Superintendent (Kudaoya Estate)
• Mr G.K.R.B. Kiriella	Superintendent(Wiharagala Estate- Needwood division)

Organaizational Structure

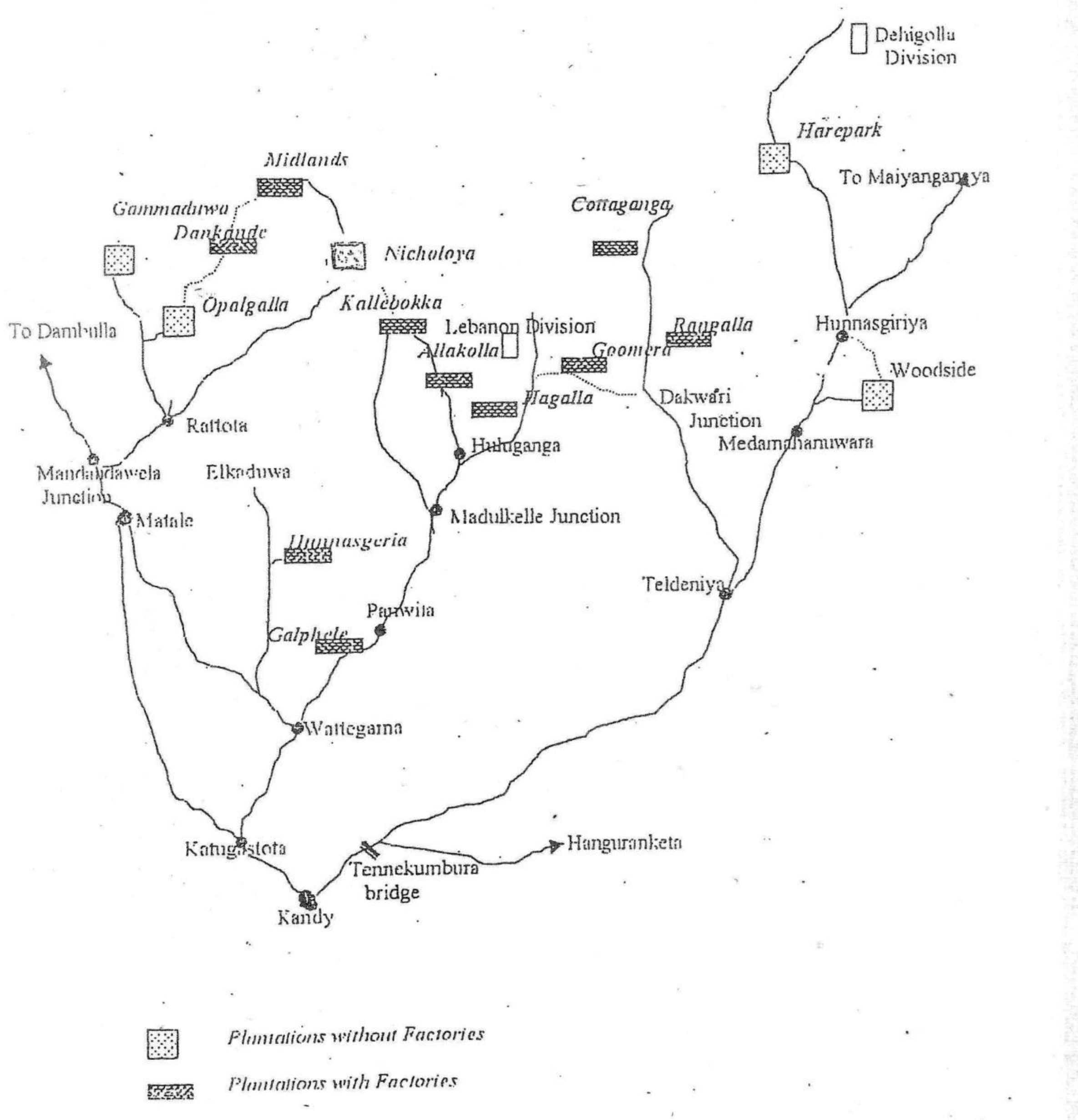
Fihure 01 – Organaizational Structure



Staff of the Head Office, Regiaonal offices and Esatates		
HM 2-1	General Manager	1
HM 1-1	Deputy General Manafer -Finnace, Administration	3
MM 1-1	Manager - Legal, Administration, Land, Plantation, Marketing, Procurement,, Internal Auditor, Accountant, Estate Superintendent	21
JM 1-1	Audit Officer, Assistant Accountant, Assistant Manager - Transport, Marketing, Administration, Assistant Estate Superrint Administration Assistant	24
MA 5-2	Personal Assistant-Chairman and Personal Assistant-General Manager	2
MA 1-1	Management Assistant	30
PL 3	Driver	5
PL 1	Office Assistant	3
	Total	89

Distribution of the Sri Lanka State Plantation Corporation-owned plantations.

Figure 02- Distribution of tea estates in Sri Lanka



MAP SHOWING SLSPC PLANTATIONS

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 loss of Sri Lanka State Plantation Corporation in the year 2018 is 147.7 million rupees, and in the year 2019, the loss has become 329.8 million rupees. According to the annual estimate, a profit of 261.1 million rupees has been expected. The total tea production of the Sri Lanka State Plantation Corporation, which was 572,318 kg in the year, has decreased by 5.7% to 539,672 kg in 2019. Similarly, in 2018, the average production cost of 01 kg of finished tea was at Rs. 583.1 and in 2019, it is at Rs. 676.9.

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 failed 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 shown a state of loss-making 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 Riverstone Access Road, Dankanda Lake and Campground, 360^0 Viewpoint, Thaliya Watuna Ella, Jodu Ella, Sari Ella, Wewathanna 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 service facilities, a higher income can be generated.

This 2019 annual report, which was supposed to be completed before September 30, 2020, was delayed by two 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 2019.

Accordingly, I would like to present the annual report of Sri Lanka State Plantation Corporation for the year 2019 on behalf of the Board of Directors.

Srimal Wijesekera
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 Eetate 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 Alkaduwa 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.

Waitalawa, Woodside and Harepark Estates and Kotaganga 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 Kotagaga 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. Waitalawa and Woodside estates were later transferred to another private company. Due to the company's mismanagement, Woodside Estate was abandoned and only Waitalawa 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 portion of lands owned by the State Plantation Corporation of Sri Lanka became a part of the World Heritage. 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.

More attractive locations belonging to the Sri Lanka State Plantation Corporation

Kellebokka 360^0 view point

Kalabokka 360^0 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 is 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.

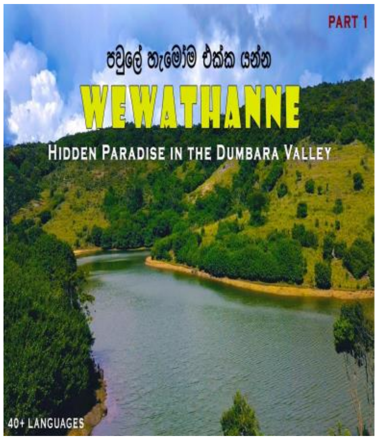
Dankanda Lake - Midlands

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 Alkaduwa 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



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 Vavatthanna, the sight of the amazing and world-famous Victoria Dam is also another wonderful experience.

Contact information

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Status of the plantations managed by Sri Lanka State Plantation Corporation during the year 2019

At the beginning of 2019, there were 15 plantations managed by Sri Lanka State Plantation Corporation. 14 of them are located in Kandy and Matale District and Walahanduwa Estate is located in Galle District.

Table 01- Details of estates

No.	name of Estate	District	DS Division	Total land extent (Hectare)
1	Alakolla	Kandy	Panwila	819.86
2	Cottaganga	Kandy	Medadumbara	1,059.81
3	Galpehella	Kandy	Panwila/Kundasale	761.24
4	Goomara	Kandy	Panwila	731.13
5	Hagala	Kandy	Panwila	449.49
6	Harepark	Kandy	Udukumbura	976.75
7	Hunnasgiriya	Matale	Ukuwela	739.72
8	Kellebokka	Kandy	Panwila	1,370.36
9	Kudaoya	Matale	Ratttota	36.00
10	Midlands	Matale	Ratttota	1,221.31
11	Nicholoya	Matale	Ratttota	332.41
12	Opalgala	Matale	Medadumbara	723.10
13	Rangala	Kandy	Medadumbara	630.60
14	Waithalawa	Kandy	Medadumbara	551.05
15	Wiharagala	Badulla	Haldummulla	41.90
16	Woodside	Kandy	Medadumbara	472.75
17	Walahanduwa	Galle	Akmeemana	96.22
	Grand Total			**11,013.70**

Summary of the Estates belonging to the Sri Lanka State Plantation Corporation

Table 02- Estates purchased by Sri Lanka State Plantation Corporation

Estate	Date of purchase	Land Extent (Hectare)
Hapugastenna	1/1/1972	1,709.31
Alupola	1/1/1972	1,228.74
Galaboda	1/1/1972	376.92
Halgolla	1/1/1972	1,006.88
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
Oduwela	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	1,063.56
Gallebodda	1/7/1974	752.63
Gethant	1/7/1974	203.24
St.Hailier	1/7/1974	172.87
Rohamaupton	15/3/1974	100.61
Nunperiel	11/4/1974	203.64
Udapola	27/5/1975	278.54
Delkith	19/5/1975	1,223.38
Elpitiya	1/6/1975	785.02
Galaha-Sleek Projerct	1/7/1975	694.33
Hotwil	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
Total		**18,914.21**

Table 03 - Lands receijved by Sri Lanka State Plantation Corporation throgh Gazette notifications

Gazette No.	Date	Way of receipt	No. of Estates		Nominal Value
			Regional Plantation Company	Sri Lanka Satate Pantation Corporation	
150/12	7/24/1981	Land Reform 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	123
569/14	8/2/1989		3	0	123
571/14	8/14/1989		1	0	123
206/15	8/20/1982		0	1	123
230/12	2/2/1983		1	0	123
937/2	8/19/1996		8	0	123
157/13	4/3/1975	Government	5	0	123
439/18	2/6/1987		0	1	123
Grand Total			**239**	**36**	

Table 04- Land received by Sri Lanka State Plantation Corporation through various government agencies

Estate	Way of receipt	Date of receipt	Land Extent (Hectares)
Higgoda	Land Commissioner	1/10/1960	319.81
radella	Commissioner of Inland Revenue	1/10/1960	633.60
Yatawatta	Commissioner of Inland Revenue	1/10/1960	522.67
Neliula	Commissioner of Inland Revenue	1/10/1960	337.65
Pallekele	Land Commissioner	1/1/1968	1270.04
Grand Total			**3083.77**

Land use in the estates - 2019

Table 05- Land use in the estates - 2019

Statement of Hectares , Sri Lanka State Plantation Corporation -2019

Estate	Land extent of tea cultivation (Hectares)						Rubber (Hectares)		Minor Export Crop (Hectares)	Timber cultivation (Hectares)		Grass (Hectares)	Paddy (Hectares)	Other (Hectares)	Total Land Extent
	Income earnining tea		Tea leaves on contract		Tea nursery	Repalntation	Old rubber	Rubber Replantation		Commercial timber	Fuel wood				
	Seedings	V.P.Tea	Seedings	V.P.Tea											
Alakolla	161.75	114.95	115.50	-	1.00	12.00	-	-	68.60	24.00	55.38	-		266.68	819.86
Cottaganga	261.46	34.42	144.31	-	0.40	3.00	-	-	53.69	-	24.14	-		538.39	1,059.81
Galphella	71.28	165.01	-	-	2.21	7.04	-	-	5.85	-	70.21	-		444.29	765.89
Goomara	104.85	116.73	128.61	-	-	9.00	-	-	74.80	37.90	1.60	-		257.64	731.13
Hagala	101.80	77.78	84.66	-	0.42	7.00	-	-	-	-	89.62	-		88.21	449.49
Harepark	164.50	-	183.50	-	-	-	-	-	55.00	-	-	-		573.75	976.75
Hunnasgiriya	153.14	37.78	34.21	-	0.60	2.00	-	-	30.37	5.00	2.00	-		474.62	739.72
Kellebokka	188.97	304.24	190.43	-	1.21	32.50	-	-	148.31	335.46	15.00	14.00	17.67	122.57	1,370.36
Midland	104.42	117.41	57.17	-	1.34	15.00	-	-	266.79	-	208.84	-	2.00	448.34	1,221.31
Nicholoya	-	47.14	2.43	-	-	26.50	-	-	65.64	-	18.00	-		172.70	332.41
Opalgala	36.10	48.90	55.90	-	1.80	-	54.00	-	169.50	-	68.00	-		331.80	766.00
Rangala	109.10	85.44	130.20	-	2.00	5.00	-	-	7.50	-	-	-		291.36	630.60
Waithalawa	34.00	39.20	74.69	-	-	-	-	-	61.06	-	47.39	-		294.71	551.05
Walahanduwa	2.05	-	-	-	-	1.00	65.47	5.00	7.40	-		-		14.30	95.22
Woodside	-	15.00	190.33	-	0.20	5.00	-	-	35.61	240.09	157.50	-		73.81	717.54
Total	**1,493.42**	**1,204.00**	**1,391.94**	**-**	**11.18**	**125.04**	**119.47**	**5.00**	**1,050.12**	**642.45**	**757.68**	**14.00**	**19.67**	**4,393.17**	**11,227.14**

The yields of tea and rubber, the main income crops of the estates, compared to the last 10 years

Table 06- The yields of tea and rubber, the main income crops of the estates, compared to the last 10 years

Estate	Crop - Green Leaf (Kg)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Alakolla	1,065,220	1,077,059	952,633	880,458	769,499	787,217	705,364	759,745	734,923	617,413
Cottaganga	352,166	312,648	370,453	258,308	194,663	216,383	170,940	205,002	293,452	253,262
Galphella	1,003,481	971,105	879,545	880,379	665,646	690,856	675,717	775,779	790,235	681,020
Goomara	602,682	647,939	566,360	574,639	486,583	547,711	667,328	764,337	743,270	706,865
Hagala	981,330	985,357	843,579	774,142	682,702	682,097	429,360	482,980	547,672	412,474
Harepark	543,660	455,650	399,609	463,485	375,497	298,837	229,330	252,911	298,088	252,867
Hunnasgiriya	651,682	370,875		520,190	431,449	578,320	515,374	528,226	496,959	487,032
Kellebokkka	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	1,435,669
Kudaoya	-	-	-	-	-	-	-	-	-	2,581
Midland	1,145,480	998,500	669,558	730,241	395,511	586,442	438,614	503,015	586,207	494,211
Nicholoya****					458	1,122	1,550	2,979	159,993	138,379
Opalgala	421,186	369,534	369,158	430,719	297,287	301,755	247,751	305,494	354,023	263,246
Rangala	1,024,601	948,550	739,211	658,274	521,922	678,266	604,332	492,346	606,262	579,595
Waithalawa***									228,362	157,356
Wiharagala	-	-	-	-	-	-	-	-	-	9,267
Woodside**									22,153	44,463
Total	**9,734,927**	**9,290,872**	**7,796,920**	**7,933,768**	**6,153,032**	**6,977,775**	**6,059,068**	**6,455,503**	**7,330,409**	**6,535,701**

Estate	*Rubber - Letex (Kg)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Walahanduwa	50,163	49,332	39,218	44,861	40,140	36,809	37,522	42,470	33,395	28,122

**** Nicholaoya Estate was merged with Midlands from 2010-2013.
*** Waitalawa 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)

Figure 03 - Tea yield compared to last 10 years

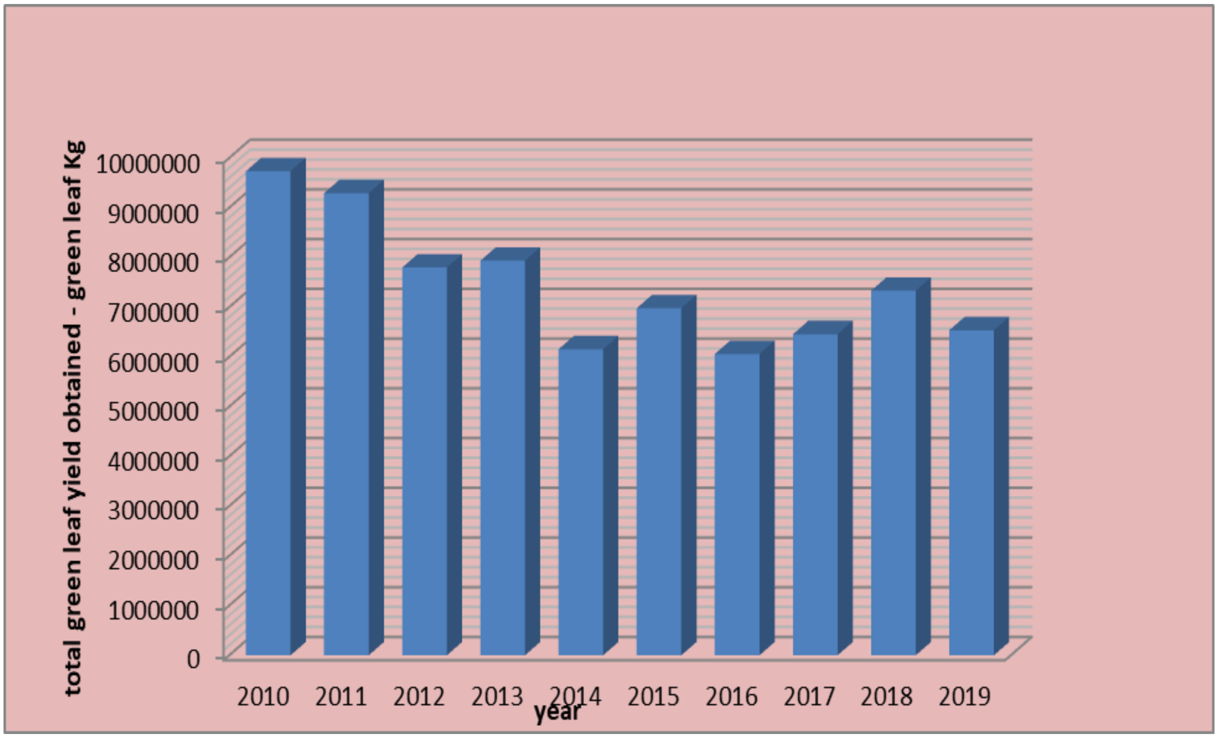
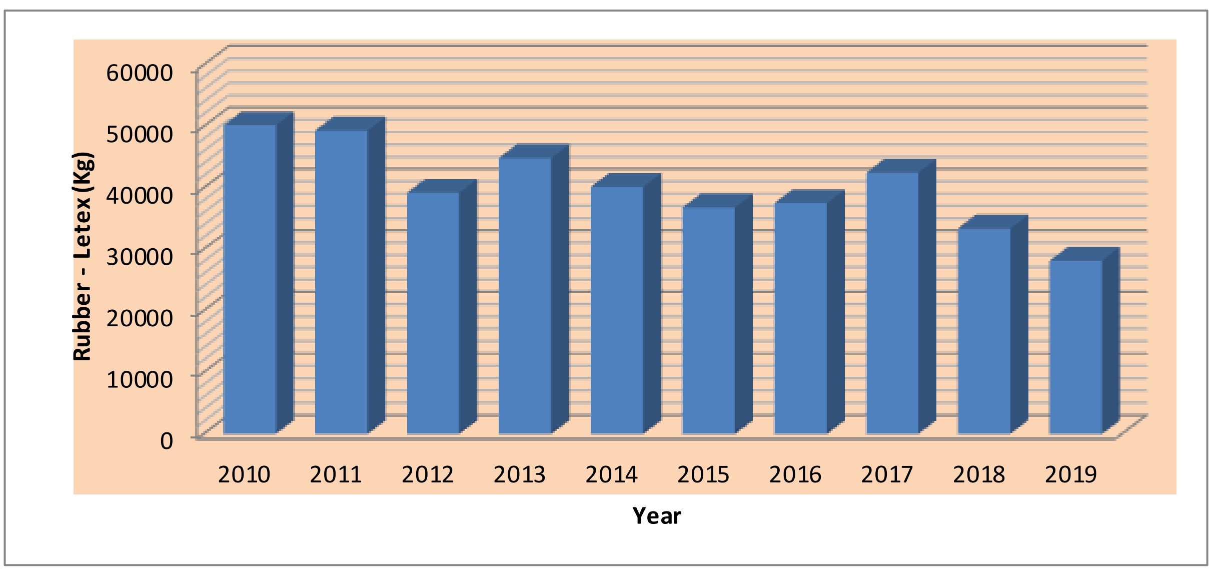


Figure 04 - Rubber yield compared to last 10 years



Green leaf and rubber yield obtained per hectare in plantations 2009 - 2019

Table 07- Green leaf and rubber yield obtained per hectare in plantations 2009 - 2019

Estate	Quentity of green leaf - Kg per Hectare										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Alakolla	2,328	2,828	3,070	2,856	2,660	2,321	2,293	2,121	2,479	2,367	2032.05
Cottaganga	1,494	1,523	1,353	1,316	1,400	1,060	860	819	935	930	809.1
Galphella	3,696	4,228	5,088	4,009	3,819	2,926	2,981	2,916	3,656	3,901	3361.95
Goomara	2,746	2,958	3,772	3,474	3,363	3,121	3,363	3,084	3,451	3,139	3027.15
Hagala	2,454	2,781	2,851	3,595	3,223	2,772	2,716	2,447	2,781	2,883	2241.3
Harepark	1,823	1,807	1,633	1,274	1,633	1,274	995	674	795	1,260	1102.05
Hunnasgiriya	2,651	3,242	3,474	3,321	2,828	2,181	2,744	2,749	2,823	2,599	2548.2
Kellebokkka	2,414	2,791	3,795	3,479	3,079	2,353	2,828	2,888	2,777	2,651	2552.85
Kudaoya	0	0	0	0	0	0	0	0	0	0	69.75
Midland	2,736	3,088	2,851	2,498	2,460	2,084	2,167	1,995	2,293	2,585	2204.1
Nicholoya****	2,410	-	-	-		1,772	1,702	2,544	2,884	3,218	2859.75
Opalgala	3,339	3,791	3,228	3,619	3,972	2,944	2,814	2,309	2,940	4,013	2999.25
Rangala	3,072	3,456	367	3,772	3,256	2,553	3,247	2,916	2,316	2,581	2659.8
Waitahlawa***				-	-	-	-	-	-	2,688	2092.5
Wiharagala	-	-	-	-	-	-	-	-	-	-	223.2
Total	**31,162**	**32,493**	**31,484**	**33,214**	**31,693**	**27,363**	**28,712**	**27,463**	**30,130**	**34,815**	**30,560**

Estate	Rubber (Letex) - Kg per hectare										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Walahanduwa	821	776	763	603	690	618	566	577	649	510	430

Figure 05 - Yield of Tea green leaves per hectare (2009-2019)

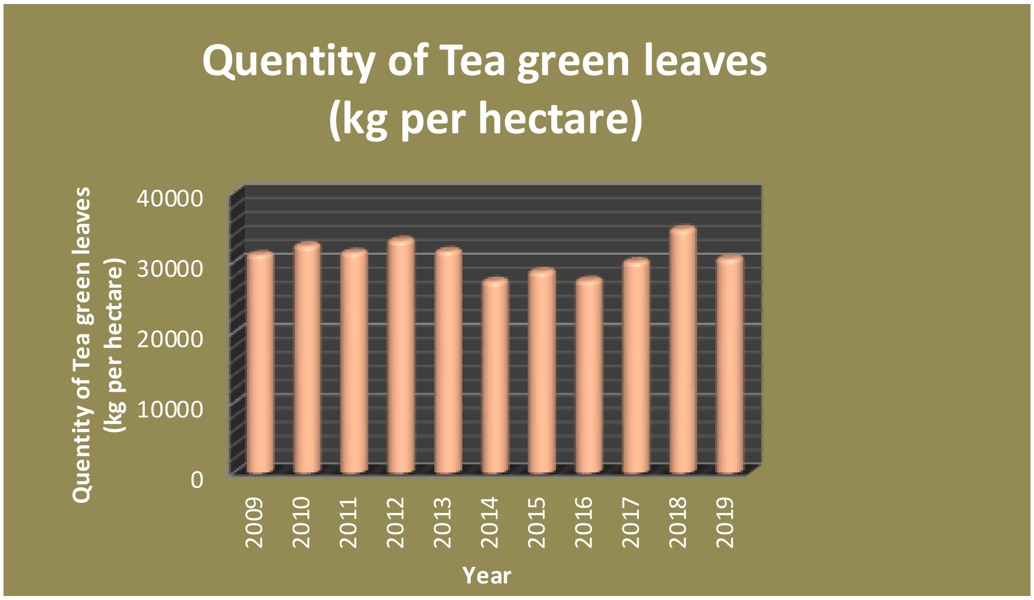
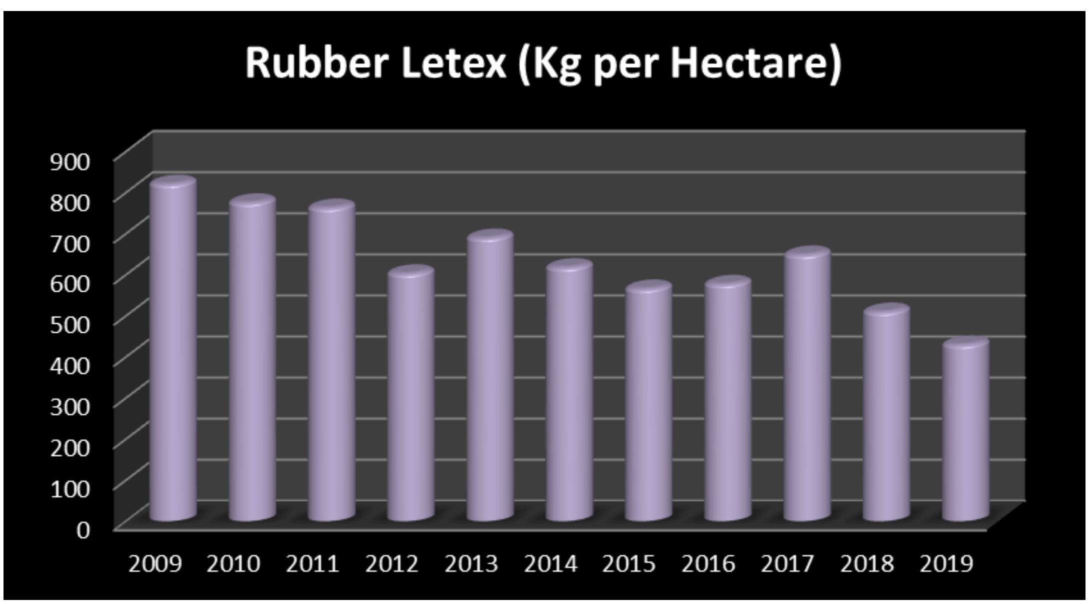


Figure 06: Rubber yield per hectare (2009-2019)



Annual Rainfall in West Central Region in 2019

Table 08 -Annual rainfall in West Central Region in 2019

Annual rainfall - 2019	
Estate	**Rainfall (m.m.)**
Alakolla	1560
Cottaganga	2289
Galphella	1343
Goomara	2348
Hagala	2148
Harepark	2808
Hunnasgiriya	946
Kellebokka	2278
Midland	2946
Nicholoya	1730
Opalgala	2508
Rangala	3776
Waithalawa	1733

According to the above details, the West Central region had received good rainfall throughout the year 2019.

Fertilizer use for last three years

As a whole, 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 03 years

Year	Fertlizer used	Cost of fertlizer (Rs.)	Quantity of Weedicide used (litre/Kg)	Cost of Weedicide (Rs.)
2017	306	15,918,300.00	400 kg 1628 l	7,352,984.00
2018	229	7,530,941.60	3347 l	14,308,425.00
2019	215	4,794,652.50	3207 l	14,431,500.00

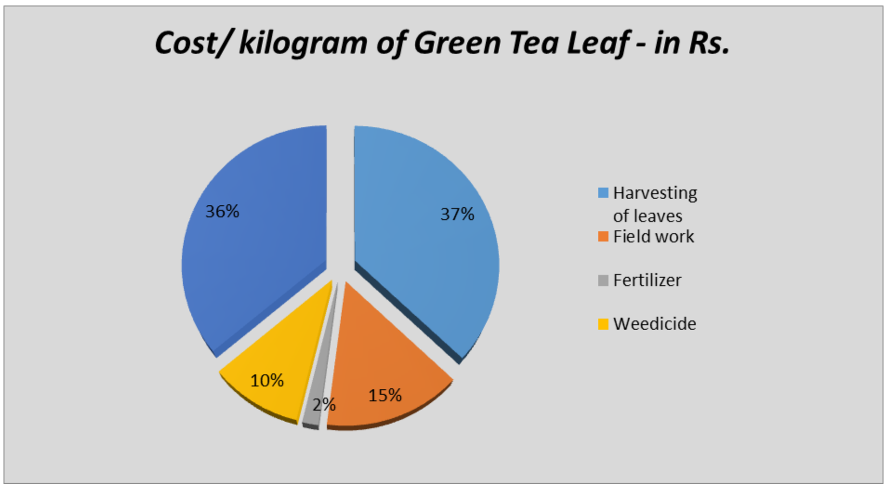
In 2019, the selling price of one kilogram of green leaves produced by the Sri Lanka State Plantation Corporation was 76.74 rupees, while the selling price of one kilogram of green leaves in the West Central region was 68.58 rupees. Accordingly, in the year 2019, the sales ratio of Sri Lanka State Plantation Corporation has been maintained at a value of 8.16 higher than the sales ratio of the West Central region.

The table below comparatively shows the cost of production per kg of green leaves of the Plantation Corporation for past three years.

Table - 10 – Comparative cost of production per kilo of green leaves of the Corporation for the past 03 years

Year	Cost of production per a Kilogram of tea green leaves (Rs)					
	Harvesting of leaves	Field work	Fertilizer	Weedicide	General expenditure	Total
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
2019	45.34	18.34	2.15	12.34	44.19	122.36

Figure 07- Comparative cost of production per kilo of green leaves of the Corporation for the past 03 years.



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 controling 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 Plantation Corporation of Sri Lanka currently has ten tea factories out of which only three CTC tea factories are in operation. The three tea factories of Kalabokka, Midlands and Rangala produce tea using green leaves sourced from several of our estates. The table below shows the production of that tea.

Table - 11 – Tea Production

Factory	Green leaves (Kg)		Made 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.	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Kellebokka	1,468,809.45	1,435,669.00	315,873.00	308,746.00	22.89	22.79	569.36	710.28	385.39	362.11
Midlands	586,206.90	494,211.00	126,066.00	106,282.00	23.21	23.40	560.09	659.94	428.20	414.87
Rangala	606,262.35	579,595.00	130,379.00	124,644.00	21.82	23.22	592.84	660.02	412.44	358.71
Total	**2,661,278.70**	**2,509,475.00**	**572,318.00**	**539,672.00**						

Figure - 08 – Production of Made tea

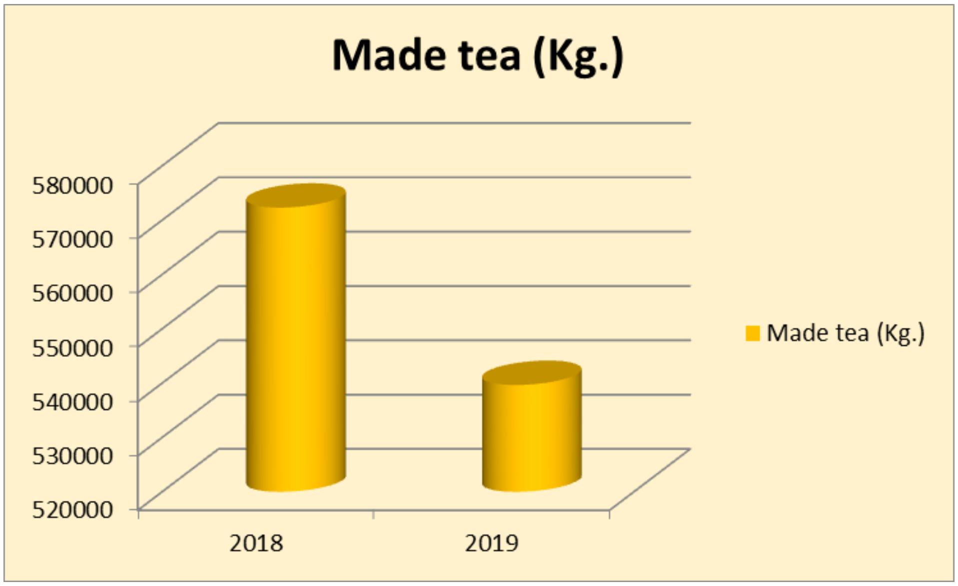


Figure - 09– Quantity of green leaf produced

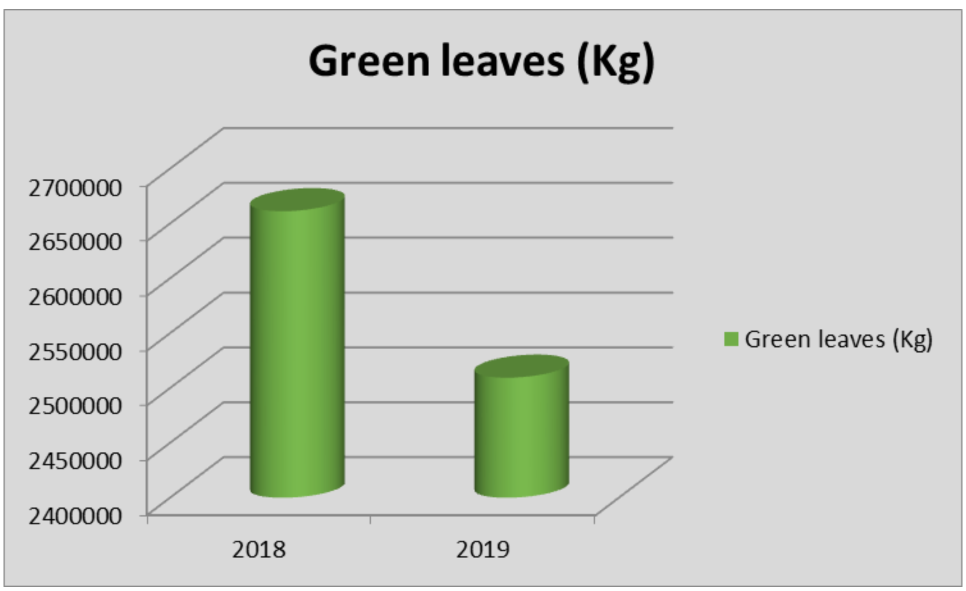


Table 12- Details of Factories

Factory	District of location	Type of tea produced	Capacity (Kg)		Current status
			Sifting	Withering	
Cottaganga	Kandy	Orthadox	1,290	6,000	non-operational
Goomara	Kandy	Orthadox	8,000 (total capacity)		non-operational
Hagala	Kandy	Orthadox	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	Orthadox	860	4,000	non-operational
Nicholoya	Matale	Orthadox	645	3,000	non-operational
Rangala	kandy	CTC	1,500	7,000	Operational

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

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

Kellabokka Tea Factory

Rangala Tea Factory

Midlands Tea Factory

Sanstha Tea

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

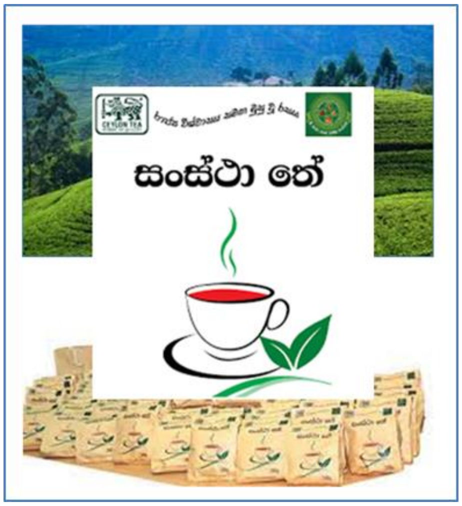


Table 13: Sanstha Tea Sales - Quantitative Comparison (2018-2019)

Month	Quantity of tea sold	
	2018	2019
January	2,539.70	2,602.35
February	2,079.50	4,635.50
March	3,947.65	2,789.00
April	2,156.45	939.40
May	3,369.60	2,474.70
June	3,502.15	1,133.70
July	3,379.45	3,270.10
August	4,036.70	2,683.40
September	3,663.70	3,158.50
October	2,507.20	3,043.40
November	2,919.30	4,313.00
December	3,493.80	3,031.70
Total	**37,595.20**	**34,074.75**

Figure 10: Sanstha Tea Sales – Quantitative Comparison (2018-2019)

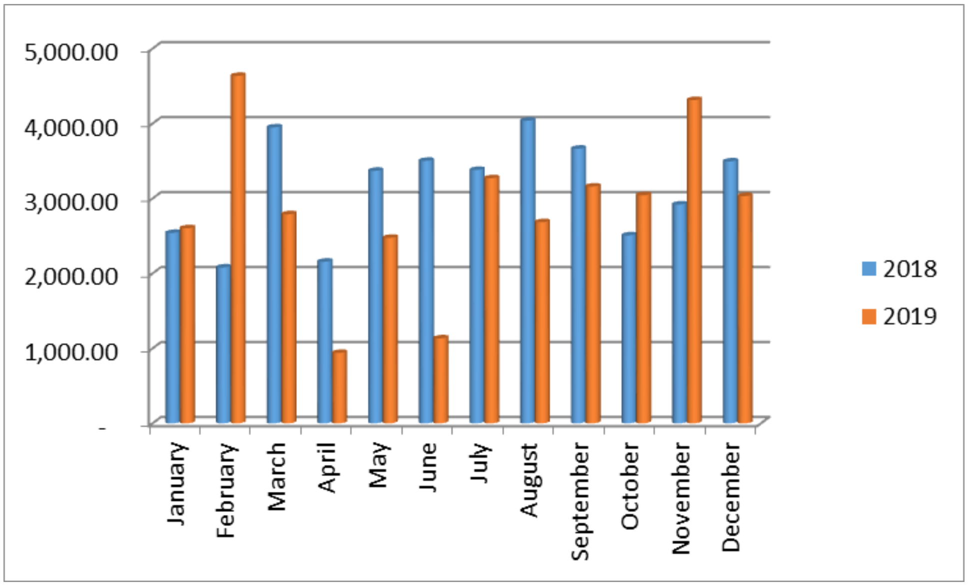
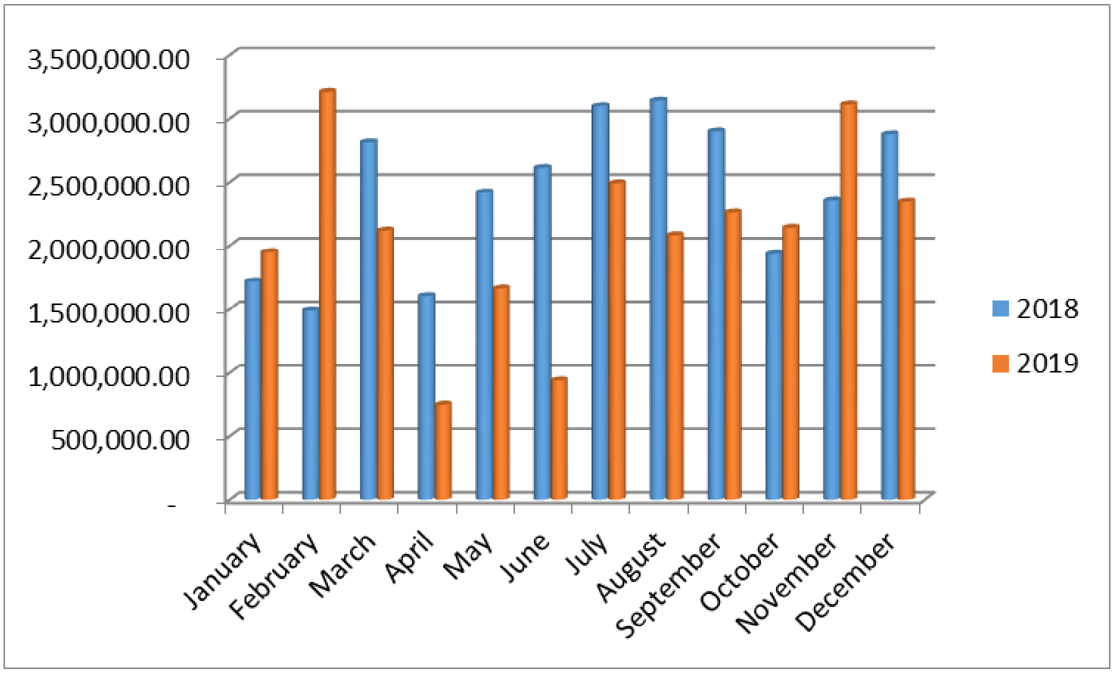


Table 14: Sanstha Tea Sales Revenue (2018-2019)

Month	Sanstha tea sales income (Rs.)	
	2018	2019
January	1,717,815.75	1,948,165.75
February	1,488,562.75	3,210,598.25
March	2,812,306.69	2,117,156.80
April	1,602,650.75	747,592.50
May	2,418,044.32	1,661,434.00
June	2,609,889.00	939,404.50
July	3,098,106.25	2,490,900.70
August	3,141,931.85	2,080,812.75
September	2,900,447.15	2,261,769.50
October	1,934,503.70	2,139,277.25
November	2,354,412.15	3,112,667.00
December	2,877,599.25	2,345,363.50
Total	**28,956,269.61**	**25,055,142.50**

Figure 11: Sanstha Tea Sales Revenue (2018-2019)



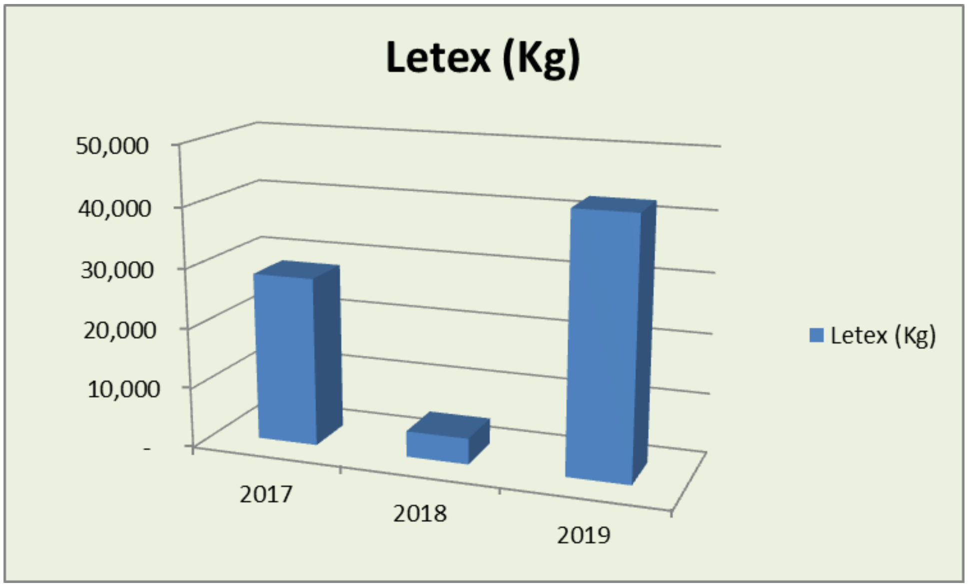
Rubber production

Sri Lanka State Plantation Corporation has only one rubber plantation. It is located in Walahandua 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 years

Year	Letex (Kg)	Total cost (Rs.)	Profit (Loss) Rs.	Net sales value (Rs.)	Cost of production per Kg (Rs.)	Profit (Loss) per Kg Rs.
2019	28,122	14,686,995.72	(7,806,787.00)	300.00	522.26	(222.26)
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)

Figure 12-Rubber Production (2016-2018)



Treasury Grants

As in previous years, this year as well, the Treasury has provided a financial grant of 222 million rupees to manage salaries and day-to-day expenses.

Table - 16– Treasury Grants

Treasry grants received (All amounts indicated in Rupees millions)					
Item	**2015**	**2016**	**2017**	**2018**	**2019**
Operating expenses (labour wages and staff salaries)	104	100	130	68	222
Statutory Payments (EPF/ETF/ Gratuity)	100	0	134	90	0
Development activities of Sri Lanka State Plantation Corporation	0	0	0	0	0
Total recepts (Rs. Mn.)	204	100	264	158	222

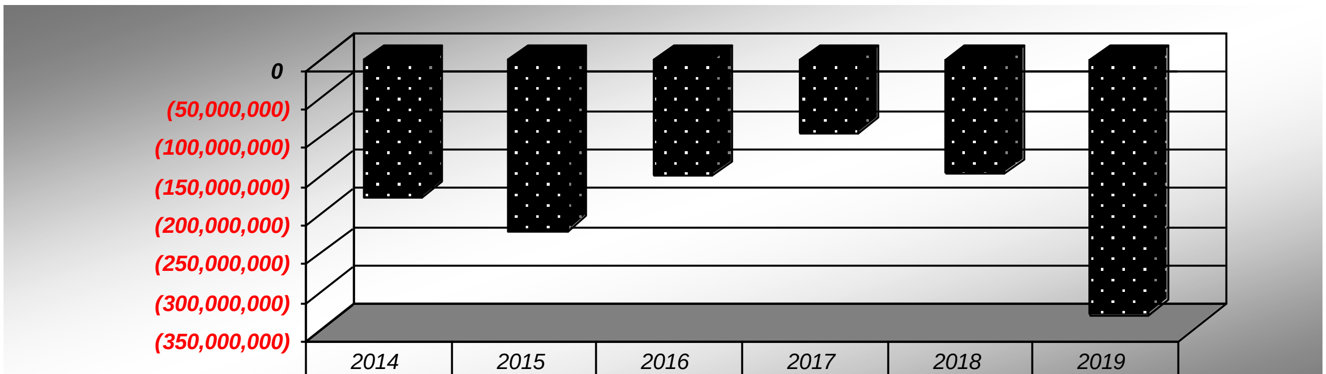
Performance as per Annual Estimate 2019 and Statement of Accounts 2019 is shown below

Table 17 – Performance against Annual Estimates for 2019 and Statement of Accounts for 2019

Description	2019 Esatimate	Annual accounts - 2019	Performance	2018 Estimate	Annual accounts - 2018	Performance
Processed Tea – Cost of Production (C.O.P.)	460.55	549.50	119.31	425.88	445.58	104.63
- Net sales average (N.S.A.)	436.12	373.70	85.69	450.94	371.22	82.32
Rubber – cost of production (C.O.P.)	287.72	429.52	149.28	299.24	420.59	140.55
- Net sales average (N.S.A.)	300.00	246.61	82.20	350.00	244.25	69.79
Estimated Production - Processed Tea (kg)	2,057,042.00	1,409,509.00	68.52	2,367,400	1,585,483	66.97
Estimated Production - Rubber (kg)	45,500.00	28,122.00	61.81	45,500	33,395	73.40
Income	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Processed tea and tea leaves	897,108,237	526,735,834	58.71	1,067,555,575	588,555,635	55.13
Rubber-latex	13,650,000	6,935,151	50.81	15,925,000	8,156,688	51.22
Total income	910,758,237	533,670,985	58.60	1,083,480,575	596,712,323	55.07
Less: Production costs						
Processed tea and tea leaves	947,367,672	774,529,082	81.76	1,008,236,601	706,455,462	70.07
Rubber	13,091,117	12,078,825	92.27	13,615,324	10,045,649	103.16
Total cost of production	960,458,789	786,607,907	81.90	1,021,851,925	720,501,111	70.51
Gross Profit/(Loss) - Estates	(49,700,551)	(252,936,922)	508.92	61,628,650	(123,788,787)	(200.86)
Added: Other income						
Other Income - Estates	432,961,589	52,160,715	12.05	336,320,599	74,648,845	22.20
Other Revenue - Head Office	55,630,000	57,076,072	102.60	88,371,690	42,098,097	47.64
Total Other Income - Estates and Head Office	488,891,038	109,236,787	22.36	424,692,289	116,746,942	27.49
Total Income	438,891,038	(143,700,135)	-32.74	486,320,939	(7,041,846)	-1.45
Less : expenditure						
Administrative expenditure : Estates	62,536,441	73,625,149	117.73	82,871,726	47,584,324	57.42
- Head Office	39,938,603	39,371,623	98.58	26,170,569	35,189,977	134.46
Personnel Expenses - Head Office	55,783,280	52,477,079	94.07	44,681,990	45,892,546	102.71
Financial Charges - Estate	7,301,793	5,049,882	69.16	6,826,282	4,694,004	68.76
-- Head Office	12,200,000	15,660,522	128.36	9,900,000	7,396,411	74.71
Total Expenditure	177,760,116	186,184,255	104.74	195,890,568	140,756,662	71.85
Profit/(Loss) - Estates and Head Office	**261,130,922**	**(329,884,390)**	**-126.33**	**290,439,372**	**(147,798,507)**	**-50.89**

<u>The table and the graph below show Profit/Loss of Sri Lanka State Plantations Corporation in last 05 years</u>

Figure- 13 – Comparison of profit and loss based on last 5 years



	2014	2015	2016	2017	2018	2019
Profit / Loss	(177,215,397)	(222,236,596)	(150,916,820)	(94,932,600)	(147,798,507)	(329,884,391)

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 2019.

Table – 18– Human Resources of State Plantation Corporation

Estate	No. of estate superintendents	No. of assistant estate superintendents	Satff		Laboureres		Total
			Permanent	Contract	Permanent	Casual	
Alakolla	1	2	13	-	294	-	**310**
Cottaganha	1	1	13	-	200	-	**215**
Galphella	1	2	19	-	184	20	**206**
Goomara	1	2	17	2	280	-	**302**
Hagala	1	1	11	-	206	-	**219**
Harepark	1	1	11	1	149	2	**163**
Hunnasgiriya	1	2	16	-	207	13	**226**
Kellebokka	1	4	34	2	723	49	**764**
Midlands	1	2	24	1	330	13	**358**
Nicholoya	1	-	6	-	68	-	**75**
Opalgala	1	2	10	1	89	-	**103**
Rangala	1	2	22	1	227	42	**253**
Walahanduwa	1	1	3	1	65	57	**71**
Waithalawa	1	1	3	-	-	-	**5**
Woodside	1	-	2	1	50	6	**54**
Head office and regional offices	-	-	58	2	3	-	**63**
Total	**15**	**23**	**262**	**12**	**3,075**	**202**	**3,387**

At the end of 2018, the number of head office and regional office staff who received salaries from the head office was 66, and this number has increased to 67 in 2019. At the beginning of 2018, this was 60. A sum or 39.7 million rupees have been spent in the year 2018 for the payment of salaries for these staff and in the year 2019, Rs. 46.4 million have been spent for the same. This has grown by a sum of 6.7 million in 2019 as compared to 2018, which is an increase of 16.9%.

At the end of 2018, there were 249 office staff and field staff, including Estate Superintendents and Assistant Superintendents, and in 2019, this has been reported as the same number of 249. At the beginning of 2018, this number was 286. A sum of 89.7 million rupees have been spent in the year 2018 for the payment of salaries for these staff and in the year 2019, Rs. 103.2 million have been spent for the same.

.Board of Directors and Audit Committee Meetings

During the year under review, eleven Board meetings were held (Meeting Nos. 7 and 8 were not held) and four Audit Committee meetings were held.

Table – 19– Board of Directors and Audit Committee Meetings

No.	Name of Meeting	Date of meeting	Meting number
1	Director board meeting	2019.02.19	1
		2019.03.21	2
		2019.05.14	3 I
		2019.05.23	3 II
		2019.06.03	ad hoc meeting
		2019.06.24	4
		2019.07.15	5
		2019.07.30	6
		2019.08.29	9
		2019.09.26	10
		2019.10.31	11
2	Audit committee meting	2019.03.07	1
		2019.04.09	2
		2019.07.05	3
		2019.10.14	4

Auditor General has given an unfaurable opinion even on the 2019 financial statement of the Plantation Corporation. For a long time, an uhnfafourable opinion has been exptressed on the financial statements of Plantation Corporation and it has not been possible to have it corrected.

Sri Lanka State Plantations Corporation

STATEMENT OF FINANCIAL POSITION

In LKR. As at 31st December	Notes	2019	2018
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	8	752,391,710	756,206,267
Biological Assets	9	3,483,783,882	3,466,853,617
Investment Property	10	1,611,520,641	1,611,520,641
Fixed Deposits		8,863,799	8,532,777
Deferred Assets		781,064	781,064
Total Non-current Assets		**5,857,341,096**	**5,843,894,366**
Current Assets			
Inventories	11	62,502,640	48,241,155
Trade and Other Receivables	12	175,209,745	115,551,243
Cash and Cash Equivalents	13	37,713,613	53,812,300
Total Current Assets		**275,425,998**	**217,604,698**
Total Assets		**6,132,767,094**	**6,061,499,064**
EQUITY AND LIABILITIES			
Capital and Reserves			
Contributed Capital	14	5,879,852,850	5,657,852,850
Retained Earnings		(1,570,849,043)	(1,067,273,122)
Total equity		**4,309,003,807**	**4,590,579,728**
Non-current liabilities			
Employee Benefit Obligations	15	417,639,183	339,598,126
Total Non-current liabilities		**417,639,183**	**339,598,126**
Current liabilities			
Trade and Other Payables	16	1,318,555,797	1,091,072,027
Bank Overdraft		87,568,307	40,249,182
Total Current liabilities		**1,406,124,104**	**1,131,321,209**
Total liabilities		**1,823,763,287**	**1,470,919,336**
Total equity and liabilities		**6,132,767,094**	**6,061,499,063**

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 of Sri Lanka.

Mr. S.I.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. Srimal Wijesekara
Chairman/CEO

Mr. S.M.C.S.Siriwardena
Board Member

Mr. D.R.S.Senarathne
Board Member

22th December 2020, Colombo.

Sri Lanka State Plantations Corporation

STATEMENT OF INCOME

In LKR. Year ended 31st December	Notes	2019	2018
Revenue	17	**535,933,037**	**597,950,423**
Cost of Sales		(786,607,907)	(720,501,111)
Gross Profit / (Loss)		**(250,674,870)**	**(122,550,687)**
Other Income	18	106,974,735	115,508,842
Administrative Expenses	19	(165,473,851)	(128,666,247)
Operating Profit / (Loss)		**(309,173,987)**	**(135,708,092)**
Finance Expenses	20	(20,710,404)	(12,090,415)
Profit/ (Loss) for the Period		**(329,884,391)**	**(147,798,507)**

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 2019

	Capital Rs.	Land Contribution Rs.	Accumulated Profit/(Loss) Rs.	Total Rs.
Balance as at 01 January 2018	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)
Balance as at 31 December 2018	**3,437,250,925**	**2,220,601,926**	**(1,067,273,122)**	**4,590,579,729**
Balance as at 01 January 2019	3,437,250,925	2,220,601,926	(1,067,273,122)	4,590,579,729
Grants Received from Treasury	222,000,000	-	-	222,000,000
Loss for the year	-	-	(329,884,391)	(329,884,391)
Prior year adjustments (Note 26)	-	-	(173,691,530)	(173,691,530)
Balance as at 31 December 2019	**3,659,250,925**	**2,220,601,926**	**(1,570,849,043)**	**4,309,003,808**

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	2019	2018
Cash Flows from Operating Activities			
Net Profit /(Loss) Before Taxation		**(329,884,391)**	**(147,798,507)**
Adjustments for :			
Depreciation of Biological Assets	9.2	3,910,779	3,333,614
Depreciation of Assets	8	8,804,754	8,453,297
Finance Expense	21	19,110,404	10,490,415
Gratuity Provision	16	33,828,923	25,853,232
Audit fee Provisions		-	208,000
Insurance Provision		-	204,055
Prior year adjustments	25	(173,691,530)	(1,240,487)
Profit before Working Capital Changes		**(437,921,061)**	**(100,496,382)**
Changes in Working Capital			
(Increase) / Decrease in Inventories		(14,261,485)	(23,058,701)
(Increase) / Decrease in Trade and Other Receivables		(59,658,502)	(9,158,581)
(Increase) / Decrease in Other Deposits		-	1,935,020
Increase / (Decrease) in Current Liabilities		286,080,832	(65,771,625)
Cash generated from operations		**212,160,845**	**(96,053,887)**
TRADE AND OTHER RECEIVABLES			
Gratuity Paid		(14,384,929)	(9,024,774)
Finance Cost Paid		(19,110,404)	(10,490,415)
Treasury Grants Received		222,000,000	158,000,000
Net cash generated from operating Activities		**188,504,667**	**138,484,811**
Cash flows from Investing Activities			
Additions to Property, Plant and Equipment	8	(4,990,197)	(13,913,013)
Additions to Biological Assets	9.2	(20,841,044)	(11,013,089)
Deferred Assets		-	347,867
Investment in capital WIP		-	335,347
Investment in FDs		(331,022)	(343,785)
Net cash Used in Investing Activities		**(26,162,263)**	**(24,586,674)**
Increase / (Decrease) in Cash and Cash Equivalents		**(63,417,812)**	**(82,652,131)**
Movement in cash and cash equivalents			
At the beginning of the period		13,563,118	96,215,249
Increase/(Decrease) for the year		(63,417,812)	(82,652,131)
Cash & Cash Equivalents at end of the year		**(49,854,694)**	**13,563,118**

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 months 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.

Item	Useful Life	Rate
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 relates 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 are 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 2017.

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 2017.

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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 2017.

6.1.2.5 Derecognition

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.

Derecognition

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 1st 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
Cost or Valuation							
At 1st January 2019	**4,031,845**	**4,959,427**	**11,735,966**	**4,965,787**	**66,115,401**	**3,942,710**	**95,751,135**
Additions	- #	- #	312,900 #	267,077 #	- #	477,300 #	1,057,277
Disposals	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
At 31st December 2019	**4,031,845**	**4,959,427**	**12,048,866**	**5,232,864**	**66,115,401**	**4,420,010**	**96,808,412**
Depreciation							
At 1st January 2019	**-**	**4,959,384**	**10,068,554**	**2,285,768**	**66,094,153**	**2,973,070**	**86,380,929**
Depreciation Charge for the year		- #	289,952 #	318,614 #	- #	465,092 #	1,073,658
Previous Year Adjustment							
Disposals							
Transfer							
At 31st December 2019	**-**	**4,959,384**	**10,358,506**	**2,604,383**	**66,094,153**	**3,438,162 #**	**87,454,588**
Net book value							
At 31st December 2019	**4,031,845 #**	**43 #**	**1,690,360 #**	**2,628,481 #**	**21,247 #**	**981,848 #**	**9,353,825**

Estates	Lands	Buildings	Equipment, Furniture & Fittings	Motor Vehicles	Other Vested Assets	Machinery	Total
Cost or Valuation							
At 1st January 2019	**645,345,972**	**170,049,025**	**24,436,218**	**80,752,692**	**6,672,973**	**117,017,392**	**1,044,274,272**
Additions	- #	3,554,269 #	346,365 #	- #	32,286 #	- #	3,932,920
Previous Year Adjustment							
Transfers							
Disposals							
At 31st December 2019	**645,345,972**	**173,603,294**	**24,782,583**	**80,752,692**	**6,705,259**	**117,017,392**	**1,048,207,192**
Depreciation and Impairment							
At 1st January 2019	-	**104,834,455**	**18,647,901**	**69,709,160**	**6,672,972**	**97,633,072**	**297,438,210**
Depreciation Charge for the year		4,085,009	477,822	434,532		2,733,733	7,731,096
Previous Year Adjustment							
Disposals							
Transfer							
At 31st December 2019		**108,919,463 #**	**19,125,722 #**	**70,143,692 #**	**6,672,972 #**	**100,366,805**	**305,169,306**
Net book value							
At 31st December 2019	**645,345,972 #**	**64,683,831 #**	**5,656,860 #**	**10,609,000 #**	**32,287 #**	**16,650,588 #**	**743,037,886**
Net book value Head office and Estate At 31st December 2019 (Head office and Estates Total)	**649,377,816**	**64,683,874**	**7,347,220**	**13,237,481**	**53,534**	**17,632,436**	**752,391,710**

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

9 BIOLOGICAL ASSETS

	As at 31.12.2019 Rs.	As at 31.12.2018 Rs.
9.1 Consumable Biological Assets		
Timber	3,314,581,133	3,314,581,133

No valuation done during the year 2019 since some of this timber areas falling under Knuckles Conservation range and demarcation by Forest department is not completed. Also the valuation will require 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 2019	**470,852,820**	**3,809,207**	**3,238,219**	**15,270,484**	**1,501,242**	**4,485,155**	**24,505,428**	**523,662,555**
Additions	14,147,029	-	303,874	-	-	582,224	5,807,917	**20,841,044**
Previous year adjustment								
Transfer								
Disposals								
As at 31st December 2019	**484,999,849**	**3,809,207**	**3,542,092**	**15,270,484**	**1,501,242**	**5,067,379**	**30,313,346**	**544,503,598**

Depreciation	Tea	Coconut	Pepper	Rubber	Coffee	Other	Reforestation	Total
At 1st January 2019	**359,057,094**	**2,668,938**	**2,034,117**	**3,119,337**	**1,411,788**	**745,906**	**2,352,890**	**371,390,070**
Depreciation Charge for the Year	2,074,377	38,690	96,827	370,329	5,132	223,890	1,101,536	3,910,779
Previous year adjustment								
Disposals								
As at 31st December 2019	**361,131,471**	**2,707,628**	**2,130,944**	**3,489,666**	**1,416,920**	**969,796**	**3,454,426**	**375,300,850**

Net book value								
As at 31st December 2019	**123,868,378**	**1,101,579**	**1,411,149**	**11,780,818**	**84,322**	**4,097,583**	**26,858,920**	**169,202,749**

TOTAL BIOLOGICAL ASSETS (Note 9.1 + 9.2)								**3,483,783,882**

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT PROPERTY	As at 31.12.2019 Rs.	As at 31.12.2018 Rs.
Land Contribution from Government	1,600,601,926	1,600,601,926
Land for Capital Appreciation	10,918,715	10,918,715
	1,611,520,641	**1,611,520,641**

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 monitory 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 this year too, 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.

11 INVENTORIES	As at 31.12.2019 Rs.	As at 31.12.2018 Rs.
Finished Product	46,371,519	38,764,682
Consumable Stock	16,131,121	9,476,474
	62,502,640	**48,241,155**

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

12 TRADE AND OTHER RECEIVABLES	As at 31.12.2019 Rs.	As at 31.12.2018 Rs.
Trade Debtors - Head office (a)	37,326,686	49,756,365
Less : Specific Impairment of Head office debtors	(15,404,568)	(15,404,568)
Trade Debtors - All Estates (b)	131,312,469	64,303,903
Less : Specific Impairment of estate debtors	(49,128,420)	(49,128,420)
Other Receivables - Head office	22,173,326	21,822,783
Other Receivables - All Estates	48,930,252	44,201,179
	175,209,745	**115,551,243**
a). Trade Debtors - Head office includes the following		
B.C.C. Company	15,404,568	15,404,568
Less : Specific Impairment of Head office debtors	(15,404,568)	(15,404,568)
Receivables from Green Leaf Buyers	13,720,320	25,899,588
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	2,793,581	3,043,992
	21,922,118	**34,351,797**
b). Trade Debtors - Estates includes the following		
Sundry Debtors	28,869,877	7,754,648
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	726,644	752,520
Less : Specific Impairment of estate debtors	(47,537,070)	(47,537,070)
Less : Provision for Bad Debts	(1,591,349)	(1,591,349)
Interplantation Current Account	1,930,180	1,930,180
Other Debtors	54,457,563	8,538,349
	82,184,050	**15,175,484**

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALANTS	**As at 31.12.2018**	**As at 31.12.2018**
Favourable Balances :	**Rs.**	**Rs.**
Cash in hand and at bank		
- Head Office	36,406,748	52,932,601
- Estates	1,306,864	879,699
	37,713,613	**53,812,300**

14 CONTRIBUTED CAPITAL	**As at 31.12.2019**	**As at 31.12.2018**
	Rs.	**Rs.**
Government Contribution	3,263,262,947	3,041,262,947
Land Contribution from Government	2,616,589,903	2,616,589,903
	5,879,852,850	**5,657,852,850**

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 Teasury has granted Rs. 222.0 Million for operational expenditures of the SLSPC.

15 EMPLOYEE BENEFIT OBLIGATIONS	**As at 31.12.2019**	**As at 31.12.2018**
	Rs.	**Rs.**
Opening Balance - Estates	324,998,628	337,135,449
- Head office	14,599,498	15,067,921
Provision for the Year	33,828,923	25,853,232
Under Provision / Overprovision Adjustment (Estates & H/O)	80,087,086	(10,612,275)
Transferred to Gratuity Payable	(18,349,821)	(17,658,276)
Payment During the Year	(14,384,929)	(9,024,774)
Other Transaction	(3,140,202)	(1,163,150)
	417,639,183	**339,598,127**

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES	As at 31.12.2019 Rs.	As at 31.12.2018 Rs.
Head office **(a)**	296,618,062	277,029,870
Estates **(b)**	1,020,004,690	812,109,113
Non Operative Balance	1,933,044	1,933,044
	1,318,555,797	**1,091,072,027**

a). Trade and other payables for Head office includes the following	As at 31.12.2019	As at 31.12.2018
Advance - Opalgala (Lease Advance)	4,480,000	4,480,000
Timber Advance	786,379	786,379
Poly Chemix	715,389	715,389
Perth Estate	6,932,399	6,932,399
Janatha Estates Development Board (JEDB)	97,709,342	97,709,342
Brokers - LCBL & CTB	16,030,780	8,968,682
Advance Received - Green Leaf Buyers	11,756,571	15,369,689
State Resources Management Corporation	28,709,029	28,709,029
Fertilizer Corporation	35,931,679	35,931,679
Chilaw Plantation	34,810,959	33,210,959
Loan - Lanka Mineral Sands	25,000,000	25,000,000
Accrued Expenses	5,576,019	2,903,924
EPF/ESPS/CPPS - Payable	6,340,558	1,099,708
E.T.F	157,034	123,447
Gratuity Payable	-	290,420
Other Payables	18,880,925	11,997,826
Credit On Tree Sales	2,801,000	2,801,000
Total	**296,618,062**	**277,029,870**

b). Trade and other payables for Estates includes the following	As at 31.12.2019	As at 31.12.2018
Sundry Creditors	70,854,109	48,154,401
Elkaduwa Plantation	172,137	172,137
Refundable Tender Deposits	6,379,570	6,379,570
Other Liabilities	21,325,404	19,646,826
Trade Unions	6,595,773	7,585,493
Staff and Workers Payables	33,408,555	30,758,462
Prov. for Audit Fees & Insurance	7,289,573	4,789,355
E. P. F. Payable	421,921,940	367,667,260
E.S.P.S Payable	7,552,308	2,817,215
C.P.P.S. Payable	128,830	104,263
E.T.F. Payable	14,380,082	8,189,921
Gratuity Payable	364,540,128	245,328,735
Accrued Expenses	1,489,328	3,718,286
Attendance Bonus Payable	1,843,993	1,762,706
E.P.F Surcharges Payable	42,020,364	49,970,387
E.T.F Surcharges Payable	1,195,465	292,830
Gratuity Surcharges Payable	14,525,548	7,832,287
Other Payables	4,381,580	6,938,979
Total	**1,020,004,690**	**812,109,113**

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

17	REVENUE	31.12.2019	31.12.2018
		Rs.	Rs.
	Tea	233,893,034	211,586,544
	Green Leaf	292,842,800	376,969,092
	Minor Crops	2,262,052	1,238,100
	Rubber	6,935,151	8,156,688
	Total Revenue	**535,933,037**	**597,950,423**

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.

18	OTHER INCOME	31.12.2019	31.12.2018
		Rs.	Rs.
	Tree Tender	55,499,615	55,095,950
	Lease Rentals	28,019,892	30,448,900
	Management Fee	15,743,339	16,189,644
	Interest Income	2,324,060	3,197,413
	Income from Hunnas Water Falls Leisure Park	1,332,494	3,451,097
	Other Income - Estates & Head Office	3,132,140	6,535,510
	Guest Bungalow Income	923,195	590,328
	Total Other Income	**106,974,735**	**115,508,842**

19	ADMINISTRATION EXPENSES	31.12.2019	31.12.2018
		Rs.	Rs.
	Personnel Cost	46,850,831	41,954,687
	Defined Contributions - EPF, CPPS & ESPS	4,500,999	3,149,081
	Defined Contributions - ETF	1,125,250	788,778
	Depreciation - Head office	1,073,658	818,234
	Gratuity Expense Head office and Estates	33,828,923	25,853,232
	Sale Expenses	6,826,920	3,518,478
	Other Administration Cost - Estates and Head Office	71,267,271	52,583,757
	Total Administrational Expenses	**165,473,851**	**128,666,247**

20	FINANCE EXPENSES	31.12.2019	31.12.2018
		Rs.	Rs.
	Commissions on Cash	5,049,882	4,694,004
	Interest on Tea Brokers' Advances	3,767,109	4,620,075
	Bank Charges	72,139	50,177
	Bank O/D Interest & Cash Commission	10,221,274	1,126,160
	Other Loan Interest - Chilaw Plantation	1,600,000	1,600,000
	Total Finance Expenses	**20,710,404**	**12,090,415**

21 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 twnenty two years (1995 to 2016) SLSPC has made small profits only for four years.

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

22 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), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Corporation with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

	2019 Rs.	2018 Rs.
Outstanding Balances:		
Payable to		
State Resources Management Corporation	28,709,029	28,709,029
Fertilizer Corporation	35,931,679	35,931,679
Chilaw Plantations	34,810,959	31,610,959
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	6,932,399	6,932,399
Receivable from		
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

23 COMMITMENTS AND CONTINGENCIES

As at date over 516 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 2019 too, SLSPC continued to pay part of the statutory Liabilities from the funds received in 2019 from the Treasury. Simaltaneously from 01.01.2017 steps were taken to pay these liability on a monthly basis and the EPF & ETF contributions were paid on time up to the month of July 2019 without any delay.

24 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.

25 PRIOR YEAR ADJUSMENTS

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	2019 Rs.	2018 Rs.
Salaries Arrears	-	641,567
EPF/ETF Surcharges	-	439,572
Gratuity (Surcharges, Under / Over Provision)	163,532,580	-
Other Expenditures/Adjustments	10,158,950	-
Total	**173,691,530**	**1,081,138**

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

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1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Sri Lanka State plantation Corporation for the year ended 31 December 2019 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 2019, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations, which I consider should be report to Parliament, appear in this report. My report in terms of the Article 154(6) of the Constitution will be tabled in the House of Parliament in due course.

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 2019 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) The value of lands of 10,917 hectares, which belong to the 14 estates of the Corporation and freehold lands, had not been accounted in terms of the paragraph 37 of the Standard No.13.

(b) 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 year under review.

(c) 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 had not been disclosed 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.1,612 million as mentioned in the balance sheet of the regional estate companies in the year 1992, in the statements of financial position under investment properties in the year under review.

(d) Although the description of the investment property and the contractual obligations on purchase, construction, development, repair, maintenance or improvement of an investment property (leased estates) worth Rs. 1612 MN is required to be disclosed in accordance with the paragraphs 75(h) and 78 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.

(e) Although the bearer biological assets related to agricultural affairs should be accounted as a separate item under Property, Plant and Equipment in accordance with the paragraph 37 of the Standard No 16, it had been stated under Biological Assets.

(f) 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.169, 202,749, which has been disclosed under Non-Current Assets in the financial statement of the year under review, had not been submitted with such categorizing.

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

(h) Though Guaranteed Assets is required to be fairly disclosed by the financial statements in accordance with paragraph 07 (a) and (b) of the standard No. 07, it was not disclosed in financial statements, in relation to the fixed deposits guaranteed for bank overdrafts in the year under review.

(i) Eventhough in calculation of the service benefit liability of entity in terms of Section 57of the standard No. 19, an actuarial method should be utilized, the Corporation in calculation of their benefits had not utilized an actuarial method.

1.2.2. Accounting Policies

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 of Rs.2,420,933 capitalized in 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.1,101,536 at the end of the year under review.

1.2.3. Accounting deficiencies

(a) Since the Corporation had not recognized a lease income of Rs. 6,189,400 related to the year under review, the loss of the Corporation for the year under review had been overstated by that amount.

(b) Financial statements had been prepared by considering a book value in the year of 2017 without conducting a physical verification of Made Tea stocks worth Rs.45,238,955 belonged to estates such as Kellebokka, Midland and Rangala as well as brokers and also, Mosquito Sticks worth Rs.1,609,054

(c) The value of six plant nurseries of Rs.8, 051,222 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 non-existence or expired of the nurseries.

(d) Amounts of Rs.61,393,076 and Rs.5,098,723 paid in court in respect of Employee Provident Fund and Employee Trust Fund of 04 estates of the Corporation have been classified as incorrect for more than 5 years and included in trade receivables as fund deposits and thus, the Current Assets and Current Liabilities had been increased by that value due to non-removal of it from the Employees' Provident Funds and Employees' Trust Funds. Further, the Corporation had not taken actions to remove the paid surcharge amount from the Payable Employee Provident Surcharge Account and the Payable Employee Trustee Surcharge Account.

(e) The profits of the previous years had been adjusted without recognizing the provision for gratuity of Rs.80,087,086 of the Corporation as an expense for the year , and thus, the loss for the year under review had been under-calculated from that value.

(f) The nation building tax expenses had been reduced by Rs.644,025 due to not taking into account of a tea sale income of Rs.32,201,293 which is subject to nation building tax, in the calculation of nation building tax.

1.2.4. Un reconciled control accounts

(a) It was observed a difference of Rs.1,930,180 between the debit and credit balances of Inter Estate Control Accounts

(b) A non-offsetting difference of Rs.11,837,880 was observed in the current account maintained for the exchange of goods and money between the head office and estates.

1.2.5 Unexplained changes

(a) It was observed the differences of Rs.12,147,223 and Rs.105,876,078 respectively in the ledger accounts of the fixed assets register and the relevant assets such as the bearer biological Assets and property, plant and equipment which has been stated under the non-current assets in the statement of financial position.

(b) A difference of Rs.1,645,340 was observed in the value of the lands at the head office as per the ledger accounts of the Corporation and as per the Financial Statement.

(c) Although the value added for other intercropping as per the ledger and the Biological Asset Register as at the end of the year under review was Rs.884,517 , it was observed a difference of Rs.302,293 between these balances hence the balance was Rs.582,224 according to the Financial Statement.

(d) During the year under review, a difference of Rs.192,299 was observed between the capitalized forestry balance as per ledger accounts and the balance as per biological asset register.

(e) A difference of Rs.142,418,900 and Rs.75,436,147 was observed between the financial statements and the auditor's calculations for the allocations for gratuity and the calculation of gratuity payable by the Corporation .

(f) According to the financial statements, there was a difference of Rs.3,489,937 between the balance paid for gratuity and the balances as per the schedules and notes submitted for audit by the head office.

1.2.6. Receivable and payable accounts

(a) Out of the outstanding balance of Rs.169,015,969 under other current assets stated in the financial statements, it had been included the outstanding loan balance of Rs.1,199,583 or 0.7% which had been prevailed from the period of 04 years to 05 years and a loan balance of Rs.83,908,608 or 50% which had been beyond 15 years. The adequate steps had not been taken by the Corporation to collect this debtor balance even in the year under review and there was uncertainty of recovery.

(b) The Corporation had granted a loan of Rs.6 million to Elkaduwa Plantation Company on 15th October 2014 without entering into an agreement and the unrecoverable loan balance was Rs.1,916,092 due to negligence of paying the loan installment since the year 2015. The Corporation had not taken steps to allocate doubtful debts in this regard.

(c) There was a risk of overvaluation of the liabilities of the Corporation due to the non-settlement of the total value of the Rs.786, 379 of Tree tender deposits and advance of the Opalgala Estate for the year 2010 and 2011, by the end of the year under review.

1.2.7 Lack of evidence for audit

(a) The deeds/ licenses for certifying the ownership of the buildings with the value of Rs.178,562,721 and the lands with the value of Rs.649,377,817 registration Certificates for certifying the ownership of vehicles with the value of Rs.146,868,093 under Property Plant and Equipment f Rs.1,016,872,943 of the statement financial of financial position had not been submitted to the audit.

(b) 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.

(c) The Fixed Assets with the value of Rs.15,906,831, 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.

(d) 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.169,202,749 which has been stated under the non-current assets in the statement of financial position had not been submitted to the audit.

(e) The Corporation did not have the necessary documentary evidence to prove the debtor balance of Rs.46, 610, 451, which has been disclosed under current assets of the statement of financial position.

(f) The balance confirmation and subsequent balance settlement reports of credit balances of Rs.58,904,418 and 21 debit balances totaling Rs.121,684,524 of the Corporation had not been submitted for the audit.

(g) As the accounting policies used for calculation of doubtful debts of Rs.1,591,349 and allocation of Rs.47,537,070 provisions 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, had not been explained to the audit, their accuracy could not be checked.

(h) An inactive account 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.

(i) 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 had not been submitted to the audit to confirm these balances.

(j) The documentary evidence related to the recognition of Rs.3,140,202 which has been deducted as other transactions and Rs.14,525,548 which had been payable as the surcharge for gratuity when calculating the balance of provisions for gratuity, had not been submitted to the audit.

(k) Due to non-presentation of the facts which led to the existence of credit balance of Rs.3,567,597 included in the trade receivables, it could not be satisfied at the audit about the accuracy of the trade receivables balance of the year under review.

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

1.3 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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.

1.5. Auditor's Responsibility in Auditing 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

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

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I inform controlled parties about significant audit findings, key internal control weaknesses and other matters identified during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1. The National Audit Act No.19 of 2018 includes specific provisions for following requirements.

2.1.1. I have obtained all the information and explanation that were required for the Audit except the impact of matters described in the part of Basis for opinion, and as I could found that proper accounting records have not been kept by the Corporation, as per the requirements of Section 12 (a) of the National Audit Act No.19 of 2018.

2.1.2. The financial statements presented is consistent with the preceding year as per the requirements of Section 6 (i) (d) (iii) of the National Audit Act No.19 of 2018.

2.1.3. The financial statements presented includes all the recommendations made by me in the previous year except the recommendations of 1.2.1 (c) (d) (f) (g) (h) (i) , 1.2.2., 1.2.3.(c) (d) , 1.2.4, 1.2.5. (a) (b), 1.2.6. (b) (c) (d) and 1.2.7. (a) (c) (d) (f) (g) (h) (i) (j), as per the requirements of Section 6 (i) (d) (iv) of the National Audit Act No.19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that were material nothing has come to my attention to make the following statements.

2.2.1. – that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirements of Section 12 (d) of the National Audit Act No.19 of 2018.

2.2.2.- that the Corporation has not compiled any applicable written law , general and special directions issued by the governing body of the authority , as per the requirements of Section 12(f) of the National Audit Act No.19 of 2018, except for following observations.

	Reference to Laws/Direction	Observation
(a)	Paragraph 02(a) of the Assets Management Circular No 01/ 2018 dated 19th March 2018 and paragraph 02 of the Public Finance Circular No 02/2015 dated 10th July 2015.	It had not been taken action to dispose 13 lorries, 25 tractors and trailers, 7 cars, 03 jeeps, 04 ambulances, 01 three-wheeler and 43 motorcycles which were owned by the Corporation and out of the usage at present, even by 09th July 2021.
(b)	Paragraph 02 of the Public Finance Circular No 438 dated 13th November 2009.	07 tea factories belong to the Corporation has not been used from 5 years to more than 40 years. Though the existing building, machinery, tools and 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 dispose those assets.
(c)	Section 02 and 03 of the Nation Building Tax Act. No. 9 of 2009	Eventhough every establishment whose taxable turnover exceeds Rs.3 Mn should register voluntarily for the tax, the Corporation had not taken measures to do so.
(d)	Section 02(c) of the Nation Building Tax Act	The income received under other income heads should be subject to tax, but the tax payment of Rs.2,139,494 had been defaulted by not taking into account of the other incomes worth Rs.106,974,735 for the calculation of nation building tax.

(e)	Section 113 of the Inland Revenue Tax (Amendment) Act No. 10 of 2006	If an individual or a joint venture, on self-assessment basis, should pay tax, if any, at the end of a quarter to the Inland Revenue Department on or before August 15, November 15, February 15 and May 15 of the following year respectively, and the remaining tax ,if any, must be paid on or before September 30 of the following year. The Corporation had not paid the income tax related to the 2019/2020 assessment even by 22 April 2021 and the income tax liability had also not been calculated.
(f)	Section 106 of the Inland Revenue Tax (Amendment) Act No. 10 of 2006	Even if the income tax report should be submitted to the Department of Inland Revenue on or before 30th November of the following year, the Corporation had not submitted the income tax report related to the Assesment year of 2019/2020 even by 22nd April 2021.
(g)	Section 02 and 06 of the Economic Service Charge Act No. 13 of 2006	Eventhough every institute that exceeds the quarterly income of Rs.10 mn should be subject to the tax, the Corporation had not taken actions to pay Economic Service Charges amounting to Rs.1,339,832. At the end of a quarter, Economic Service Charges should be paid on or before 20th of the coming month, the Corporation had not submitted reports or paid charges for the financial year of 2012 up to 2019.

(h)	Paragraph 5(2) of the Public Finance Circular No 01/2014 dated 11th February 2014 and Section 5.1.3 of the Public Enterprises Circular No 12 dated 02nd June 2003.	Eventhough a business plan consisting of commercial activities to be implemented in the upcoming year should be prepared and approved by the Board of Directors and thereby, submitted to the line ministry, Department on Public Entrepreneurship, General Treasury and Auditor General's Department before 15 days prior to the dawn of new financial year, such kind of report had not been prepared by the Corporation.
(i)	Public Enterprises Circular No. 12dated 02nd June 2003. 1) Section 5.1.3.	Eventhough an Action plan should be prepared and approved by the Board of Directors and thereby, submitted to the line ministry of the Ministry of Public Enterprise and Kandy City Development, Department on Public Entrepreneurship, General Treasury and Auditor General's Department before 15 days prior to the dawn of new financial year, it had not been prepared by the Corporation for the year under review.
	2) Section 4.2.3 and 4.2.6.	Eventhough Performance Reports / Progress Reports should be prepared and submitted as quartly, mid-year and the Corporation had not submitted annual reports, such reports.
	3) Section 5.2.5.	Eventhough the Annual Budget should be prepared and approved by the Board of Directors and thereby, submitted to the line ministry of the Ministry of Public Enterprise and Kandy City Development, Department on Public

	4) Section 6.5.1	Even though the annual accounts of the entity should be submitted to the Auditor General within 60 days from the end of an fiscal year, the accounts for the entity for the year under review had been submitted to the Auditor General on 23rd February 2020 and, it had been one year later from the date on which it should be submitted.
(j)	Public Finance Circular No 3/2015 dated 14th July 2015	When an ad-hoc sub imprest had been obtained, it should be settled within 10 days from the completion of relevant task. Yet, sub imprest totaling to Rs. 342,540 which had been taken in 50 instances by 14 officers, had been settled after a delay of 11-321 days in year 2019.
(k)	Section 9 (b) of the Government Land Transfer Guideline No SAI/A/01/34 issued by the Secretary to the President on 25th July 1995.	Due to the non-revision of lease every five years in a rent not less than 150 percent of the initial lease, and due to the annual lease had been less than the value assessed by the government of the land in extent of 39.07 perches of Opalgala Plantations leased out to the Dialog Broadband (Pvt) Ltd and from the lands of Hunnasgiriya State Plantations and Gammaduwa State
(l)	Public Enterprise Circular No 1/2018 dated May 25, 2015.	Even though the officers in category MM-I are entitled to the vehicle allowance, the Corporation had granted official vehicle allowance of Rs. 1,350,000.00 and fuel allowance of Rs. 224,760.00 for three officers in the year under review.
(m)	Section 3.2.1 of the Public Enterprise Circular No /2015.	Even though the monthly fuel allowance of the Chairman is 170 liters, this limit had been exceeded and 679 liters had been obtained without due approval of the secretary to the line Ministry with the recommendation of the Board of Directors.

(n)	Section 15 of the Employees' Provident Fund Act No 15 of 1958, and Section 16 (i) of the Part II of the Employees' Trust Fund Act No 46 of 1980.	The contribution to the Employees' Provident Fund amounting to Rs. 421,921,940 and the contribution to the Employees' Trust Fund amounting to Rs. 14,380,082 for the year under review had not been paid since the year 2006. Therefore, by the year 2019, Rs. 43,215,912 of surcharge had been imposed on the Corporation.
(o)	Subsection (5) (1) of Part II of the Gratuity Act No 12 of 1983.	Even though the gratuity should be paid within 30 days from the date of retirement or death of an employee, the Corporation had not practiced this properly and therefore, a sum of Rs. 14,525,548 had been imposed by the end of the year 2019 due to the non-payment of gratuity on time.

2.2.3 It had been observed that the corporation had not acted in accordance with the powers, duties and tasks of the corporation as mentioned in the Section 12(g) of the National Audit Act No. 19 of 2018.

2.2.4 It had been observed that other than the observations mentioned below, resources had not been utilized economically, efficiently and productively within the period, using legal procurement as mentioned in the Section (h) of the National Audit Act No. 19 of 2018.

(a) In terms of the Section 4.2.1 (b) of the Government Procurement Guidelines, a Procurement Plan had not been formulated at least for coming three years, including desired procurement activities and, had not been submitted for audit.

(b) A vehicle had been obtained for the use of chairman at a cost of Rs. 890,680 for the period from 23 February 2019 to 6 December 2019 and it had been done without inviting for bids

(c) In terms of the Section 7.12.12.(a) of the Government Procurement Guidelines, it has been mentioned that in a case where only bid has been received and if that bid value is reasonable in comparison with the market value, such bid could be considered as a valid bid. However, only one bidder had submitted bids at a value of Rs. 207,000 to purchase 120 litres of a certain chemical to the Corporation, and said bidder had been selected without conducting a market price comparison.

(d) From 2017-2019, for 05 vehicles received for the Working Director, a rent of Rs. 2,740,890 had been paid and following weaknesses and disparities have been observed in its procurement process. The selection of suppliers for calling bids, had not been done from registered suppliers or by Yellow Pages or Rainbow Pages as per the Procurement Guideline 3.4.4. Also, a bid document had not been prepared and the selected supplier had not been informed of any condition of supplying the respective service as per the Procurement Guidelines 3.4.2. (a)). Bidding documents had not been sent on registered post or any other acceptable method as per the Procurement Guideline 6.3.1 (a) and, the bids received from requested institutions or persons had not been sent on registered post or had not been put in to a sealed Tender Box and, as per the Government Procurement Guideline 6.3 (a), bids had not been opened in public. Instead of the Technical Evaluation Committee, the Procurement Committee had acted as the Technical Evaluation Committee. It has been proved by the Audit that, other than the selected bidder of the vehicle No. KH 1932, both the other bids had been fraudulent bids. In the bids that had been submitted in two occasions, considerable discrepancies had been observed between the two signatures of the same person. Also, it had been revealed that the address of these bids are fake since there was no contact details mentioned. When the relevant vehicle numbers were verified, it was found that said vehicle numbers do not belong to the bidders but to other persons.

(e)National Competitive Bidding procedure had been applied for the evaluation of fixed assets of the Corporation and, despite the fact that the minimum duration for calling bids is 21 days according to the Procurement Guideline 5.3.11 (a), only 07 days had been granted for the contractors. Even though three officers had been had been participated in the Technical Evaluation Committee meetings, no date of signature is mentioned by one officer and the selected officer had not submitted bid securities as per the Procurement Guideline 5.3.11. Also, an agreement between two parties had not been entered into, which should be done as per the Procurement Guideline 8.9.1 (b).

(f) For the purpose of dividing land lots in Kalutara district, a minimum period of 21 days should be given as the National Competitive Bidding Procedure in terms of the Procurement Guideline 6.2.2. However, only 07 days had been granted for said purpose and, the bidders had not submitted bid securities as per the Procurement Guideline 5.3.11and an agreement had not been entered into between the two parties as per the Procurement Guideline 8.9.1 (b). Further, even though the selected bidder had requested for money agreed upon, claiming that relevant surveying had been completed, a formal attestation had not been issued by the officer-in-charge ensuring that the service had been provided in compliance with the provisions of the service contract, as per the Procurement Guideline 8.12.4.

(g) Instances had been observed of not reporting the bid opening activities of renovating the water supply system of the 'Goomera' plantation as per the formats prescribed by the Procurement Guideline 6.3.6, not preparing the Bid Evaluation Reports in the format specified by the Procurement Guideline 7.11.1 and the respective documents of completion of work of the procurements that had been completed, had not been inserted in the files which should be done according to the Procurement Guideline 8.12.2.

03. Other Audit Observations

3.1 Performance

(a) According to the statistics of the Ministry of plantation the standard annual made tea production of one hectare in Sri Lanka had been 1482 kg in the year 2019. Yet, the total production of entire 13 plantations operated by the Corporation had been in a significantly low range between 174-727 kg.

(b) Even though the corporation is in possession of tea cultivation in extended 4222 hectares, an amount of 2883 hectares out of said entire cultivation is older than 100 years and, only 135 hectares had been utilized for re-cultivation of tea.

(c) According to the Annual Performance Reports of the Corporation, from 2017 to 2018, the green leaf production of 11 plantations out of the 13 plantations of the Corporation, had increased in contrast to the tea bud production of 05 plantations (Alakolla, Galphella, Goomera, Hunnasgiriya & Kellebokka plantations) had decreased in a range from 1 percent -9 percent. During 2018-2019, the production of entire plantations had depleted from 2-33 percent. The total production was 170,627 kg, which was a downfall of 11.58 percent.

(d) The total made tea production of 1391 hectares given to external cultivators had been 102,507 kg in the year 2018 and the same had been reduced to 99,850 kg in 2019. According to the statistics in the tea industry issued by the Ministry of Plantations, the annual standard made tea production of said land had been 2,061,462 kg. Yet, it is observed to be controversial that the external cultivators had produced only 05 percent of said total production.

(e) According to the statistics issued by the Department of Census and Statistics with regard to the year 2016/2019, the average production cost of one-kilo gram of tea in Sri Lanka should be Rs. 484.00. However, the average production cost of one-kilo gram of tea in 11 plantations of the Corporation had ranged from 416-783 rupees. In addition, according to the budget reports, the estimated production cost of one-kilo gram of Tea had been Rs. 461 and the actual cost had been Rs. 605.00.

(f) According to the statistics released to the Internet by the Tea Export Board in 2019, the standard average selling price of one kilo gram of tea should have been Rs.550.00. However, said value of the Corporation was low, ranging between Rs. 390-415.

(g) Even though the total area of land in 13 plantations of the Corporation was 11,132 hectares, 4223 hectares out of said land had been utilized for tea while 2577 hectares had been used for rubber cultivation. The remaining 4332 hectares which was 39 percent of the Total, had been observed to be in a non - productive state without been utilized for any kind of income generation.

(h) The annual quantity of made tea that should be produced by the Corporation's total land of tea cultivation in extent of 4223 hectares is 6,273,306 kg. However, the corporation had been able to produce only an amount of 1,402,979 kg of made tea. This had been a highly unsatisfactory yield, which accounts only for 22 percent of the total yield.

(i) Among the production targets that had been given to each plantation estate for the year under review, all the other plantations other than the Goomera & Galphella estate, had reported a performance less than 75 percent whereas Harepark & Waithalawa plantations had reported a progress less than 45 percent. The performance of other plantations had remained between 50-68 percent.

(j) Although Rs. 60 million had been allocated by the budget for purchasing fertilizer in the year under review, the actual expenditure in this regard had been Rs. 3.56 million. This was only 6 percent of the budget allocation.

(k) The loss of Rs. 852,397 in the year 2013 had increased up to Rs.3,177,798.00 in 2014 and the same had escalated up to 7,817,916.00 in the year 2019.

(l) According to the standards in the industry, the average number of rubber plants that should be there in an extent of 65 hectares in the Walahanduwa plantation is 32,500. However, the existing number of plants was 18,634, which was 75 percent of the quantity that should exist in average. In 2019, the average production of one hectare had been 432 kg, which was as low as 65 percent of the average production.

3.2 Administration of the staff

a) In terms of the letters of the Department of Management Services dated July 25th of 2017, September 13th of 2018, December 21st of 2018 and October 09th of 2019, there had been 15 vacancies of the permanent staff, 02 recruitments in excess to the approved cadre, 11 recruitments on contract basis in excess to the approved cadre of contract basis recruitments, 02 vacancies of permanent positions and 02 vacancies of temporary positions existed in the Corporation as at 31 December 2019. In addition, despite the fact that contract basis staff is 03 positions, salaries and allowances amounting to Rs. 2,736,096.00 had been paid for 09 positions exceeding the approved contact-basis cadre in the year under review.

b) Even though a vacancy in a position shall be filled with immediate effect in terms of the Section 5.2 of Para 11 of the Establishment Code, the two positions, Manager-Legal Affairs and Deputy Commissioner-Plantations have remained vacant since the year 2018 and officers have been appointed to said positions on contract-basis and salaries amounting to Rs. 350,373.00 and Rs. 377,735.00 had been paid respectively for said officers in 2019.

c) In absence of an approval of the Department of Management services, according to the Para II of the Management Services Circular No. 03/2018 dated 18th July, 2018, a number of 12 persons had been recruited on contract basis and on permanent basis to 12 positions such as Working Director, Advisor, Clerk, Laborer and, salaries had been paid amounting to Rs. 4,321,049.00 for these officers in the year under review.

d) Without an approval of the Board of Directors, 07 new recruitments and 02 promotions had been made in the Head office and salaries and allowances amounting to Rs. 2,934,690.00 had been paid in this regard.

e) An approved Recruitment & Promotion procedure was not available in the Corporation which had been prescribed by the Para 9.3.1 of the Public Enterprise Circular No 12 dated 02nd June 2003 which stipulates the educational and other qualifications to be fulfilled for recruitment to a particular position.

f) Subsection 10.2 of the Para VI of the Establishment code stipulates that, unless the payment of increment is rejected, at all times the increment of the relevant year shall be earned as at the prescribed date of increment as per the sub section 10.1. However despite this fact, it was observed in the sample inquiries which were conducted during the audit inquiry, that the management had offered more than one incentive in the years of 2017, 2018 and 2019 without conducting any proper evaluation whatsoever. Accordingly, in the year 2019, 27 personnel of the corporation had been paid an amount of Rs. 1,253,223.00 as the incentive.

g) In terms of the Sub section 3 of Para II of the Establishment code, recruitment to all the vacancies in public sector should be made by the Appointing Authority, by calling applications through public notice made in accordance with the Recruitment procedure. However, a number of 23 new recruitments made by the Corporation in the year under review had been done deviating from the prescribed process of calling applications through public media.

3.3 Management Activities

a) It was observed that in 09 plantation estates, an extent of 782 perches and illegal encroachers have occupied 05 employee quarters for 50 years.

b) In the year under review, a loss had been caused amounting to Rs. 712,500.00 due to been leased out an extent of 32.07 perches in the Opalgala estate to the Dialog Broadband (Pvt) Ltd, for a sum underestimated than the estimated value of the government, and a loss of Rs. 427,500.00 which is due from sub-leasing said property.

c) No agreements had been entered into for an extent of 02 roods and 01 perches of Hunnasgiriya state plantation and 02 roods and 2.87 perches of Gammaduwa State Plantation that had been leased out to Independent Television Network since 1996.

d) Running Charts had not been signed at the end of the journey by the officers who had been travelling in the vehicles and, even though consumption of fuel shall be balanced in daily running sheets, respective running sheets of 04 audited vehicles had not indicated fuel balance.

Actions taken related to the 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

1.2.1 Noncompliance with the Sri Lanka Accounting Standards.

(a) In the statement of financial position as on 31.12.2019 under freehold land, Rs. 649,377,816.36 value is contained as below.

Estate / Head Office	Description	Year added to the Account	Amount (Rs.)
Walahanduwa	Value of the Land	2012	620,000,000.00
Allakolla	Land Development Cost	1996	1,782,168.12
Cottaganga	,,	1996	1,439,934.95
Galphelle	,,	1996	1,247,732.90
Goomera	,,	1996	2,562,873.16
Hagalla	,,	1996	2,291,138.59
Harepark	,,	1996	1,436,449.45
Hunnasgiriya	,,	1996	903,048.77
Kellebokka	,,	1996	6,621,281.82
Midlands	,,	1996	3,062,644.36
Opalgalla	,,	1996	1,772,601.24
Rangalla	,,	1996	2,226,098.34
head office	Value of the Land	1996	4,031,845.00
Total value			**649,377,816.36**

According to the above details, Walahanduwa Estate have been assessed at Rs. Mr. 620, in the year 2012 and due to the financial crisis faced by the institution since many years, it has not been possible to assess other lands. We would like to inform you that the relevant letters have been forwarded to the Ministry of Plantations to obtain the money required for the valuation of these lands from the Treasury and we would like to inform you that this work would be started as soon as the relevant money is received.

(b) This problem has arisen as computers, equipment and furniture purchased for estates in the past have been accounted for as one value. The preliminary work to identify these assets separately has been started and accordingly it has been included in the preparation of the financial statements for the year 2022.

(c) According to the valuations done in leasing the land owned by the Sri Lanka State Plantation Corporation to the regional plantation companies, the values of the respective properties are shown in the balance sheets of those companies, and those values are shown under investment property in the financial statements of the Sri Lanka State Plantation Corporation.

(d) We would like to inform you that the details of the land assigned to the State Plantation Corporation of Sri Lanka and the land leased to local plantation companies will be disclosed during the preparation of the financial statements for the year 2022.

(e) We would like to inform that the value of host biological assets related to agricultural activities will be presented as a separate item under property plant and equipment in the preparation of 2022 financial statements.

(f) In the preparation of the financial statements related to the year 2021, the expenses incurred in relation to tea replanting in the year 2021 are shown under immature tea cultivation and in the preparation of the financial statements related to the year 2022, the expenses incurred for the replanting of tea related to the years 2020 and 2021, will be Sorted and displayed.

(g) Please be informed that during the preparation of financial statements related to the year 2022, afforestation will be shown under consumer biological assets.

(h) Details of bank overdrafts and assets pledged for bank loans received by the institution up to 31.12.2021 have been disclosed in the 2021 financial statements.

(i) In relation to the year 2022, please inform that the service life calculation method will be used in calculating the service benefits of the company.

1.2.2 Accounting Policies

Please be informed that in the year 2022, the consumable biological assets owned by the institution will be assessed. Also, please be informed that the depreciation value accounted for the consumable biological assets for the year 2019 will be re-adjusted in preparing the financial statements for the year 2022.

1.2.3 Accounting deficiencies

(a) It is to be informed that the deficiencies that have occurred in the accounting of tax and rental income will be checked and the effect on the accumulated net loss of the company will be calculated accordingly, and the related adjustments will be made in preparing the financial statements for the year 2022.

(b) All stocks like tea, fertilizers and chemicals in the estates have been physically verified and the 2021 financial statements have been prepared according to those values.

(c) It is to be informed that in the year 2022, related account adjustments will be made based on the approval of the board of directors after checking the failed tea plant nurseries.

(d) This accounting error has been corrected while preparing the financial statements for the years 2020 and 2021.

(e) In the year 2019, due to the revision of the collective agreements related to the payment of labor wages in the estates, the basic salary of the estate workers increased from Rs. 500 to Rs. 700, accordingly, adjustments were made regarding the gratuity allocations related to the previous years. Accordingly, it is informed that the accounts are correct.

(f) it is informed that due to the financial problems that the organization has been facing for some time, the nation building tax due on tea sales income cannot be settled.

1.2.4. Un reconciled control accounts

(a) We inform that these changes in the debit and credit balances of the inter-estate management accounts will be checked and the necessary account adjustments will be made in the year 2022.

(b) Please inform that the changes in the current accounts between the head office and the estates will be checked and the necessary account adjustments will be made in the year 2022.1.2.5 Unexplained Changes

1.2.4. Un reconciled control accounts

(a) Please inform that as per the ledger balance as on 31.12.2021, the statement of financial condition has been prepared on that date and the schedule of fixed assets has also been prepared accordingly.

(b) This accounting error has been corrected in the preparation of the 2021 financial statements.

(c) This accounting error has been corrected in the preparation of the 2021 financial statements.

(d) This accounting error has been corrected in the preparation of the 2021 financial statements.

(e) It is informed that the mistake that has been made regarding the calculation of gratuity allocation and payable gratuity of the corporation has been corrected in the preparation of the 2021 financial statements.

(f) The amounts shown in the 2019 financial statements in respect of gratuity payments are correct and a significant number of such deficiencies in the schedules have been rectified in 2021.

1.2.6 Receivable and payable accounts

(a) A committee of officials has been appointed to find out the details of the non-paying debtors and after getting the details, it has been decided to appoint another committee to make recommendations regarding the recovery or write off of the said money. It is informed that the committee's recommendations will be acted upon according to the decisions of the board of directors.

(b) As of 15.10.2014, both Sri Lanka State Plantation Corporation and C/S Alkaduwa Plantation Company were under one chairman, and due to the financial crisis of C/S Alkaduwa Plantation Company at that time, on the approval of the chairman, Rs. 6 was paid to Alkaduwa Plantation Company. Out of that amount, Rs. 4.5 was settled in the same year and the remaining Rs. 1.5 has not been paid up to now. Also, in the year 2015, a driver of Sri Lanka State Plantation Corporation was assigned to C/S Alkaduwa Plantation Company and for that the amount to be received from C/S Alkaduwa Plantation Company is Rs. 416,092. Accordingly, the amount due from C/S Alkaduwa Plantation Company is Rs. 1,916,092 and a request has also been made to the Line Ministry to assist in recovering the amount.

(c) No. SLSPC/PL/TB/T-88/2010 and No. SLSPC/PL/TB/T-88/2011 tenders for the sale of trees were not repaid (refundable deposits) due to some problematic situation between the corporation and those customers. Please be informed that once this issue is resolved, the related payments will be processed or the money will be accounted for as income of the corporation.

1.2.7. Lack of evidence for audit

(a) It is informed that the files with the necessary documents to confirm the ownership of all the land, buildings and vehicles owned by the institution are currently being prepared.

(b) An expenditure incurred for the preparation of the Forest Management Plan has been erroneously accounted for under the cost of property and this error will be corrected in the preparation of the 2022 financial statements.

(c) This offense is due to a typographical error. Please be informed that the differences between the ledger balances related to fixed assets and the balances in the schedules related to those assets will be checked and the relevant corrections will be made during the preparation of the 2022 financial statements.

(d) It is informed that it is planned to carry out field tests to physically identify the consumable biological assets and host biological assets listed under non-current assets.

(e) In respect of debtors as on 31.12.2019, all the debtors were informed to send the balance confirmation and since no reply was received, the company's ledger balance was considered to be correct and the financial statements were prepared.

(f) The creditor balance of Rs.86,511,769, which is mentioned in the report is set up as follows.

	Rs.
Advance -Opalgalla	4,480,000
Poly chemix	715,389
Brokers LCBL/CTB	16,030,780
Advance Received Green Leaf Buyers	11,576,571
State Resource Management Corporation	28,709,029
Lanka Mineral Sand Loan	25,000,000
Total	**86,511,769**

The relevant clarifications on loans/advances received from tea brokers included in the creditor balances mentioned in the report are Rs. 16,030,780.00, Rs.11,756,571 advances received from tea leaf buyers, and loan balances from Lanka Mineral Sand are given below.

Tea brokers amounting to Rs. 16,030,780.00 take loans and advances

The amount payable to the tea brokers was Rs. 16,030,780 is set up below.

	Rs.
Ceylon Tea Brokers PLC	62,731.11
Mercantile Produce Brokers (Pvt.) Ltd.	3,361,735.93
Forbs & Walker Tea Brokers	6,183,715.99
Lanka Commodity Brokers Ltd.	6,422,595.79
Total	**16,030,779.82**

Transactions are already taking place with the above-mentioned tea brokers and the above balances as at 31.12.2019 have been settled in the year 2020. Copies of the corporation's ledger accounts relating to the above tea brokers are attached herewith. (Attachment No. 01, 02 03 and 04)

Advances received from tea leaf buyers are Rs. 11,756,571.00

The amount of Rs. 11,576,571, received from raw material buyers is set out below.

	Rs
Abbotsleigh Estate	2,823,996.00
Carolina Estate	1,086,015.40
Getagahawela Tea Factory	337,883.00
Strathdon Estate	4,264,036.20
Walters Bay Tea Factory (Pvt.) Ltd	3,244,640.67
Total	**11,756,671.27**

(g) The balance of Rs.337,883.00 mentioned under Getagahawela Tea Factory mentioned in the above table is an amount carried forward from the year 2016 and it has not been settled till now. Also, under Walters Bay Tea Factory (Pvt.) Ltd, the balance of Rs. 3,244,640.67 is a balance carried forward from the year 2015 and has not been settled till now. Other balances in the above table are settled in the year 2020.

(h) The loan amount of Rs. 25 million received from the Lanka Mineral Sand institution, a copy of the balance confirmation letter taken as at 31.12.2019, is attached herewith. (Annexure No. 10)

(i) The rest of the creditor balances are balances carried forward from the year 2016 and earlier. The balances have not been settled till now. Letters have been sent to obtain confirmation of balances from all creditors and debtors, but due to non-response, the company's ledger balances have been prepared as correct. Please be informed that the details of the subsequent balance settlement related to the debtor and creditor balances included in the 2021 financial statements are currently being prepared to be able to be submitted to the audit.

(j) Since these balances are carried forward from before the year 2012, we would like to inform you that the relevant disclosures will be made in the preparation of the 2022 financial statements after checking the manner in which those amounts have been prepared.

(k) Since the inactive account balance of Rs.1,933,043 is a balance carried forward from before the year 2012, which is included in the current liabilities in the statement of the financial position, please be informed that related account adjustments will be made during the preparation of the 2022 financial statements.

(l) The refundable tender deposit amount of Rs.6,379,370 shown in the statement of financial position is a balance carried forward from even before the year 2006. The agency does not have the details as to which tender this money was deposited, by whom this money was deposited, and on which date this money was deposited. Currently, a paper has been forwarded to the Board of Directors on 25/01/2021 to write off these balances from the books, and in the Audit Committee meeting held in December 2021, instructions were given to appoint a committee to deal with this matter, so it is recommended to proceed accordingly.

2. Report on Other Legal and Regulatory Requirements

2.1.1 Proper Financial Reports are not maintained for the year 2019, by the Institute.

2.2.2. Reference to Laws/Direction

(a) Necessary measures have been taken to identify all the vehicles owned by the institution and according to the reports, a committee consisting of a mechanical engineer will identify and assess the vehicles to be disposed of. After the completion of those activities, it is expected to carry out the vehicle disposal activities according to the relevant circular instructions.

(b) It is to be informed that the identification of unused machinery in the factories owned by the corporation is expected to start in the year 2022.

(c, d, e, f ,g)

Due to the financial crisis that the institution has been facing for a long time, no attention has been paid to the taxes that the institution should have paid to the Inland Revenue Department. Therefore, it is expected that the Board of Directors will be informed about this and take further action according to the instructions received in this regard.

(h) The business activities that have been carried out in the past are still being carried out in the same way and the work of preparing a business plan for the year 2022 has been started. It is expected to be completed before May 31 this year and after that, the business plan will be submitted to the Board of Directors after getting the approval, a copy to the Auditor General will be sent.

(i)

(i) An action plan is to be prepared for each year for the plantation division which is the main operating division of the institution and the approval of the board of directors is also to be obtained. Accordingly, the action plan prepared for the plantation sector for the year 2022, has been submitted to the Board of Directors meeting held in December 2021 and the approval is obtained.

The work of preparing an action plan for the year 2022 covering all the departments of the institution has already started and the work is expected to be completed before May 31. After that, the business plan will be submitted to the Board of Directors after getting the approval, a copy to the Auditor General will be sent.

(ii) Progress reports have been prepared only for the plantation division which is the main operating division of the institution.

After preparing an action plan for the year 2022 covering all the functions of the institution, we would like to inform you that reports will be prepared on the progress of the implementation of each task mentioned in the action plan.

(iii). Budget documents related to the years 2021 and 2022 have been prepared and submitted to the Board of Directors as scheduled and approved.

(iv). The financial statements related to the year 2020 have been submitted to the Auditor General on the due date, and the financial statements related to the year 2021 have been presented to the Board of Directors meeting held on 25.02.2022.

(j) There have been delays in the settlement of interim imprests related to the year 2019. Nevertheless, it has been possible to reduce such delays from the beginning of the year 2022.

(k) An amount of Rood 01 par.39.07 from Opalgala Estate has been leased to Dialog Broad Band Private Company for a period of 30 years from 01.01.2000. According to the lease agreement signed with that company, the basic annual lease amount is Rs.240,000.00 and the annual amount charged for road maintenance is Rs.72,000. According to the guidelines regarding the transfer of government land No. SAI/A/01/34 issued by the President's Secretariat on July 25, in 1995, and the terms of the lease agreement, the amounts should be increased by 50% every 5 years, and accordingly, details of the amounts charged for the each period are given below.

Time Period	Annual tax (Rs)	Road maintenance charges (Rs)
2000.01.01-2004.12.31	240,000.00	72,000.00
2005.01.01-2009.12.31	360,000.00	108,000.00
2010.01.01-2014.12.31	540,000.00	162,000.00
2015.01.01-2019.12.31	810,000.00	243,000.00
2020.01.01-2024.12.31	1,215,000.00	364,500.00

Note: The money related to the year 2022 has been received by now.

2.87 rude.2 par.2.87 from Gammaduwa estate belonging to the corporation and 2.01 rude. and 2 par.2.01 from Hunnasgiriya estate have been leased to the Independent Television Network in the year 1996 and no lease agreement has been signed in this regard. Letters dated 23.12.2020, 22.10.2021 has been sent to the said company for agreeing to sign a lease agreement, and no good response has been received so far. Therefore, we would like to inform you that it is expected to resolve this issue with the help of the Ministry of Plantations. Copies of letters sent to Independent Television Network are attached herewith. (Annexure No. 18 and 19)

(l) Conveyance Allowance and Fuel Allowance of all officers belonging to the MM Category of the Institute have been discontinued.

(m) As mentioned in the draft report, the relevant approvals have not been obtained for the additional fuel obtained by the Chairman of the Institute.

(n) (o) Due to the financial crisis that the institution has been facing for a long time, these surcharges have to be paid due to the inability to pay Employee Provident Fund contributions, Employees' Trust Fund contributions and employee gratuities. We would like to inform you that after receiving the money from the Treasury to settle these arrears, the related payments will be settled.

2.2.3 We hereby inform that the affairs of the institution have been conducted in accordance with the powers and duties of the corporation mentioned in Act No. 4 of 1958 relating to the establishment of the State Plantation Corporation of Sri Lanka.

2.2.4

(a) It has been difficult to prepare a procurement plan for the next 03 years due to the financial crisis that the institution has been facing for many years.

(b) In the year 2019, a price call was made for renting a vehicle for the then chairman, and accordingly, the relevant supplier was selected based on the decisions of the procurement committee. Nevertheless, we accept that the relevant procurement file was not maintained properly.

(c) For the purchase of 120 liters of herbicide chemical fertilizer (Hexaconzole) for the plantations in the year 2019, prices were invited from 03 companies and only Haleys Company had submitted the prices. The other two companies informed that they do not have stocks. The price given by Haileys was Rs. 207,000 and the supplier was selected after comparing those prices with the normal market prices and even so, we accept that it is a shortcoming that the details are not noted in the files.

(d) An apology has been made by the relevant officials regarding this incident and we would like to inform you that according to the answers given by those officials, further actions will be taken as per the instructions of the Board of Directors.

(e) In 2019, we acknowledge that there has been a deficiency in the basic procurement activities related to the assessment of the fixed assets of the corporation. However, this task was stopped midway due to funding problems.

(f) In the year 2019, we acknowledge that there have been deficiencies in the procurement activities related to the surveying of 83 acres of Newchattle estate in Kalutara district. I would like to inform you that we will make sure that this does not happen in the future.

(g) We acknowledge that in the year 2019, there have been deficiencies in the procurement activities related to the modernization of the water supply system of the Gomara estate. We would like to inform you that we will take care not to do so from now on.

03. Other Audit Observations

3.1 Performance

(a) According to the data of the Ministry of Plantation Industry, the standard finished tea yield per hectare in Sri Lanka in the year 2017 was stated in the draft report to be 1595 kg, but according to the statistics of that ministry, the standard finished tea yield per hectare for the year 2019 is 1481.8 kg. Nevertheless, in 2019, the finished tea yield of the plantations belonging to the corporation was kg. Accept that it was in the range of 174-727 (a)

(b) Although it is stated in the draft report that the tea cultivation older than 100 years as 4086 hectares, according to the institute's files, the amount is 2883.31 hectares.

Due to the financial crisis faced by the institution, it has not been possible to remove the old tea plantation and start the new plantation again. However, it is informed that the necessary activities to start replanting 180 hectares of tea under the funds of the Treasury in the year 2022 are currently being carried out.

(c) Compared to the year 2017, we acknowledge that there has been a decrease in the production of tea leaves in the plantations of Alakola, Galpihilla, Gomara, Hunnasgiriya and Kelabokka in the year 2018.

Nevertheless, compared to the year 2018, the total finished tea production of the corporation has increased by 11% in the year 2020, and by 14% in the year 2021, and the details are given in the table below.

Year	2018	2019	2020	2021
Tea Production (Kg)	1,576,432	1,402,979	1,742,360	1,803,226

(d) By the end of 2019, the amount of tea land given to external planters was 1391 hectares. In the year 2018, the finished tea production related to the tea leaves of external planters is 102,507 kg and in the year 2019, we accept that it is 99,850 kg.

Due to low yielding tea lands are given to outside planters, and it is not possible to achieve standard finished tea yield. (1481.8 finished tea yield per hectare according to the Ministry of Plantation statistics). Nevertheless, the finished tea production of external planters has increased by 54% in the year 2020 and by 66% in the year 2021 compared to the year 2018 and the details are given in the table below.

	2018	**2019**	**2020**	**2021**
Tea Production (Kg)	102,507	99,850	157,987	170,645

(e) We accept that the data mentioned in the draft report is correct.

(f) We accept that the data mentioned in the draft report is correct.

(g) The total land area pertaining to 13 estates of the Corporation is 11,132 hectares. Out of which, 4,223 hectares are under tea cultivation and 2,577 hectares are reserved for rubber and other cultivations.

The majority of the remaining 4,332 hectares of land is in the Knuckles Reserve, with the rest being roads, buildings, and rock formations.

(h) The area allocated for tea cultivation in the corporation is 4,223 hectares and according to the statistics of the Ministry of Plantation, the standard finished tea yield for the year 2019 is 1,481.8 kg per hectare. Accordingly, the standard finished tea production for the year 2019 is 6,257,641 kg and the actual production of the corporation is 1,402,979 kg. That amount is 22.42% of the standard production when taken as a percentage.

The areas of tea land for the years 2020 and 2021 are 4,189 and 4,199 hectares respectively. According to the statistics of the Ministry of Plantations, the standard finished tea yield for the year 2019 is 1481.8 kg., and accordingly, the standard finished tea production of the corporation for the years 2020 and 2021 is 6,207,260 kg and 6,222,078 kg respectively. The finished tea production of the corporation for the years 2020 and 2021 is respectively kg. 1,742,360 and 1,803,226 kg, and accordingly, in the years 2020 and 2021, the total finished tea production of the corporation has been able to be increased to 28.07% and 28.98% as a percentage of the standard finished tea production.

(i) We accept that the data mentioned in the draft report is correct.

(j) Due to the non-receipt of income as expected for the year 2019, the purchase of fertilizer could not be made sufficiently.

(k) Such a situation has arisen due to insufficient income of the institution for a long time.

(l) According to the data of the Sri Lanka Rubber Research Institute, the number of standard rubber plants per hectare is 516 and when the number of failed plants is taken into consideration, the number of rubber trees per hectare is between 300-500. However, due to the financial crisis faced by the corporation, it has not been possible to carry out the maintenance work of the rubber plantation properly and therefore the production of rubber has decreased.

3.2 Administration of the staff

(a) Out of the total sanctioned staff of the Corporation, staff recruitment has been made so as not to exceed the number of posts (permanent or contract) sanctioned under each category of posts. Hiring an officer on a contract basis for that position without hiring a permanent officer for a particular position, is more beneficial to the organization as it is possible to end the contract service period of the concerned officer when necessary. Accordingly, due to the financial crisis faced by the institution, it is informed that the activities of the corporation have to be run by a limited staff.

(b) An officer was hired on a permanent basis on **01.03.2022** for the position of Manager - Legal, and for the position of Deputy General Manager - Plantations on **01.06.2021**, the officer who was the Estate Officer of Galpihilla Estate at that time was appointed on the following prescribed procedures.

(c) In the year **2019**, an appointment as Executive Director has been made by the Minister in charge of the subject at that time. Other recruitments have been made as per the requirement of the service and the approval of the Department of Management Services has not been obtained for those recruitments.

(d) As mentioned in the draft audit report, the details of the appointments made without the approval of the Board of Directors are as follows.

i. Mr. R. K. H. I. Kaludarage - Management Assistant

The relevant appointment has been made on a contract basis and the relevant officer has resigned after serving for **03** days. No salary has been paid to that officer.

ii. **Mr. S. Rajaratnam - Executive Director**
The minister in charge of the subject made the relevant appointment at that time and currently, the officer is not in service.

iii. **Mrs. S.S. Anuradhanayake - Legal Officer**
The concerned officer is currently not in service.

iv. **Mr. Virat Yogeswaran - Private Driver**
This appointment has been made on a temporary basis as the driver of the acting director and the driver is currently not in service.

v. **Mr. R. G. N. Sampath- Labour**
vi. **Mr. R.Loganathan - Labourer**
These appointments have been made on a contract basis and according to the Public Administration Circular No. 29/2019 dated 09.18.2009 and the Election Commission Circular EC/EDR/PRE/INQ dated 30.09.2019, the services of the relevant persons have been confirmed on the recommendation of the Internal Auditor. R. Loganathan is currently not in service.

vii. **Mr. G. K. R. B. Kiriella - Estate Superintendent**
The approval of the Board of Directors has been obtained to confirm the services of the above named persons.
After February 28, 2020, all appointments and promotions in the institution have been made following formal procedures and with the approval of the Board of Directors.

(e) The draft recruitment procedure prepared by the institute was amended on 03 occasions on the advice of the Ministry of Plantations and Management Services Department. Accordingly, the revised recruitment procedure was directed to the Ministry of Plantations by letter dated 14.12.2021 to send it to the Department of Management Services, and it was sent to the Department of Management Services by the Ministry of Plantations by letter dated 28.01.2022. Also, we would like to inform you that the officers of the Management Services Department and the corporation officers have held several discussions regarding these drafts of the recruitment procedure and accordingly they have reached the final stage of approving this recruitment procedure.

(f) Due to the fact that the corporation had reported profit as of May 2017, the salary increment has been given as an incentive to the employees with the approval of the board of directors.

In the years 2018 and 2019, no additional salary increments have been given and we would like to inform you that the staff salary increments are being given formally.

(g) These appointments are made according to the service requirement of the estates.

3.3 Management Activities

(a) Out of those residing as unauthorized occupants of 12 estates, M.H. Sahabanduge Wayalat Nona of Gomara State Estate has taken back and the land occupied by D.V. Dharmasiri of Walahanduwa Estate, the party has filed an appeal to the Supreme Court against the judgment given by the Court of Appeals.

Cases have been filed in the respective courts to evict the unauthorized occupants from all the other estates.

(b) A re-inspection regarding the land leased by the institution and the lease agreements has been started and according to the facts revealed during the inspection, we expect to proceed further with the approval of the board of directors.

(c) In the year 1996, Rood. 2 Par. 2.87 Rood. 2 Par. 2.87 from Hunnasgiriya Estate and Rood. 2 Par. 2.01 belonging to the Corporation have been leased to Independent Television Company in the year 1996 and no lease agreement has been signed in this regard. Letters dated 23.12.2020 and 22.10.2021 have been sent to the said company for agreeing to sign a lease agreement and no fine response has been received so far. Therefore, we would like to inform you that we expect to resolve this issue with the help of the Ministry of Plantations.

(d) At the end of each journey, when driving the company's vehicles, due to the existence of cases where the driving records were not signed by the officer, the drivers were called and warned to prevent such situations.
Most of the vehicles used by the corporation are about 35 years old and the odometers of those vehicles are not working properly. Therefore, the drivers have been informed to properly repair the milometers of those vehicles and carry out fuel balancing accordingly, and we inform you that the officer of the transport department will supervise whether these tasks are done properly.