



Sri Lanka State Plantations Corporation



Annual Report

2020

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Vision and Mission

Vision

**Become the most powerful
government-owned plantation
company**

Mission

Providing the maximum contribution to the local production of the country and to the well-being of the families of the plantation workers and the neighboring villages, by proper management of the assets owned by the Sri Lanka State Plantation Corporation with the participation of employees..

Director Board

Name	Designation	Appointment Date
Attorney-At-Law Mr. Srimal Wijesekera	Chairman	23. 01. 2020
Mrs. R.A.R.S. Mayadunna	Board Member/ Ministerial observer	12. 10. 2020
Mrs. D.A. Manorathna	Board Member	28. 01. 2020
Mr. J. L. A. Sampath Nalinda	Board Member	28. 01. 2020
S. M. C. S. Siriwardhana	Board Member	28. 01. 2020
Mr. D. R. Susantha Senarathna	Board Member	28. 01. 2020
Mr. A.M. Sumedha Renuka Bandara	Board Member	28. 01. 2020
Mr. Kushan Wegodapola	Board Member	28. 01. 2020
Mr. W. W. M. B. P. Kamburadeniya	Board Member	12. 10. 2020

Management – Head Office 2020

Name	Designation
Lawyer (Mr. Srimal Wijesekera	Chairman
Mr. H. N. P. Jinasena	General Manager.
Mr. J. H. I. Jayasundara	Acting Deputy General Manager -Administrative
Mr. S. I. M Hassan	Deputy General Manager (Finance)
Mrs. K. A. H. D. Perera	Manageress Procurement
Mr. K Munasingha	Manager - Legal
Mrs. B. V. L. C. Baneragama	Manager- Lands
Mr. W. D. W. Keerthi	Manager - Marketing
Mr. E. R. I. B. S.S. Bandara	Internal Auditor
Mr. R.G. S. H, Gunathilaka	Accountant
Mr. R. Y. G. S. Yapa	Assistant Manager Transport
Ms. G .D. S. C. Sudasingha	Assistant Manager -Administration/ Human Resources
Mr. P.V. Pradeep	Assistant Manager Lands
Mrs. H. M. S. N. Herath	Assistant Manageress Sale
Mr. P.C. J. Panagoda	Assistant Accountant
Mr. I. C. Kuruppu	Audit Officer
Mr. P. B.C. Fonseka	Administrative Officer

Management - Plantation 2020

Name	Designation
Mr. P. I. L. Perera	Estate Superintendent- Keleboka State Plantation
Mr. A. C. Abewarna	Estate Superintendent- Rangala State Plantation
Mr. K. D. M. P. Weerasinghe	Estate Superintendent- Harepark State Plantation
Mr. S. Y. Liyanage	Estate Superintendent- Kotaganga State Plantation
Mr. R. A. R. M. Ranawaka	Estate Superintendent- Hunnasgiriya State Plantation
Mr. T.M.P. I. K. Tennakoon	Estate Superintendent- Galpihilla State Plantation
Mr. R. A. M. Dayaratne	Estate Superintendent- Gomara State Plantation
Mr. W. V.K Samaratunga	Estate Superintendent- Midlands State Plantation
Mr. T. R. H. Hevege	Estate Superintendent- Hagala State Plantation
Mr. Y. A. T. B. Wadugodapitiya	Estate Superintendent- Alakolla State Plantation
Mr. G. W. G. Wijerathna	Estate Superintendent- Opalgala State Plantation
Mr. I.W.R. Jayawardana	Estate Superintendent- Walahandoova State Plantation
Mr. D. W. T. C. Danthasingha	Estate Superintendent- Waithalawa State Plantation
Mr. G. K. R. B. Kiriella	Estate Superintendent- Viharagala State Plantation
Mr. M. M. C. B. Ehelamalpe	Estate Superintendent- Woodside State Plantation
Mr. C. J. Dasanayaka	Foreign Leave
Mr. C. H. H. K. G. Lakruvira	Acting Estate Superintendent- Nikoloya State Plantation
Mr. S. W. M. C.S. Aladeniya	Estate Superintendent- Kudaoya State Plantation

Organizational Structure

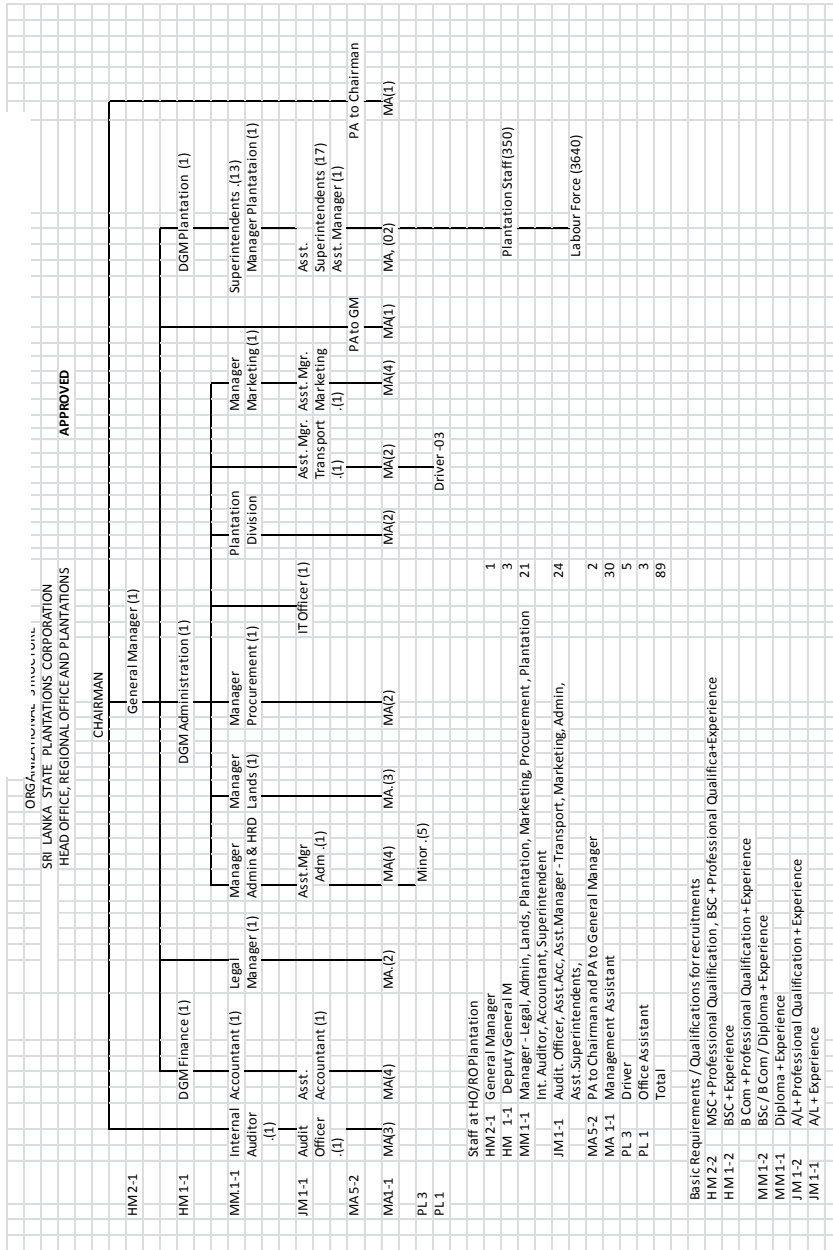


Figure 1 – Organizational structure

Extend of tea estates in Sri Lanka, owned by Sri Lanka State Plantation Corporation

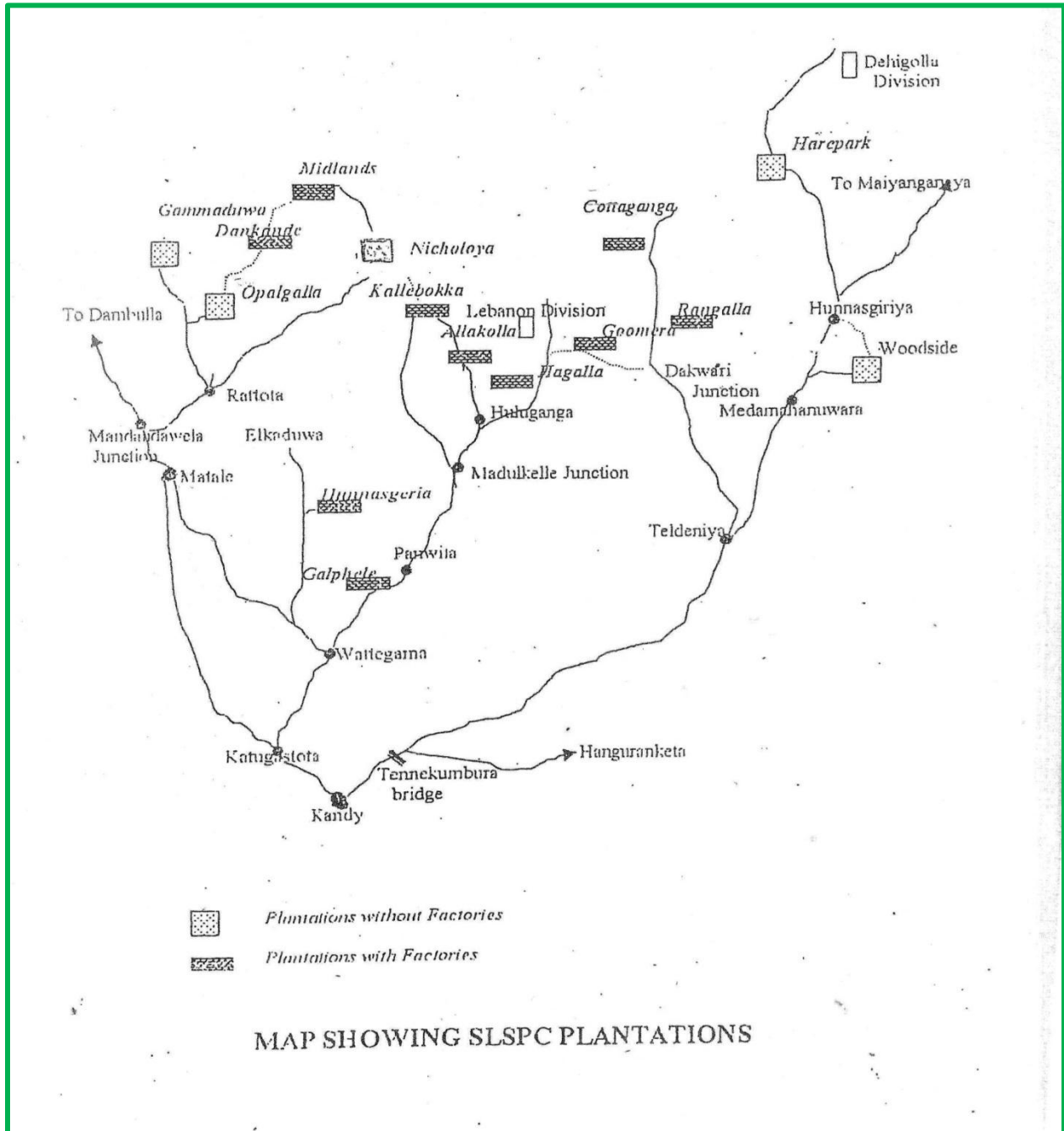


Figure 02- Extend of tea estates in Sri Lanka, owned by Sri Lanka State Plantation Corporation

Review of the Chairman



The vision of the State Plantation Corporation of Sri Lanka is to "become the largest government-owned plantation company". Accordingly, in the year 2020, the Honorable Minister of Plantation Industries and Export Agriculture, Mr. Dr. Ramesh Pathirana, appointed me as its chairman by appointing a new board of directors to manage the Sri Lanka State Plantation Corporation, in terms of the provisions of the Act No. 4 of 1958. On 06.02.2020, I started managing the corporation in accordance with the government's policy statement "Vistas of Prosperity".

It was observed that its internal administration and management had collapsed in the past (before the year 2020), when taking over the management of the Sri Lanka State Plantation Corporation, due to the following points, and steps were promptly taken to establish good administration and management in the institution.

- 1.) Annual reports of Sri Lanka State Plantation Corporation from 2012 to 2019 were not submitted to the Parliament.
- 2.) The State Plantation Corporation of Sri Lanka was a state-owned enterprise that had not made a profit since 2009 and the total loss in 2019 was Rs.329 Million.
- 3.) In the period of 07 years from 2013 - 2019, grants of 1,550 million rupees were annually provided by the Treasury to this institution for the payment of salaries and statutory allowances of the employees of the Corporation. A large number of cases had been filed against the State Plantation Corporation in the courts for non-payment of old statutory allowances to the employees of the corporation from 2003 to 2016.
- 4.) The internal financial management of the organization had broken down and by the year 2020 there were many recruitments of employees on contract basis. At the beginning of the year 2020, the total number of contract employees in the head office, regional office, and estates was 22.
- 5.) As a public enterprise, this institution did not have a business plan and action plan based on it and there was an unapproved recruitment procedure that was being negotiated.

- 6.) The post of Deputy General Manager (Plantations) who is supposed to supervise over 3,500 labor staff across the 17 estates of the corporation remained vacant without proper recruitment. Also, there was no proper monitoring of daily income and expenditure in the head office or in the regional office, or in the estates.
- 7.) 17 state estates in the districts of Kandy, Matale, Galle and Badulla are managed by Sri Lanka State Plantation Corporation, and although there were 10 tea factories in those estates, only 03 factories were in working condition.
- 8.) Standardized tea production was not done due to the fact that the two Kelabokka and Rangala factories did not properly modernize and maintain the machines and the ready-made tea produced by the corporation received minimum prices in the tea auction.
- 9.) There was a system of selling raw tea leaves picked from plantations to buyers who bought raw tea leaves without producing ready made tea in the Sri Lanka State Plantation Corporation's factories and those prices were not published by public newspapers and it was not based on the accepted proper procurement method, in which a system of selling was implemented on the basis of contracts with external persons and institutions.
- 10.) Commercial timber extraction in state estates as per the management plan has not been done on the basis of proper valuation reports obtained by the state agencies.
- 11.) Although adverse opinions about the functioning and financial affairs of the corporation had been raised by the Auditor General through the audit reports, the management had not implemented any suitable program to correct those adverse opinions.

Performance in the Corporation during the year 2020

Mainly by administering expenses within the institutions, maintaining the management under the prescribed procurement methods in accordance with government circulars and laws was implemented by the head office with related to the estates.

Since March 2020, in facing the Covid 19 epidemic, where due to the movement restrictions imposed, the staff of the head office had to report to work at a minimum and had to face a lot of challenges. Even under such conditions, the State Plantation Corporation of Sri Lanka, which was dependent on the Treasury until the end of 2019, was able to carry out the administrative work of the institution in the year 2020 without any burden on the Treasury.

In order to manage income and expenses, a program was started to monitor the daily activities of the estates and it lead to control the expenses. On the increase in the company's income, due to the sale of raw leaves and the sale of commercial wood through proper procurement methods, the loss of 329 million rupees in 2019 was reduced to 149 million rupees at the end of 2020 by 180 million rupees.

Increasing the yield of green leaves in the plantations was identified as the main challenge to increase income and for that, it was identified that the lack of proper fertilizer and agricultural inputs in the past years is the main problem that has affected the harvest reduction. Accordingly, urgent steps were taken to provide fertilizers and other agricultural inputs for the tea cultivation which was not properly maintained in the state plantations of Sri Lanka State Plantation Corporation as possible based on the financial condition of the institution and that resulted the raw leaf yield in the year 2020 was 8,101,974 kg, whereas in the previous year (2019), the yield of raw leaves was 6,535,701 kg. Accordingly, the raw tea leaf yield obtained by the corporation was able to increase by 123.96% compared to the previous year (2019). Furthermore, the harvest of raw leaves obtained in the year 2020 was reported to be the highest harvest obtained after the year 2013.

To increase the income from readymade tea, it is essential to produce standardized tea so that it fetches a higher price in the public auction. The main obstacle for that was the fact that the Kelayabokka and Rangala factories were not properly maintained and modernized to suit the modern technology. For this, as a quick step, according to the financial condition of the company, necessary steps were taken to carry out the necessary modernization of the Kelabokka factory in the year 2020 itself.

It is clear that selling leaves to external organizations is not a situation that a government agency can be happy about when there are tea factories belonging to the Sri Lanka State Plantation Corporation. As the first step, taking into account the financial situation of the institution, raw leaves of several estates were directed to the relevant tea factories to increase tea production. Until the financial situation for operating expenses is restored, the sale of raw leaves to external parties was subjected to the proper procurement method by publishing public newspaper advertisements once in 02 months while creating a more competitive system. Also, regarding the sale of commercial timber, the assessment reports were obtained by the recognized institutions of the government. Due to this, it was possible to increase the income from the sale of raw leaves and the sale of commercial timber compared to the previous year.

The main reason for the inability to maintain the income from the financial management of the organization is the vast number of liabilities due to non-payment of the old statutory allowances of the employees. Due to this reason, the amount of statutory allowances to be paid at the beginning of 2020 with surcharges was Rs.1050.0 Million and a large number of cases were filed in the court for non-payment of statutory allowances to recover an amount of 388.383 million rupees. 77 cases were settled by paying an amount of Rs.21.34 to the courts for the arrears of statutory allowances without getting any provision from the Treasury. In this year (2020), due to the fact that the institution had to use the money earned to pay the monthly premiums and interest for the outstanding statutory allowances and the bank loans and bank overdrafts obtained from the state banks, the statutory allowances for the employees, could be paid only for 3 months properly.

A vast number of steps were taken to maintain the financial management and proper financial discipline of the corporation. Accordingly, necessary measures were taken to submit the annual reports from 2012 to 2016, which were not submitted to the Parliament first.

Also, preparation of a business plan for the proper management of the corporation was implemented and necessary measures were taken to prepare the recruitment procedures and submit them to the Ministry and the Department of Management Services. Many contract recruitments were finalized and due to the Covid-19 situation, it was not possible to fill the vacancies in the year 2020 under the proper method for some contract recruitments based on circulars issued by the government from time to time.

In the past, a method of releasing ready-made tea produced by the Corporation to the market under the name of "Sanstha Tea" had been started. This was a very good step and even in the face of the Covid situation, the sale of those products could be increased this year.

In the year 2020, the percentage of increase in tea and rubber income, which is the main income of the estates of Sri Lanka State Plantation Corporation, was 41.52%, while the additional income of the estates and head office increased by 55.64%. In the year 2020, the production of tea has increased by 22.65% and the average value of total tea selling price has also increased by 15.63%.

Compared to the previous year, the production cost of one kilogram of tea in the corporation in the year 2020 has decreased by 10.30%. The loss of Sri Lanka State Plantation Corporation has reduced by 54.64%.

I would like to mention that the correct decisions taken by the Board of Directors in this year have helped the financial and operational performance achieved by the Sri Lanka State Plantation Corporation in the year 2020. I also appreciate the dedication made by all the staff led by the general manager of the corporation.

Accordingly, I would like to submit the annual report of Sri Lanka State Plantation Corporation for the year 2020 on behalf of the Board of Directors.

Attorney-At-Law Srimal Wijesekera

Chairman

Sri Lanka State Plantation Corporation

Corporate background

Legal establishment

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

Historical Background of Sri Lanka State Plantations Corporation

The Sri Lanka State Plantation Corporation was established under the Sri Lanka State Plantation Corporation Act No. 4 of 1958, and the main purpose of establishing the Sri Lanka State Plantation Corporation was to develop and establish the estates and cultivated lands owned by the government with the approval of the Honorable Minister. Furthermore, another objective of establishing Sri Lanka State Plantation Corporation was to management and maintenance of the estates taken over by the Commissioner of Lands and Commissioner General of Inland Revenue.

Since the Sri Lanka State Plantation Corporation was functioning from the beginning with a few plantations assigned to the government, the purpose of setting up the corporation was properly served. Therefore, it was possible to buy about 15,000 hectares of plantations in a short period of time. Establishment of a strong Act and proper management led to this prompt development.

About 250 estates from the estates nationalized under the Land Reforms Act 1972 and the amended Act 1975 and 250 estates from the estates acquired due to the cancellation of the existing trusts, were given to the State Plantations Corporation of Sri Lanka, which had previously owned about 25 estates, for the purpose of development and up liftmen. Similarly, other estates acquired have been handed over to Janata Estate Development Board after its establishment.

The management structure should be changed to improve the greatly expanded Sri Lanka State Plantation Corporation. Therefore, the government that came to power in 1977 established regional offices to manage the estates more efficiently and effectively. In accordance, administration of estates was decentralized.

The Sri Lanka State Plantation Corporation Act was amended by Act No. 4 of 1979. According to the Section 2 of the aforesaid Act, the name Sri Lanka State Plantation Corporation was amended to Sri Lanka State Plantation Corporation.

Further, as per Section 6 of Act No. 49 (Amendment) of 1979, the objectives of Sri Lanka State Plantation Company have been expanded as follows.

- A. Promotion of plantation lands to achieve maximum productivity with proper agricultural management.

- B. Diversification of agricultural crops with proper management and coordination by rehabilitating existing crops on land.
- C. Processing and sale of agricultural products.
- D. Development of animal husbandry in plantations.
- E. Installation and better maintenance of machinery and equipment necessary for agricultural work in estates.
- F. To carry out all procedures and activities necessary for the effective functioning and management of the Plantation Corporation.

Many actions were taken during the year 1980 to strengthen the plantation management and decentralized organizational structure of the State Plantations 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 were formed with more powers to increase the performance of the Regional Offices. They are named SLSPC I, II, III and IV. Further expanding this process in 1984, two more boards named SLSPC V and VI were established for ensure proper management of the estates around Balangoda and Matale. Although plantation management was decentralized in this way, policy making, marketing, storing and finance were carried out by the Central Board of Sri Lanka State Plantations Statutory Corporation in Colombo.

After realizing the ineffectiveness and low productivity of these reforms, the government established 22 plantation companies in 1992 under the State Corporations and Properties Private Companies Act. The 402 plantations owned by Sri Lanka State Plantation Corporation and Janatha Estates Development Board have been handed over under long term lease basis, to those 22 local plantation companies. The Sri Lanka State Plantation Corporation and the Janatha Vatu Development Board were left only with 55 estates producing midland tea with low selling prices due to the lack of characteristic qualities of long term loss making upland and lowland teas. Out of these 55 estates, 32 estates belonged to the State Plantation Corporation of Sri Lanka. Out of these 32 estates, 11 estates were handed over to Elkaduwa Plantation Company Limited in 1993. Accordingly, the remaining 11 estates have been consolidated to form 16 estates and have been handed over to the State Plantation Corporation of Sri Lanka. A large area of these estates consists of old seed tea, and the lands around the Knuckles range in Kandy and Matale districts consist of a poor soil layer. Therefore, the yield of green colour leaves is naturally very low, in these plantations. These plantations are considered as long-term loss making plantations due to low market prices and low yields.

Also, in the year 1992, all the activities of Sri Lanka State Plantation Corporation were stopped due to the retirement of all the staff. Operations were re-started in 1994 with the recruitment of a new staff. The State Plantation Corporation of Sri Lanka, which operated under the Ministry of

Plantation Industries from then until 2006, was also brought under the purview of the State Enterprise Reform Commission. From 2001 to 2004, the corporation was making losses and was considered a burden to the government. Therefore, some estates and assets have been given on a long term lease basis with a view to reducing the burden on the government.

Estates such as Waitalawa, Woodside, Harepark, Cotaganga Factory, which were leased to the private sector for certain projects under the recommendation of the Board of Investment, have been abandoned by the leasing parties due to the failure of those projects. Later the State Plantation Corporation of Sri Lanka had to take over the Harepark estate and the Cotaganga factory with a large number of liabilities. The abandoned Harepark Estate illustrated how the estate was increasingly losing ground due to mismanagement, unauthorized acquisitions and lack of maintenance. Later, Waitalawa and Woodside estates were handed over to another private company and due to the lack of proper management, that company abandoned Woodside estate too, and kept only Waitalawa estate under its control.

In 2006, government policies were changed and a new policy has been introduced to manage the Sri Lanka State Plantations Corporation as a strategic organization of the government by removing it from the purview of the Public Enterprises Reform Commission and placing it under the purview of the Institute of Strategic Entrepreneurs. Under the intervention of the Management Strategic Enterprise Management Institute, just as the tea plantations changed, the method of administering these plantations also changed. Accordingly, a new concept of estate asset management has been introduced. The various assets of the corporation namely, timber resources amounting to Rs. 3000 million, and under this new concept, potential locations for construction of small-scale hydropower plants, sale of carbon sequestration calculations and crop diversification of loss-making plantations have been identified.

With the Knuckles World Heritage Gazette in 2007, a significant amount of land belonging to the State Plantation Corporation of Sri Lanka was included in this world heritage. Accordingly, commercial forestry lands with cardamom cultivation as well as lands with tea cultivation have come under the Knuckles Reserve. However, the management of the estates as well as the reserve was problematic because the amount of land was covered by the reserve and the boundaries were uncertain.

The most attractive places belonging to Sri Lanka State Plantation Corporation

Kalabokka 3600 view point



Kalabokka 3600 View Point (Elevation: 1,175 m) has become a trending destination. The peak is located on the border of Matale and Kandy districts and it shares the same peak forming the Hatle small World's End and Hunnasgiriya mountains. The mountain range extends to the north and connects with the western massif of Knuckles. 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 to accommodate guests. In the middle of the flat area of the hill, there is a completed Hindu shrine and a cottage made of sticks to enjoy the viewpoint. A morning visit is preferable to enjoy the undisturbed view, due to the fog that covers the area during the afternoon.

BURNSIDE



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

Dankanda Lake- Midlands



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

Hunnasgiriya



Located 22 km away from Kandy city and close to Alkaduwa village in Matale district, Knuckles mountain range and Hunnesfalls waterfall are attractive places for both local and foreign tourists. The Hunnasgiriya State Estate belongs to the State Plantation Corporation of Sri Lanka and has provided facilities for tourists visiting this waterfall.

Wewathenna - Woodside



Wewathenna campsite is located in the Woodside State Estate located in the Medamahanuwara area of the Kandy district of the Central Province and is 37.9 km far from Kandy city. Although the road to this beautiful campsite is quite difficult, it would become a very beautiful experience. On the way from Kandy to Wewathanna, the amazing and world-famous Victoria Dam is another attraction.

Contact information

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Status of plantations managed by State Plantation Corporation in the year 2020

At the beginning of 2020, there were 15 plantations under the management of Sri Lanka State Plantation Corporation, of which 14 plantations are located in Kandy and Matale districts, while Walahanduwa plantation is located in Galle district.

Table 01- Details of Estates

No.	Estate	District	Divisional Secretariat	Extend (Hec)
1	Alakola	Kandy	Panvila	819.86
2	Kotaganga	Kandy	Madadumbara	1,059.81
3	Galpihilla	Kandy	Panvila/ Kundasale	761.24
4	Gomara	Kandy	Panvila	731.13
5	Hagala	Kandy	Panvila	449.49
6	Hairpark	Kandy	Udukumbura	976.75
7	Hunnasgiriya	Matale	Ukuwela	739.72
8	Kelebokka	Kandy	Panvila	1,370.36
9	Kudaoya	Matale	Ratthota	176.00
10	Midlands	Matale	Ratthota	1,221.31
11	Nikoloya	Matale	Ratthota	332.41
12	Opalgala	Matale	Madadumbara	723.10
13	Rangala	Kandy	Madadumbara	630.60
14	Waithalawa	Kandy	Madadumbara	551.05
15	Viharagala	Badulla	Haldummulla	41.90
16	Woodside	Kandy	Madadumbara	472.75
17	Walahandoova	Galle	Akmeemana	95.22
	Total			11,152.70

Table 02 - Estates, purchased by State Plantation Corporation

No	Estate	Date of Purchase	Extend (Hec)
1	Hapugasthenna	1/1/1972	1,709.31
2	Alupola	1/1/1972	1,228.74
3	Galaboda	1/1/1972	376.92
4	Halgolla	1/1/1972	1,006.88
5	Rassagala	1/1/1972	776.49
6	Wikiliya	1/1/1972	805.67
7	Thispane	1/1/1972	384.62
8	Maddekanda	1/1/1972	676.11
9	Sogama	1/1/1972	476.11
10	Mathurata	15/05/1975	278.54
11	Oduwela	1/6/1973	659.51
12	Aislab	26/11/1973	382.59
13	Wedamulla	1/9/1973	484.62
14	Ramboda	1/9/1973	765.18
15	Greatvally	1/1/1974	320.24
16	South Madadumbara	1/2/1974	505.26
17	Karolina	1/7/1974	1,063.56
18	Gallebodda	1/7/1974	752.63
19	Gethanty	1/7/1974	203.24
20	Sent Helier	1/7/1974	172.87
21	Rohampton	15/3/1974	100.61
22	Nanperial	11/4/1974	203.64
23	Udapola	27/5/1975	278.54
24	Delkin	19/5/1975	1,223.38
25	Elpitiya	1/6/1975	785.02
26	Galaha- Silk Protect	1/7/1975	694.33
27	Hotvill	1/7/1975	412.15
28	Campian	1/7/1975	848.99
29	Eheliyagoda	1/8/1975	410.93
30	Sapumalkanda	1/8/1975	646.96
31	Diyadawa		280.57
Total			18,914.21

Sri Lanka State Plantation Corporation has purchased the above estates using its own capital. All those estates have been managed by plantation companies under the Estates Privatization Policy of 1992. Therefore, our corporation does not receive any income from any of those properties.

Table 03 - Lands gazette to Sri Lanka State Plantation Corporation

Gazette No.	Date	Received Mode	No. of Estates		Nominal Value
			Regional Plantation Corporations	Sri Lanka State Plantation Corporation	
150/12	7/24/1981	Land Reforms Commission	38	0	නැත
181/12	2/27/1989		55	25	නැත
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
Total			239	36	

The State Plantation Corporation of Sri Lanka has been assigned ownership of the estates by the Land Reform Commission and various government agencies. The transfers have been made through the above-mentioned gazettes and accordingly, the number of estates received is 275.

Table 04- Lands received to Sri Lanka State Plantation Corporation by Government Institutions

Estate	Received Mode	Received Date	Extend (Hec)
Higgoda	Land Commissioner	1/10/1960	319.81
Radella	Comissioner of Inland Revenue	1/10/1960	633.60
Yatawatta	Comissioner of Inland Revenue	1/10/1960	522.67
Neliula	Comissioner of Inland Revenue	1/10/1960	337.65
Pallekele	Land Commissioner	1/1/1968	1270.04
Total			3,083.77

Land consumption in estates 2020

Table 05- Land consumption in estates 2020

Hectare Statement 2020

Estate	Tea cultivation (Ha)					Rubber(Ha)		Minor Crops Ha	Timber Cultivation (Ha)		Others (Ha)	Total Land Extent
	Income earning tea		Contract Plucking Seedlings	Tea Nursery	Replanting	Old Rubber	Rubber Replanting		Fuelwood			
	Seedlings	V.P Tea										
Allakolla	155.75	114.95	124.50	1.00	13.00	-	-	68.60	76.38	265.68	819.86	
Cottaganga	264.46	34.42	141.31	0.40	3.00	-	-	60.69	24.14	531.39	1,059.81	
Galpelle	33.13	165.01	3.24	2.21	7.04	-	-	15.85	70.21	464.55	761.24	
Goomera	96.85	116.73	136.61	-	9.00	-	-	74.80	53.30	243.84	731.13	
Hagala	77.78	101.80	84.66	0.42	7.00	-	-	1.00	89.62	87.21	449.49	
Harepark	164.50	-	183.50	-	-	-	-	60.00	-	568.75	976.75	
Hunnasgiriya	153.14	37.78	34.21	0.60	2.00	-	-	74.77	7.00	430.22	739.72	
Kellebokka	113.22	288.74	272.73	1.21	5.00	-	-	211.98	350.46	127.02	1,370.36	
Kuda Oya	36.00	-	-	-	-	-	-	140.00	-	-	176.00	
Midlands	104.42	117.41	57.17	1.34	10.00	-	-	271.79	219.84	439.34	1,221.31	
Nicholoya	-	47.14	2.43	-	-	-	-	58.89	18.00	205.95	332.41	
Opalgala	36.10	48.90	13.00	1.80	-	53.00	-	170.50	68.00	331.80	723.10	
Rangala	124.10	85.44	112.70	2.00	5.00	-	-	11.50	152.52	137.34	630.60	
Waitalawea	34.00	39.20	74.69	-	-	-	-	62.06	47.39	293.71	551.05	
Wiharagala	0.81	41.09	-	-	-	-	-	-	-	-	41.90	
Woodside	-	-	195.31	0.20	19.33	-	-	43.69	30.77	183.45	472.75	
Walahanduwa	0.30	-	-	-	1.60	62.56	2.00	7.40	-	21.36	95.22	
Total	1,394.56	1,238.61	1,436.06	11.18	81.97	115.56	2.00	1,333.52	1,207.63	4,331.61	11,152.70	

The plantation's main income crop, tea and rubber crop compared to the last 10 years.

Table 06- The plantation's main income crop, tea and rubber yield compared to the last 10 years.

Estate	Green Leaf (Kg)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allakolla	1,077,059	952,633	880,458	769,499	787,217	705,364	759,745	734,923	617,413	755,844
Cottaganga	312,648	370,453	258,308	194,663	216,383	170,940	205,002	293,452	253,262	303,817
Galphelle	971,105	879,545	880,379	665,646	690,856	675,717	775,779	790,235	681,020	833,568
Goomera	647,939	566,360	574,639	486,583	547,711	667,328	764,337	743,270	706,865	849,230
Hagala	985,357	843,579	774,142	682,702	682,097	429,360	482,980	547,672	412,474	578,153
Harepark	455,650	399,609	463,485	375,497	298,837	229,330	252,911	298,088	252,867	362,826
Hunnasgiriya	370,875		520,190	431,449	578,320	515,374	528,226	496,959	487,032	544,822
Kellebokka	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	1,780,625
Kuda Oya	-	-	-	-	-	-	-	-	2,581	18,791
Midlands	998,500	669,558	730,241	395,511	586,442	438,614	503,015	586,207	494,211	520,382
Nicholoya ***				458	1,122	1,550	2,979	159,993	138,379	191,445
Opalgala	369,534	369,158	430,719	297,287	301,755	247,751	305,494	354,023	263,246	399,514
Rangala	948,550	739,211	658,274	521,922	678,266	604,332	492,346	606,262	579,595	662,545
Waitalawa ***								228,362	157,356	211,812
Wiharagala	-	-	-	-	-	-	-	-	9,267	20,116
Woodside **								22,153	44,463	68,485
Total	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	8,101,974
වතුයාය	*Rubber - Latex(Kg)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Walahanduwa	49,332	39,218	44,861	40,140	36,809	37,522	42,470	33,395	28,122	29,660
****	Nicolaoya State Estate was merged with Midlands from 2010-2013.									
***	Waitalawa State Estate managed by Maruti from 2008-2017									
**	Prior to 2018, Woodside Estate had been outsourced									
*	Prior to 2018, Woodside Estate had been outsourced									

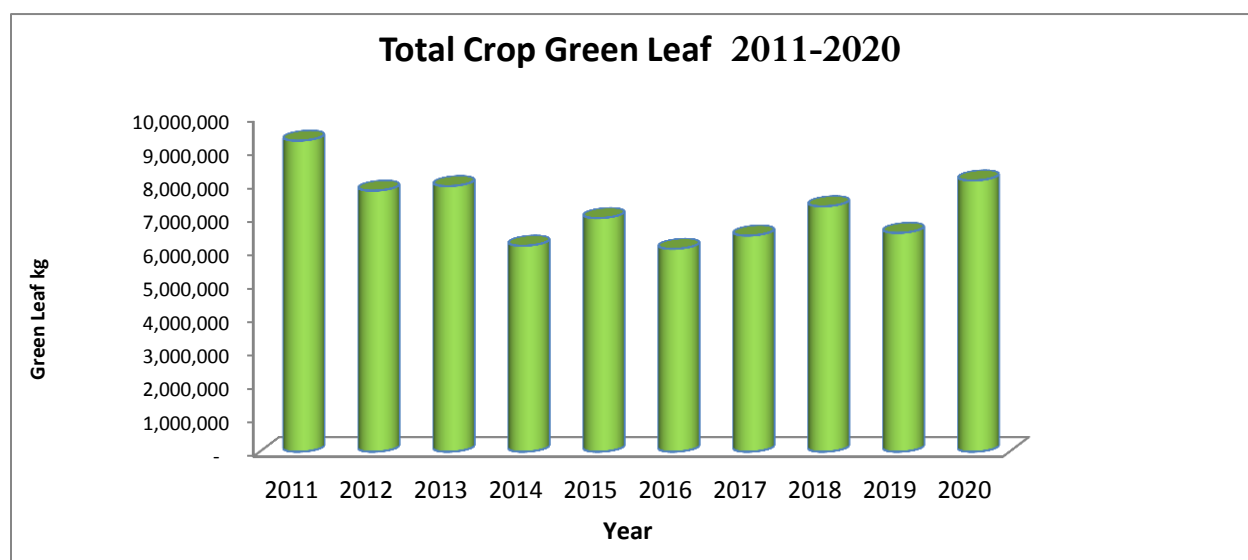


Figure 03 – Total crop – Green Leaf Raw tea leaves yield compared to the last 10 years

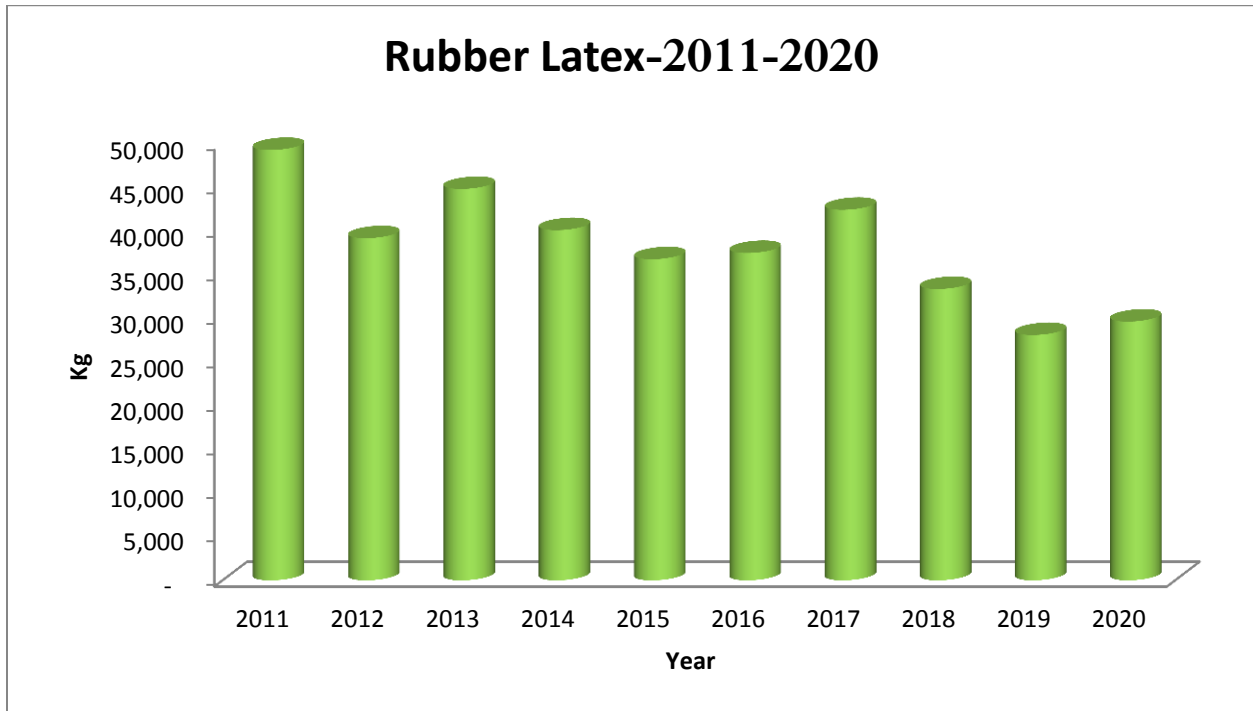
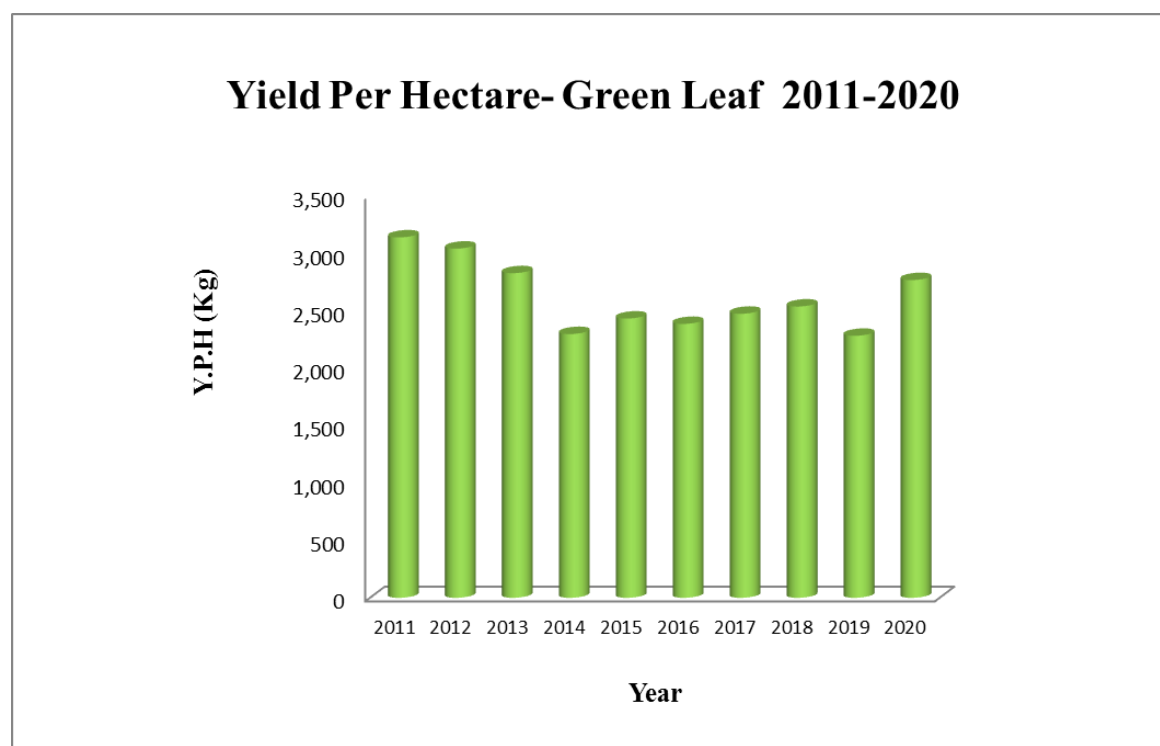


Figure 04 - Rubber yield compared to the last 10 years

Table 07 - Yield Per Hectare of Raw Tea Leaves and Amount of Rubber (Latex) - 2010-2020

Estate	Green Leaf - Yield Per Hectare - Kg										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allakolla	2,828	3,070	2,856	2,660	2,321	2,293	2,121	2,479	2,367	2,032	2,513
Cottaganga	1,523	1,353	1,316	1,400	1,060	860	819	935	930	809	1,028
Galphelle	4,228	5,088	4,009	3,819	2,926	2,981	2,916	3,656	3,901	3,362	4,183
Goomera	2,958	3,772	3,474	3,363	3,121	3,363	3,084	3,451	3,139	3,027	3,677
Hagala	2,781	2,851	3,595	3,223	2,772	2,716	2,447	2,781	2,883	2,241	3,141
Harepark	1,807	1,633	1,274	1,633	1,274	995	674	795	1,260	1,102	1,491
Hunnaagiriya	3,242	3,474	3,321	2,828	2,181	2,744	2,749	2,823	2,599	2,548	2,844
Kellebokka	2,791	3,795	3,479	3,079	2,353	2,828	2,888	2,777	2,651	2,553	3,617
Kudaoya	-	-	-	-	-	-	-	-	-	70	488
Midlands	3,088	2,851	2,498	2,460	2,084	2,167	1,995	2,293	2,585	2,204	2,334
Nicholaoya	-	-	-	-	1,772	1,702	2,544	2,884	3,218	2,860	3,715
Opalgala	3,791	3,228	3,619	3,972	2,944	2,814	2,309	2,940	4,013	2,999	4,317
Rangala	3,456	367	3,772	3,256	2,553	3,247	2,916	2,316	2,581	2,660	2,723
Waitalawa	-	-	-	-	-	-	-	-	2,688	2,093	2,894
Wiharagala	-	-	-	-	-	-	-	-	-	223	480
Average	3,110	3,140	3,042	2,828	2,298	2,433	2,386	2,474	2,537	2,282	2,768
Estate	Rubber (Latex) - Teld Per Hectare - Kg										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Walhanduwa	776	763	603	690	618	566	577	649	510	430	474

**Figure 05 - Yield of raw tea leaves per hectare (2011-2020)**

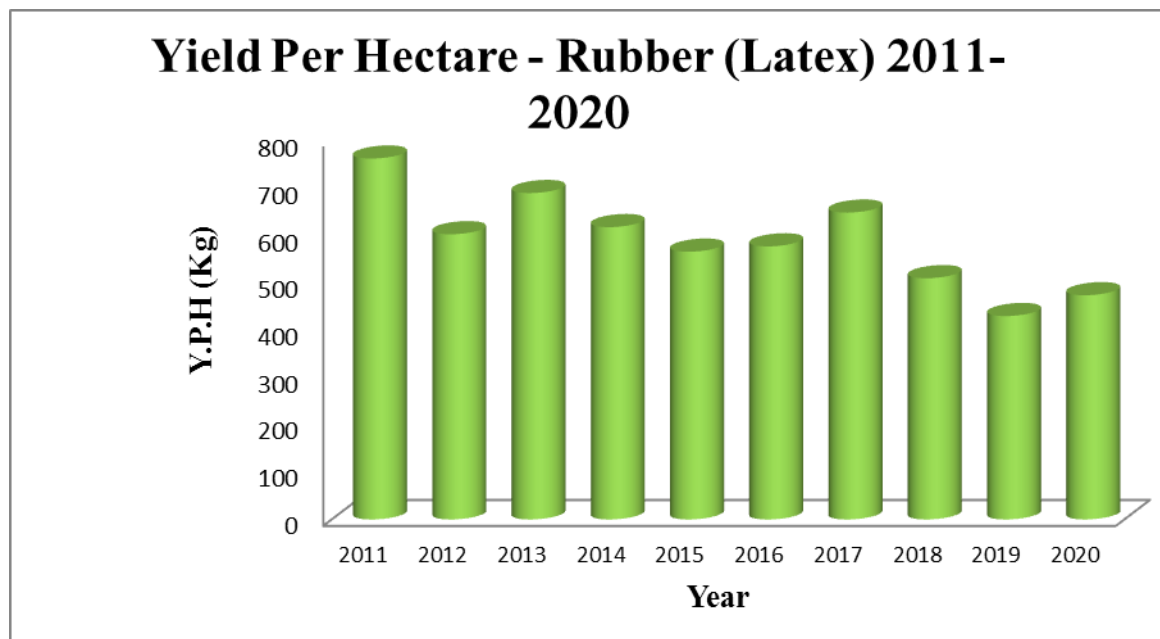


Figure 06 - Yield of Rubber per hectare (2011-2020)

Annual rainfall in the West Midlands region in 2020

Table - 08 – Annual Rainfall in 2020 in West Midlands Region

Annual Rainfall - 2020	
Estate	Rainfall (mm)
Alkola	1765
Kotaganga	2717
Galpihilla	2225
Gomara	1917
Haggala	2133
Hairpark	2284
Hunnasgiriya	1038
Kelebokka	2822
Kudaoya	1681
Midlands	3110
Nikoloya	3555
Opalgala	1900
Rangala	6057
Waithawela	1690

According to aforesaid details the west Midlands have received a favorable rainfall.

Fertilizer use for last 03 years

Table 09 Fertilizer use for last 03 years

Year	Fertilizer Used	Cost Fertilizer (Rs)	Quantity of Weedicide used (Litre/Kg)	Cost of Weedicide (Rs)
2018	229	7,530,941.60	3347 litre	14,308,425.00
2019	215	4,794,652.50	3207 litre	14,431,500.00
2020	350	8,548,750.00	5156 litre	22,740,604.00

In the year 2020, the selling price of one kilogram of green leaves produced by the Sri Lanka State Plantation Corporation was 91.11 rupees, while the selling price of one kilogram of green leaves in the Western Middle zone was 135.09 rupees. Accordingly, the sales ratio of Sri Lanka State Plantation Corporation in the year 2020 has been maintained at a lower value of 43.99 rupees than the sales ratio of the Western Middle Zone.

The comparative production cost of one kilo of raw leaves of the corporation in the last 03 years

Table 10 The comparative production cost of one kilo of raw leaves of the corporation in the last 03 years

Year	Cost of production per a kilogram of Green Leaf (Rs Per Kg)					Total
	Plucking	Field work	Fertilizer	Weedicide	General Charges	
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
2020	45.47	15.44	2.18	9.96	39.18	112.23

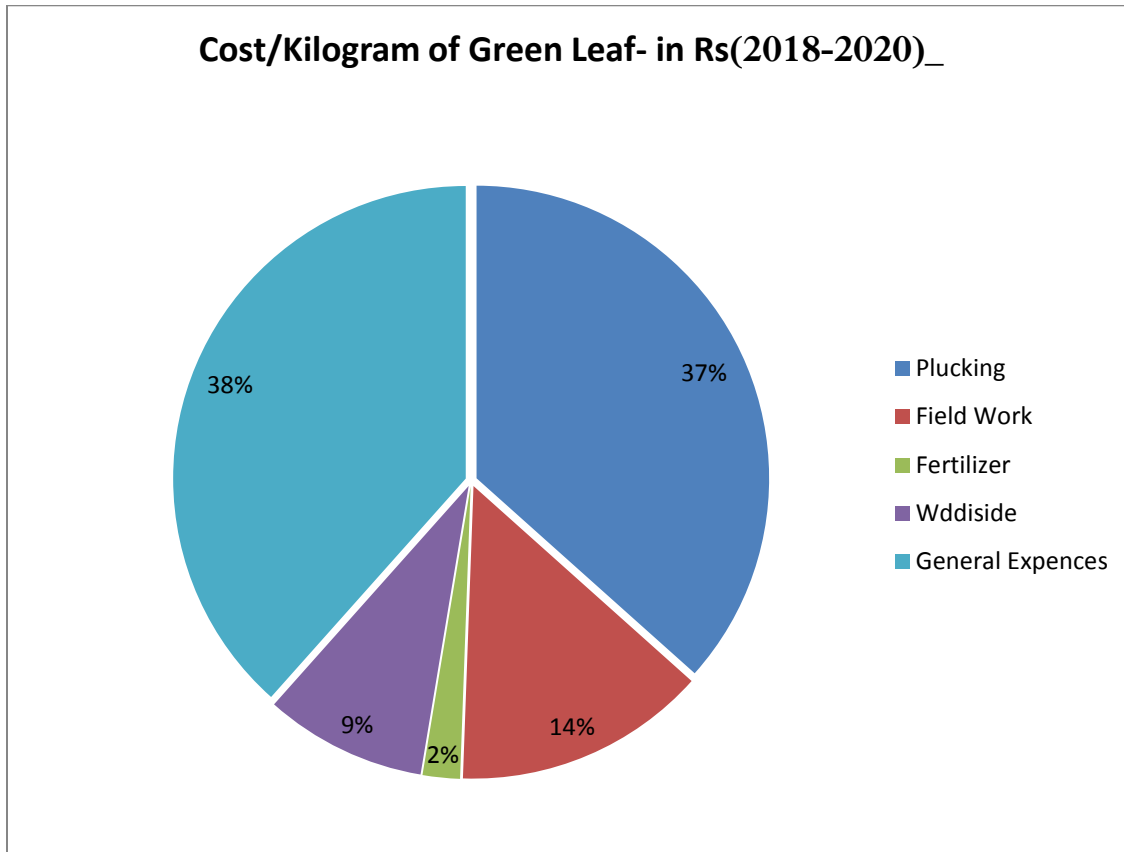


Figure 7 : The comparative production cost of one kilo of raw leaves of the corporation in the last 03 years

Accordingly, the cost of fertilizer is very less than the total production cost of one kilogram of raw leaves. Fertilizer costs have been controlled without managing raw leaf picking and overhead costs, which has been taken up a large share of production costs, resulted in a lower expectation of yields. The failure of the governing authority and management to understand this situation has been one of the reasons for the long-term loss of the Sri Lanka State Plantation Corporation.

Tea Production

The State Plantation Corporation of Sri Lanka currently has ten (10) tea factories out of which only three CTC tea factories are in working condition. The three tea factories at Kalabokka, Midlands and Rangala produce tea from raw leaves supplied by a number of our estates. The table below shows the production of tea made by those factories.

Table 11 Made Tea Production 2019-2020

Factory	Raw Tea Leaves (Kg)		Ready Made Tea (Kg)		Ready Made Tea production as %		Production cost- Rs. Per Kilo		Average of Net sale - Rs. Per Kilo	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Kelebokka	1,435,669.00	1,742,062.00	308,746.00	382,930.00	22.79	21.98	710.28	655.26	362.11	453.69
Midlands	494,211.00	506,119.00	106,282.00	111,910.00	23.40	22.11	659.94	610.65	414.87	409.48
Rangala	579,595.00	642,059.00	124,644.00	142,483.00	23.22	22.19	660.02	604.41	358.71	469.82
Total	2,509,475.00	2,890,240.00	539,672.00	637,323.00						

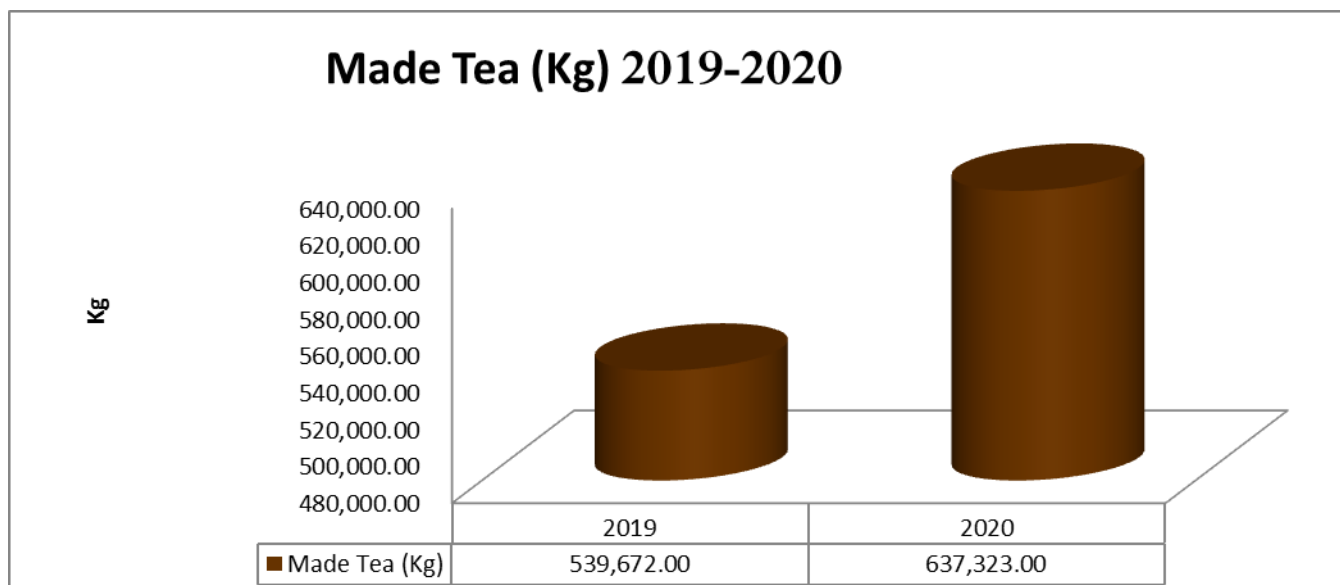


Figure - 08– Made Tea Production

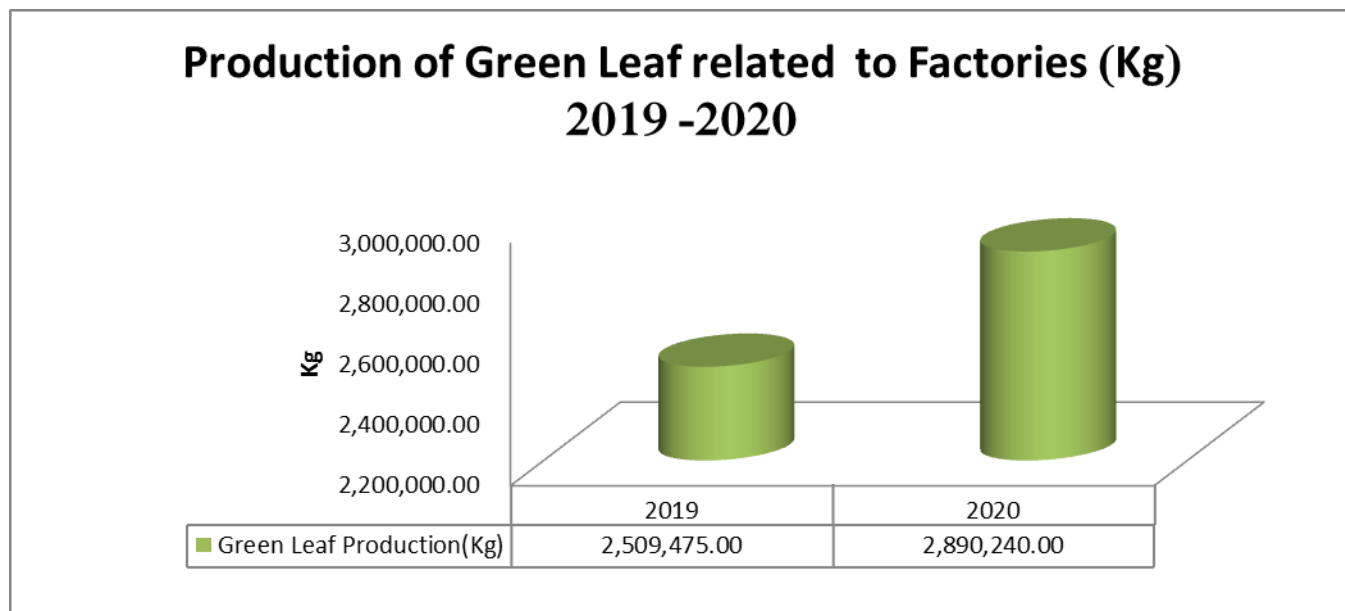


Figure - 09– Amount of raw tea production relevant to the Factories

Table 12-Details of the Factories

Factory	District	Type of Tea	Sifting Capacity (Kg)	Present Condition
Cottaganga	Kandy	Orthodox	1290	Non - Operational
Gomara	Kandy	Orthodox	8000 (Whole Volume)	Non - Operational
Hagala	Kandy	Orthodox	1419	Non - Operational
Hunnasgiriya	Matale	CTC	1720	Non - Operational
Kelebokka	Kandy	CTC	12000(Whole Volume)	Operational
Midland	Matale	CTC	1400	Operational
Dankanda	Matale	Orthodox	860	Non - Operational
Nikoloya	Matale	Orthodox	645	Non - Operational
Rangala	Kandy	CTC	1500	Operational

The State Plantation Corporation of Sri Lanka is facing a severe financial crisis due to the very high cost of production in our factories and very low selling prices for our products.

It is a sad state of affairs that the green leaves and tea produced by Sri Lanka State Plantation Corporation, which has a well-experienced and trained management and supervisory staff, is priced lower than the average price in the country.

Midlands Tea Factory is the only CTC Tea Factory located in Matale District. Kelebokka and Rangala Estates are situated in the Kandy District.

Midlands Tea Factory



Kekebokka Tea Factory



Rangala Tea Factory



Sanstha (Ceylon) Tea

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

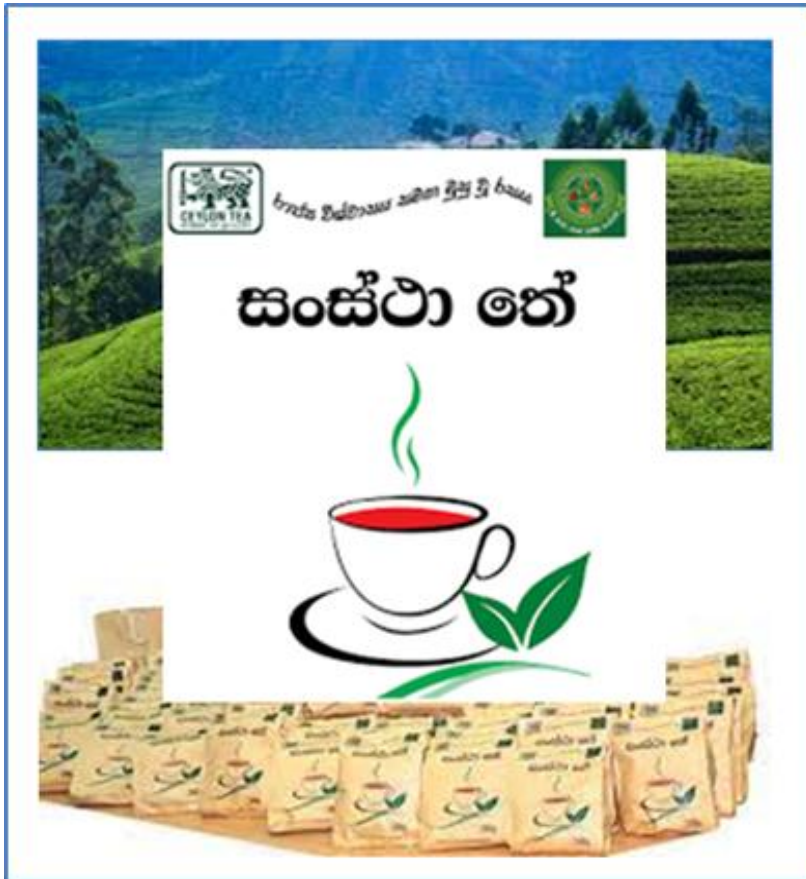


Table 13: Sanstha Tea Sale - Quantitative Comparison (2018-2020)

Month	Quantity of tea sold		
	2018	2019	2020
January	2,540	2,602	2,788
February	2,080	4,636	2,675
March	3,948	2,789	3,275
April	2,156	939	3,709
May	3,370	2,475	2,878
June	3,502	1,134	2,921
July	3,379	3,270	5,587
August	4,037	2,683	4,472
September	3,664	3,159	2,617
October	2,507	3,043	4,859
November	2,919	4,313	3,846
December	3,494	3,032	5,750
Total	37,595	34,075	45,375

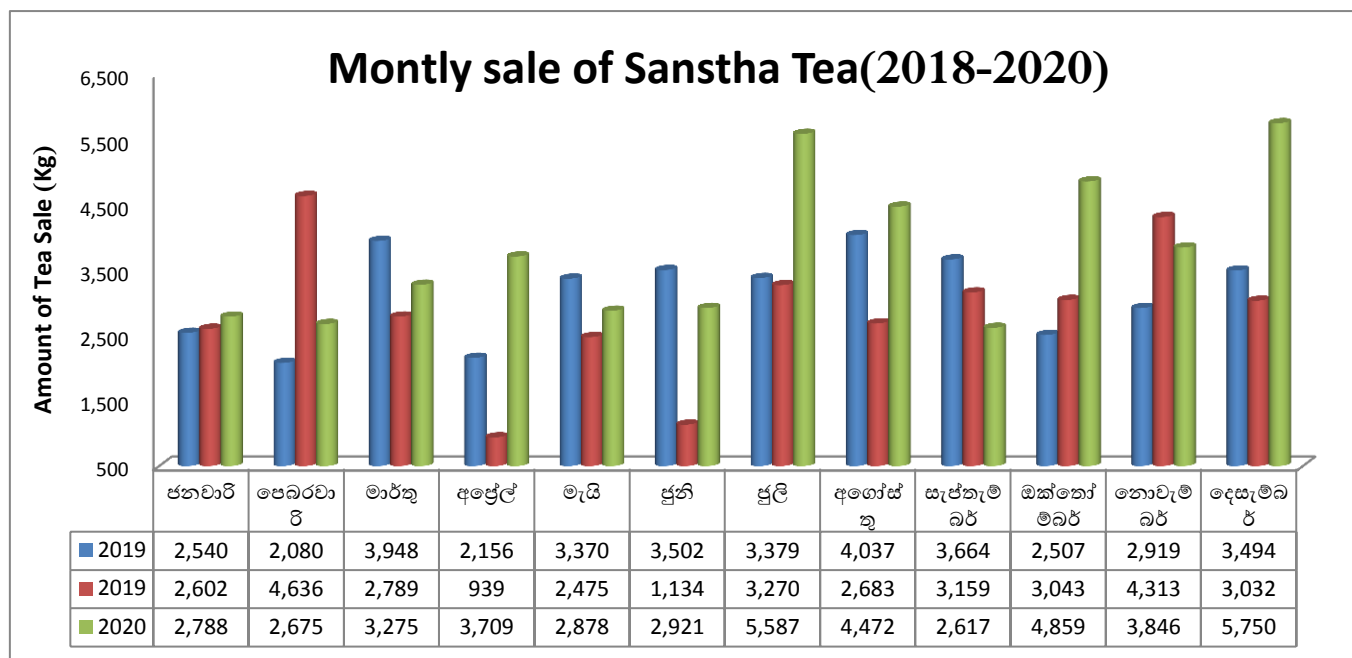
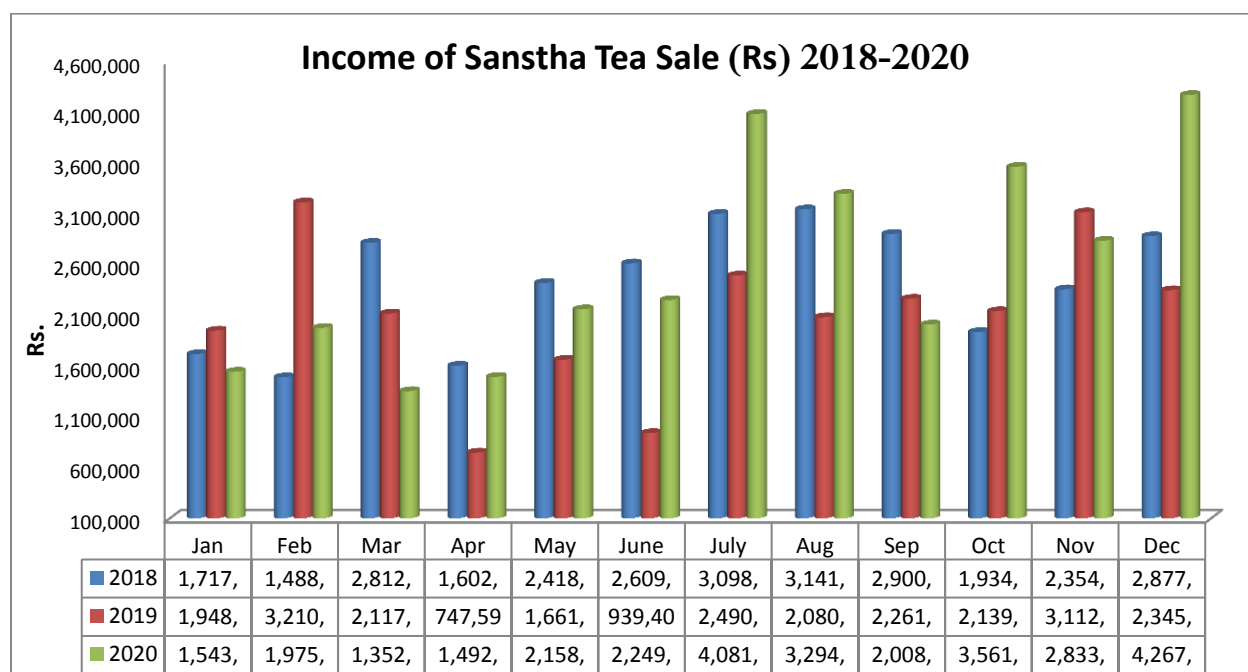
**Figure 10: Sanstha Tea Sale - Quantitative Comparison (2018-2020)**

Table 14 - Income of Sanstha Tea Sale (2018-2020)

Month	Sanastha tea Sales Income (Rs)		
	2018	2019	2020
January	1,717,816	1,948,166	1,543,704
February	1,488,563	3,210,598	1,975,437
March	2,812,307	2,117,157	1,352,505
April	1,602,651	747,593	1,492,498
May	2,418,044	1,661,434	2,158,450
June	2,609,889	939,405	2,249,149
July	3,098,106	2,490,901	4,081,756
August	3,141,932	2,080,813	3,294,264
September	2,900,447	2,261,770	2,008,403
October	1,934,504	2,139,277	3,561,445
November	2,354,412	3,112,667	2,833,044
December	2,877,599	2,345,364	4,267,934
Total	28,956,270	25,055,143	30,818,588

**Figure 11: Monthly Income of Sanstha Tea Sale (2018-2020)**

Rubber Production

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

. Table 15- Total rubber production for three years

Year	Latex (Kg)	Total Cost (Rs.)	Profit/(Loss) (Rs.)	Net Sale Value (Rs.)	Production cost per Kg.(Rs.)	Profit/ Loss per)Kg (Rs) (රු.)
2020	29,660	13,494,113.60	(5,151,942.00)	281.26	454.96	(173.70)
2019	28,122	14,686,995.72	(7,806,787.00)	300.00	522.26	(222.26)
2018	33,395	10,423,247.40	(397,747.00)	220.00	312.12	(92.12)

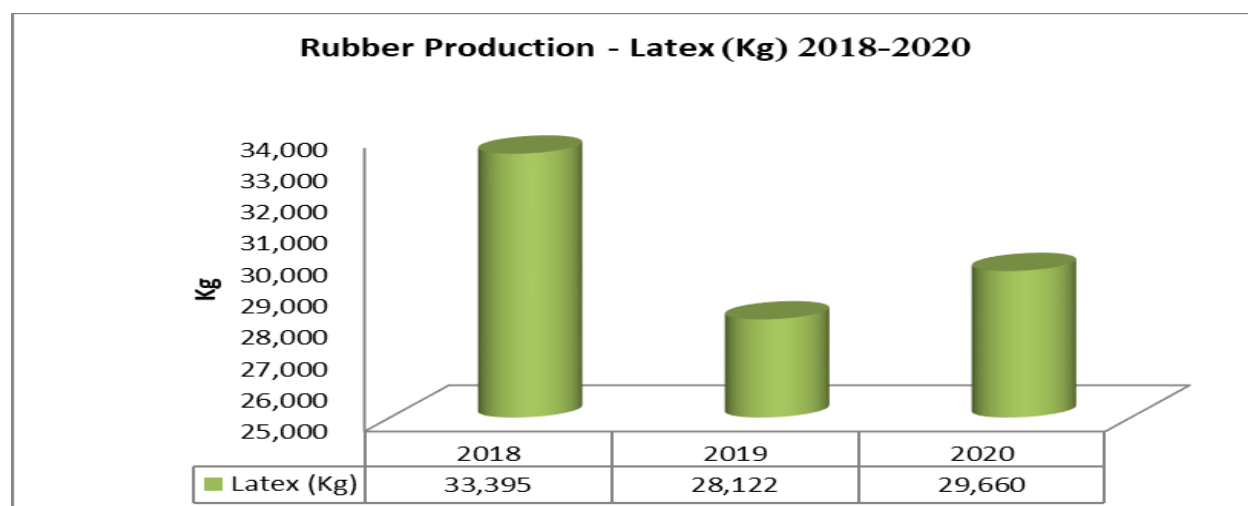


Figure 12- Rubber Production (2016-2018)

Treasury Provisions

Unlike last year, for this year, , no financial allocations have been made by the Treasury to manage salaries and day-to-day expenses.

Table – 16 – Summary of Treasury Grants to Sri Lanka State Plantations Corporation

Item	2016	2017	2018	2019	2020
Operation Cost (Labourer Wages and Staff salary)	100	130	68	222	-
Statutory Payments(EPF/ETF/Gratuity)	-	134	90	-	-
Development Affairs of State Plantation Corporation	-	-	-	-	-
Total Income (Rs. Million)	100	264	158	222	-

The financial Status of the corporation according to the annual estimation for the year 2020 and the statement of accounts for the year 2020 is represented as follows

Table 17 – Comparative Financial Performance for 2020-2019

Details	2020 Estimation	Annual Accounts - 2020	Performance	2019 Estimation	Annual Accounts - 2019	Performance
Ready made Tea - Production Cost (C.O.P.)	490.68	492.88	100.45	460.55	549.5	119.31
-Net Sale Average (N.S.A.)	452.48	432.14	95.51	436.12	373.7	85.69
Rubber - Production Cost (C.O.P.)	312.85	428.06	136.83	287.72	429.52	149.28
- Net Sale Average (N.S.A.)	300	277.73	92.58	300	246.61	82.2
Estimated Production - Ready Made Tea (Kg)	1,980,891	1,728,728	87.27	2,057,042.00	1,409,509.00	68.52
Estimated Production -Rubber (Kg)	43,500	29,660	68.18	45,500.00	28,122.00	61.81
Income	රු:	රු:	රු:	රු:	රු:	රු:
Ready Made Tea and Raw Tea Leaves	896,312,171	758,598,254	84.64	897,108,237	526,735,834	58.71
Rubber -Latex	13,050,000	8,237,326	63.12	13,650,000	6,935,151	50.81
Total Income	909,362,170.68	766,835,579.56	84.33	910,758,237	533,670,985	58.6
Subtracted: Production Cost						
Ready Made Tea and Raw Tea Leaves	971,988,808	852,056,592	87.66	947,367,672	774,529,082	81.76
Rubber	13,608,793	12,696,168	93.29	13,091,117	12,078,825	92.27
Total Production	985,597,601	864,752,760	87.74	960,458,789	786,607,907	81.9
Gross Profit/(Loss) - Estates	-76,235,430	-97,917,181	128.44	-49,700,551	-252,936,922	508.92
Added: Other Income						
Other Income -Estates	447,155,724	108,706,579	24.31	432,961,589	52,160,715	12.05
Other Income - Head Office	59,930,000	49,771,702	83.05	55,630,000	57,076,072	102.6
Total Other Income - Estates and Head Office	507,085,724	158,478,281	31.25	488,891,038	109,236,787	22.36
Total Income	430,850,294	60,561,100	14.06	438,891,038	-143,700,135	-32.74
Subtracted: Expences						
Administration Expenses - Estates	88,602,646	81,860,486	92.39	62,536,441	73,625,149	117.73
-Head Office	38,905,198	40,726,247	104.68	39,938,603	39,371,623	98.58
Expenses for Persons - Head Office	60,421,500	58,338,254	96.55	55,783,280	52,477,079	94.07
Financial Cost - Estates	7,949,744	5,597,184	70.41	7,301,793	5,049,882	69.16
- Head Office	23,220,000	23,666,011	101.92	12,200,000	15,660,522	128.36
Total Cost	219,099,087	210,188,182	95.93	177,760,116	186,184,255	104.74
Profit/(Loss) - Estates and Head Office	211,751,207	-149,627,081	-70.66	261,130,922	-329,884,390	-126.33

Profit/Loss of Sri Lanka State Plantation Corporation for last 05 years

Table 18 – Profit/Loss of Sri Lanka State Plantation Corporation for last 05 years

Year	Profit/(Loss)
2015	(222,236,596)
2016	(150,916,820)
2017	(94,932,600)
2018	(147,798,507)
2019	(329,884,391)
2020	(149,627,081)

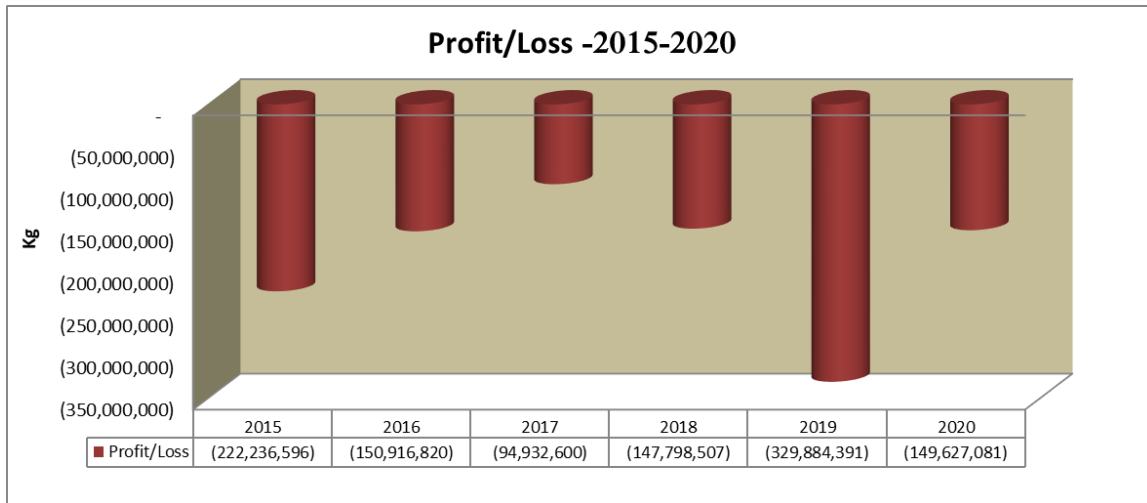


Figure- 13– Based on last 05 years, comparison of Profit/Loss

Human Resources of Sri Lanka State Plantation Corporation

The following table shows the management, supervisory and production staff of Sri Lanka State Plantation Corporation in the year 2020.

Table - 19– Human Resources of Sri Lanka State Plantation Corporation

Estate	No. Of Supiritendents	No. Of Assi. Supiritendents	Staff		Labourers		Total
			Permanent	Contract	Permanent	Casual	
Alakola	1	2	13	.	277	.	293
Kotaganga	1	1	13	.	197	.	212
Galpeella	1	2	19	.	191	8	221
Gomara	1	2	17	2	246	4	272
Hagala	1	1	11	.	206	-	219
Harepark	1	1	11	1	143	2	159
Hunnasgiriya	1	2	16	-	211	5	235
Kelebooka	1	4	34	2	731	53	825
Midlands	1	2	24	1	296	13	337
Nikoloya	1	-	6	-	70	-	77
Opalgala	1	2	10	1	81	-	95
Rangala	1	1	22	1	195	55	275
Walahandoova	1	-	3	1	35	17	57
Waithalawa	1	-	3	-	66	42	112
Woodside	1	-	2	1	30	-	34
Head Office and Regional Office	-	-	58	2	3	-	63
Total	15	20	262	12	2978	199	3486

By the end of 2019, the number of head office and regional office staff who received salaries from the head office was 63, and the same figure has been recorded as 63 in the year 2020. 46.4 million rupees has been spent in the year 2019 for the payment of salaries for these staff and in the year, 2020 Rs. 48.1 million have been spent. Compared to 2019, this has been increased by Rs. 1.82 million i.e. 4% in 2020.

At the end of 2019, there were 249 office staff and field staff, including estate superintendents and assistant superintendents, and in 2020, the same number has been reported as 249. 103.2 million rupees have been spent in the year 2019 for the payment of salaries for these staff and in the year 2020 Rs. 114.72 million have been spent.

Board of Directors and Audit Committee Meetings

10 board meetings and 02 audit committee meetings have also been held during the year under review.

Table - 20 – Board of Directors and Audit Committee Meetings

No.	Name of the Meeting	Date of the Meeting	No. Of the Meeting
1	Board Meetings	2020.02.12	1
		2020.04.30	2
		2020.05.29	3
		2020.06.25	4
		2020.07.21	5
		2020.08.27	6
		2020.09.24	7
		2020.10.28	8
		2020.12.01	9
		2020.12.23	10
2	Audit Committee Meetings	2020.06.12	1
		2020.07.09	2

The Auditor General of the Government has given an adverse opinion to the financial statement of Sri Lanka State Plantation Corporation 2020. For a long time, there have been negative comments regarding the financial statements of Sri Lanka State Plantation Corporation, which have not been corrected.

Sri Lanka State Plantations Corporation**STATEMENT OF FINANCIAL POSITION**

In LKR.			
As at 31st December	Notes	2020	2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	8	756,246,749	752,391,710
Biological Assets	9	3,507,753,636	3,483,783,882
Investment Property	10	1,611,520,641	1,611,520,641
Fixed Deposits		9,175,806	8,863,799
Deferred Assets		781,064	781,064
Total Non-current Assets		5,885,477,895	5,857,341,096
Current Assets			
Inventories	11	74,595,535	62,502,640
Trade and Other Receivables	12	184,025,544	175,209,745
Cash and Cash Equivalents	13	45,886,973	37,713,613
Total Current Assets		304,508,052	275,425,998
Total Assets		6,189,985,947	6,132,767,094
EQUITY AND LIABILITIES			
Capital and Reserves			
Contributed Capital	14	5,879,852,850	5,879,852,850
Retained Earnings		(1,725,362,785)	(1,570,849,043)
Total equity		4,154,490,065	4,309,003,807
Non-current liabilities			
Employee Benefit Obligations	15	469,291,620	417,639,183
Total Non-current liabilities		469,291,620	417,639,183
Current liabilities			
Trade and Other Payables	16	1,363,998,504	1,318,555,797
Bank Loan	16.1	100,000,000	-
Bank Overdraft		102,205,759	87,568,307
Total Current liabilities		1,566,204,263	1,406,124,104
Total liabilities		2,035,495,883	1,823,763,287
Total equity and liabilities		6,189,985,947	6,132,767,094

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

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. G.R.S.Senarathne
Board Member

February 22, 2021 Colombo.

Sri Lanka State Plantations Corporation**STATEMENT OF INCOME****In LKR.****Year ended 31st December****Notes****2020****2019**

Revenue	17	766,835,580	535,933,037
Cost of Sales		864,752,760	(786,607,907)
Gross Profit / (Loss)		(97,917,181)	(250,674,870)
Other Income	18	158,478,281	106,974,735
Administrative Expenses	19	(180,887,340)	(165,473,851)
Operating Profit / (Loss)		(120,326,240)	(309,173,987)
Finance Expenses	20	(29,300,841)	(20,710,404)
Profit/ (Loss) for the Period		(149,627,081)	(329,884,391)

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	Land Contribution	Accumulated Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.
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 25)			(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
Balance as at 01 January 2020	3,659,250,925	2,220,601,926	(1,570,849,043)	4,309,003,808
Grants Received from Treasury	-	-	-	-
Loss for the year			(149,627,081)	(149,627,081)
Prior year adjustments (Note 25)			(4,886,661)	(4,886,661)
Balance as at 31 December 2020	3,659,250,925	2,220,601,926	(1,725,362,785)	4,154,490,066

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

2,020

2,019

Cash Flows from Operating Activities

Net Profit /(Loss) Before Taxation		(149,627,081)	(329,884,391)
Adjustments for :			
Depreciation of Biological Assets	9.2	4,019,863	3,910,779
Depreciation of Assets	8	8,667,581	8,804,754
Finance Expense	20	27,989,617	19,110,404
Gratuity Provision	15	30,226,545	33,828,923
Prior year adjustments	25	(4,886,661)	(173,691,530)
Profit before Working Capital Changes		(83,610,136)	(437,921,061)
Changes in Working Capital			
(Increase) / Decrease in Inventories		(12,092,894)	(14,261,485)
(Increase) / Decrease in Trade and Other Receivables		(8,815,799)	(59,658,502)
Increase / (Decrease) in Current Liabilities		172,413,700	286,080,832
Cash generated from operations		151,505,007	212,160,845
TRADE AND OTHER RECEIVABLES			
Gratuity Paid		(7,145,102)	(14,384,929)
Finance Cost Paid		(26,389,617)	(19,110,404)
Treasury Grants Received		-	222,000,000
Net cash generated from operating Activities		(33,534,719)	188,504,667
Cash flows from Investing Activities			
Additions to Property, Plant and Equipment	8	(12,522,619)	(4,990,197)
Additions to Biological Assets	9.2	(27,989,617)	(20,841,044)
Investment in FDs		(312,007)	(331,022)
Net cash Used in Investing Activities		(40,824,243)	(26,162,263)
Increase / (Decrease) in Cash and Cash Equivalents		(6,464,092)	(63,417,812)
Movement in cash and cash equivalents			
At the beginning of the period		(49,854,694)	13,563,118
Increase/(Decrease) for the year		(6,464,092)	(63,417,812)
Cash & Cash Equivalents at end of the year		(56,318,786)	(49,854,694)

Notes to the Financial Statements

Accounting Policies

Year End 31st December 2020

1. CORPORATE INFORMATION

General

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

The Corporation prepares financial statements for the twelve month's period ended 31st December and these financial statements are authorized/Approved 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 relate to a living animal or a plant. According to LKAS 41, certain common features exist for biological assets, i.e. (a) Capability to change (capability for biological transformation) (b) Management of change (Management facilitates biological transformation by enhancing the conditions necessary for the process to take place. Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources) and (c) Measurement of change (The change in or brought about by biological transformation or harvest is measured and monitored as a routine management function.)

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

3.1.4.1 Bearer Biological Assets

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

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

Coconut	25 years	Cocoa	20 years
Pepper	15 years	Cinnamon	25 years
Rubber	35 years	Nutmeg	30 years
Cloves	50 years	Reforestation	25 years
Coffee	25 years	Ginger	01 year
Arecanut	40 years	Tea	100 years

3.1.4.2 Consumable Biological Assets

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

3.1.4.3 Deferred Assets

Deferred Assets are amortized at 10 % per annum.

3.1.5 Investment property

Investment property includes properties held for capital appreciation and / or to earn rental income. They are initially measured at cost, including related transaction costs and costs incurred subsequently to add to,

replace part of, or service a property. Subsequent measurement is also at cost less accumulated depreciation.

3.1.6 Capital work in progress

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

3.1.7 Leases

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

Finance leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases.

When the Corporation is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'lease creditors'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating leases

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

3.2.1 Inventories

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

Measurement of inventories

3.2.2 Cost of Inventories

Raw Materials

Cost of purchases together with any incidental expenses.

Work in progress

Raw material cost and variable manufacturing expenses in full.

Finished Goods

Raw material cost and variable manufacturing expenses in full.

3.2.3 Cash and Cash Equivalents

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

3.2.4 Research costs

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

4. LIABILITIES AND PROVISIONS

4.1 Retirement Benefit Obligations

4.1.1 Defined benefit plan – Retirement Gratuity

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

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

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

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

Employees' Provident Fund

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

Employees' Trust Fund

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

5. INCOME STATEMENT

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

5.1.1 Revenue Recognition

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

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

Sale of goods

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

Rendering of services

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

Other Income

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

5.1.2 Expenses

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

5.1.3 Financial Expenses

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

6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Assets

6.1.1 Initial Recognition and Measurement

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

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

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

6.1.2 Subsequent Measurement

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

6.1.2.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Corporation did not have any financial assets at fair value through profit or loss during the year ended 31 December 2020.

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 2020.

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 2020.

6.1.2.5 DE recognition

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

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

6.1.2.6 Impairment of Financial Assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Currently the Corporation identifies a specific provision for trade receivables.

6.1.2.7 Financial Assets Carried at Amortized Cost

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

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

6.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Corporation's financial liabilities include trade and other payables and bank overdrafts.

Subsequent measurement

The measurement of financial liabilities is at the amortised cost.

DE recognition

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

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

The financial statements, for the year ended 31 December 2012 are the first the Corporation prepared in accordance with SLAS comprising SLFRS/LKAS effective as at 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 2020	4,031,845	4,959,427	12,048,866	5,232,864	66,115,401	4,420,010	96,808,412
Additions	-	-	247,300	113,914	-	276,550	637,764
Disposals	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
At 31st December 2020	4,031,845	4,959,427	12,296,166	5,346,778	66,115,401	4,696,560	97,446,177
Depreciation							
At 1st January 2020	-	4,959,384	10,358,506	2,604,383	66,094,153	3,438,162	87,454,588
Depreciation Charge for the year	-	-	241,817	442,329	-	619,162	1,303,308
Previous Year Adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
At 31st December 2020	-	4,959,384	10,600,323	3,046,712	66,094,153	4,057,324	88,757,895
Net book value							
At 31st December 2020	4,031,845	43	1,695,843	2,300,067	21,247	639,236	8,688,281
Estates							
	Lands	Buildings	Equipment, Furniture & Fittings	Motor Vehicles	Other Vested Assets	Machinery	Total
Cost or Valuation							
At 1st January 2020	645,345,972	173,603,294	24,782,583	80,752,692	6,705,259	117,017,392	1,048,207,192
Additions	-	9,186,137	1,031,759	1,666,959	-	-	11,884,855
Previous Year Adjustment	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31st December 2020	645,345,972	182,789,431	25,814,342	82,419,651	6,705,259	117,017,392	1,060,092,046
Depreciation and Impairment							
At 1st January 2020	-	108,919,463	19,125,722	70,143,692	6,672,972	100,366,805	305,169,306
Depreciation Charge for the year	-	3,926,826	445,410	457,768	-	2,534,269	7,364,273
Previous Year Adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
At 31st December 2020	-	112,846,289	19,571,132	70,601,460	6,672,972	102,901,073	312,533,579
Net book value							
At 31st December 2020	645,345,972	69,943,142	6,243,209	11,818,191	32,287	14,116,319	747,558,468
Net book value Head office and Estate At 31st December 2020							
	649,377,816	69,943,185	7,939,052	14,118,258	53,534	14,755,555	756,246,749

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

9 BIOLOGICAL ASSETS

	As at	As at
9.1 Consumable Biological Assets	31.12.2020	31.12.2019
	Rs.	Rs.
Timber	3,314,581,133	3,314,581,133

No valuation done during the year 2020 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. We started the process value these biological and written to the line Ministry requesting to support financially.

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 2020	484,999,849	3,809,207	3,542,092	15,270,484	1,501,242	5,067,379	30,313,346	544,503,598
Additions	21,933,528	-	9,855	-	-	717,380	5,328,855	27,989,617
Previous year adjustment								
Transfer								
Disposals								
As at 31st December 2020	506,933,377	3,809,207	3,551,947	15,270,484	1,501,242	5,784,759	35,642,201	572,493,216

Depreciation	Tea	Coconut	Pepper	Rubber	Coffee	Other	Reforestation	Total
At 1st January 2020	361,131,471	2,707,628	2,130,944	3,489,666	1,416,920	969,796	3,454,426	375,300,850
Depreciation Charge for the Year	2,146,260	38,690	97,646	370,328	5,132	179,098	1,182,710	4,019,863
Previous year adjustment								
Disposals								
As at 31st December 2020	363,277,731	2,746,318	2,228,590	3,859,994	1,422,051	1,148,894	4,637,136	379,320,713

Net book value	Tea	Coconut	Pepper	Rubber	Coffee	Other	Reforestation	Total
As at 31st December 2020	143,655,645	1,062,889	1,323,357	11,410,490	79,190	4,635,865	31,005,066	193,172,503

TOTAL BIOLOGICAL ASSETS (Note 9.1+ 9.2)	143,655,645	1,062,889	1,323,357	11,410,490	79,190	4,635,865	31,005,066	3,507,753,636
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Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

10	INVESTMENT PROPERTY	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
	Land Contribution from Government	1,600,601,926	1,600,601,926
	Land for Capital Appreciation	10,918,715	10,918,715
		<u>1,611,520,641</u>	<u>1,611,520,641</u>

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

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

These Investment properties were not valued 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. Therefore we have written to the line Ministry requesting to support financially.

11	INVENTORIES	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
	Finished Product	57,919,956	46,371,519
	Consumable Stock	16,675,579	16,131,121
		<u>74,595,535</u>	<u>62,502,640</u>

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

12	TRADE AND OTHER RECEIVABLES	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
	Trade Debtors - Head office (a)	51,009,177	37,326,686
	Less : Specific Impairment of Head office debtors	(15,404,568)	(15,404,568)
	Trade Debtors - All Estates (b)	130,332,495	131,312,469
	Less : Specific Impairment of estate debtors	(49,128,420)	(49,128,420)
	Other Receivables - Head office	30,966,259	22,173,326
	Other Receivables - All Estates	36,250,601	48,930,252
		<u>184,025,544</u>	<u>175,209,745</u>

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	27,487,452	13,720,320
	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	2,708,940	2,793,581
		<u>35,604,609</u>	<u>21,922,118</u>
b).	මෙහිදී ණයකරුවන් - චක්‍රයායට පහත දැ ඇතුළත් වේ.		
	Sundry Debtors	33,891,252	28,869,877
	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	726,644
	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
	Other Debtors	50,386,393	54,457,563
		<u>81,204,075</u>	<u>82,184,050</u>

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALANTS	As at 31.12.2020	As at 31.12.2019
Favourable Balances :	Rs.	Rs.
Cash in hand and at bank		
- Head Office	43,342,178	36,406,748
- Estates	2,544,796	1,306,864
	<u>45,886,973</u>	<u>37,713,613</u>
14 CONTRIBUTED CAPITAL	As at 31.12.2020	As at 31.12.2019
	Rs.	Rs.
Government Contribution	3,263,262,947	3,263,262,947
Land Contribution from Government	2,616,589,903	2,616,589,903
	<u>5,879,852,850</u>	<u>5,879,852,850</u>

Total Government contribution consists of cash received from government(Treasury) and the lands transferred to Sri Lanka State Plantations Corporation by the government through gazette notifications. During the year Under review treasury grants of Rs. 222 Million received for operational expenditures of the SLSPC.

15 EMPLOYEE BENEFIT OBLIGATIONS	As at 31.12.2020	As at 31.12.2019
	Rs.	Rs.
Opening Balance - Estates	397,512,100	324,998,628
- Head office	20,127,083	14,599,498
Gratuity Adjustment	67,350,179	33,828,923
Provision for the Year	30,226,545	80,087,086
Under Provision / Overprovision Adjustment (Estates & H/O)	(786,831)	(18,349,821)
Transferred to Gratuity Payable	(37,774,172)	(14,384,929)
Payment During the Year	(7,145,102)	(3,140,202)
Other Transaction	(218,183)	
	<u>469,291,620</u>	<u>417,639,183</u>

Sri Lanka State Plantations Corporation				
NOTES TO THE FINANCIAL STATEMENTS				
16	TRADE AND OTHER PAYABLES		As at 31.12.2020	As at 31.12.2019
			Rs.	Rs.
	Head office (a)		316,061,332	296,618,062
	Estates (b)		1,046,004,128	1,020,004,690
	Non Operative Balance		1,933,044	1,933,044
			1,363,998,504	1,318,555,797
a).	Trade and other payables for Head office includes the following		As at 31.12.2020	As at 31.12.2019
	Advance - Opalgala (Lease Advance)		4,480,000	4,480,000
	Timber Advance		786,379	786,379
	Poly Chemix		715,389	715,389
	Perth Estate		6,870,411	6,932,399
	Janatha Estates Development Board (JEDB)		97,709,342	97,709,342
	Advance Received Made Tea Brokers		1,513,477	16,030,780
	Advance Received - Green Leaf Buyers		5,742,978	11,756,571
	State Resources Management Corporation		28,709,029	28,709,029
	Fertilizer Corporation		35,931,679	35,931,679
	Chilaw Plantation		36,410,959	34,810,959
	Loan - Lanka Mineral Sands		25,000,000	25,000,000
	Accrued Expenses		13,527,699	5,576,019
	EPF/ESPS/CPPS Payable		17,789,938	6,340,558
	E.T.F		1,226,571	157,034
	Other Payables		36,846,482	18,880,925
	Credit On Tree Sales		2,801,000	2,801,000
	Total		316,061,332	296,618,062
b).	Trade and other payables for Estates includes the following		As at 31.12.2020	As at 31.12.2019
	Sundry Creditors		34,047,026	70,854,109
	Elkaduwa Plantation		172,137	172,137
	Refundable Tender Deposits		6,379,570	6,379,570
	Other Liabilities		15,594,104	21,325,404
	Trade Unions		7,428,863	6,595,773
	Staff and Workers Payables		49,177,269	33,408,555
	Prov. for Audit Fees & Insurance		8,673,278	7,289,573
	E. P. F. Payable		413,339,668	421,921,940
	E.S.P.S Payable		16,625,046	7,552,308
	C.P.P.S. Payable		24,954	128,830
	E.T.F. Payable		23,804,025	14,380,082
	Gratuity Payable		402,314,300	364,540,128
	Accrued Expenses		1,018,144	1,489,328
	Attendance Bonus Payable		2,036,935	1,843,993
	E.P.F Surcharges Payable		43,640,418	42,020,364
	E.T.F Surcharges Payable		2,658,745	1,195,465
	Gratuity Surcharges Payable		14,296,172	14,525,548
	Other Payables		4,773,473	4,381,580
	Total		1,046,004,128	1,020,004,690
16.1	Loan		100,000,000	-
We have obtained the above from Peoples Bank to cover our cashflow deficits during April and May 2020. This loan was guaranteed by the General				

Sri Lanka State Plantations Corporation

NOTES TO THE FINANCIAL STATEMENTS

17	REVENUE	31.12.2020	31.12.2019
		Rs.	Rs.
	Tea	327,616,538	233,893,034
	Green Leaf	419,437,439	292,842,800
	Minor Crops	11,544,276	2,262,052
	Rubber	8,237,326	6,935,151
	Total Revenue	<u>766,835,580</u>	<u>535,933,037</u>

Tea Sales Includes Income received from Sale of Made tea at Colombo tea auction, sales income from Sanstha tea and income from Refuse tea sold.

18	OTHER INCOME	31.12.2020	31.12.2019
		Rs.	Rs.
	Tree Tender	97,038,052	55,499,615
	Lease Rentals	36,042,725	28,019,892
	Management Fee	17,174,029	15,743,339
	Interest Income	2,201,642	2,324,060
	Income from Hunnas Water Falls Leisure Park	712,535	1,332,494
	Other Income - Estates & Head Office	3,442,121	3,132,140
	Guest Bungalow Income	1,867,178	923,195
	Total Other Income	<u>158,478,281</u>	<u>106,974,735</u>

19	ADMINISTRATION EXPENSES	31.12.2020	31.12.2019
		Rs.	Rs.
	Personnel Cost	48,550,223	46,850,831
	Defined Contributions - EPF, CPPS & ESPS	7,071,270	4,500,999
	Defined Contributions - ETF	1,540,406	1,125,250
	Depreciation - Head office	1,303,308	1,073,658
	Gratuity Expense Head office and Estates	30,226,545	33,828,923
	Sale Expenses	13,927,535	6,826,920
	Other Administration Cost - Estates and Head Office	78,268,055	71,267,271
	Total Administrative Expenses	<u>180,887,340</u>	<u>165,473,851</u>

20	FINANCE EXPENSES	31.12.2020	31.12.2019
		Rs.	Rs.
	Commissions on Cash	5,597,184	5,049,882
	Interest on Tea Brokers' Advances	2,015,159	3,767,109
	Bank Charges	239,718	72,139
	Bank O / D & Bank Loan Interest	19,848,781	10,221,274
	Other Loan Interest - Chilaw Plantation	1,600,000	1,600,000
	Total Finance Expenses	<u>29,300,841</u>	<u>20,710,404</u>

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 twenty four years (1995 to 2019) SLSPC has made 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	
		2020
		2019
		Rs.
		Rs.
	Outstanding Balances:	
	Payable to	
	State Resources Management Corporation	28,709,029
	Fertilizer Corporation	35,931,679
	Chilaw Plantations	36,410,959
	Lanka Mineral Sands Limited	25,000,000
	Elkaduwa Plantation	172,137
	Janatha Estates Development Board (JEDB)	97,709,342
	Perth Estate	6,870,411
	Receivable from	
	Elkaduwa Plantation	1,916,092
	Janatha Estates Development Board (JEDB)	41,071,407
	Janatha Estates Development Board (JEDB)	1,668,269
23	COMMITMENTS AND CONTINGENCIES	
	As at date over 697 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 2020 too, SLSPC continued to pay from the own funds for the Legal court cases coming up weekly. Simultaneously from 01.01.2017 steps were taken to pay the EPF & ETF contributions on a monthly basis and paid up to July 2019 without any delay. During the year 2020 we have paid the contributions for three months.	
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 ADJUSTMENTS	
	Prior year adjustments includes the following transactions relating to the previous financial years and these adjustments were made during this year by the plantations.	
	Details	2020
		Rs.
		2019
		Rs.
	Gratuity (Surcharges, Under / Over Provision)	-
	Other Expenditures/Adjustments	(4,886,661)
		163,532,580
		10,158,950
	Total	(4,886,661)
		173,691,530

My No: PAL/C/SLSPC/01/2020/11

Date: 16th December 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 2020 in terms of the Section 12 of the National Audit Act No: 19 of 2018

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 2020 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 reported 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 2020 and its financial performance and cash flow statement for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Adverse Opinion

1.2.1 Noncompliance with the Sri Lanka Accounting Standards.

- (a) Although it should be made a clear disclosure of the bailed assets in financial statements, in terms of the (a) and (b) of the paragraph 07 of the Sri Lanka Financial Reporting Standard No.07, as of 31 December in the year of review, the bank overdrafts of value Rs. 101,282,759 for the bailed assets related to Fixed Deposits, no such disclosure had been made.

(b) Although it should be made a clear disclosure of the cash flow, which are generated through financial activities in terms of the (a) and (b) of the paragraph 07 of the Sri Lanka Financial Reporting Standard No.07, due to the reason of non- mentioning of the loan of value Rs. 100,000,000 obtained in year under review by the corporation has not been identified in the financial activity and the generated cash flow was not deducted from that value.

(c) in terms of the paragraphs 42 and 43 of Sri Lanka Accounting Standards No. 08, the errors made in the previous years should be corrected in the comparative information presented with the reviewed year after retrospective adjustments, but the accounting errors of Rs.4,886,661 and Rs.10,158,950 in the year 2019 stated in the statement of changes in liabilities during the year of review. There was no comparative adjustment in the statement of financial position as per the standard.

(d) in terms of the paragraph 37 of Sri Lanka Accounting Standards No. 13, the freehold land and 11,178 hectares of land belonging to 14 estates of the corporation, which were Rs.645 million in the statement of financial position for a period of more than 10 years, were not valued and accounted for at fair value.

(e) Fully depreciated assets costing Rs. 271,701,475 had not been recalculated and accounted for at fair value in terms of the paragraph 34 of Sri Lanka Accounting Standards No. 16.

(f) In terms of the paragraph 37 of Sri Lanka Accounting Standards No. 16, although the types of fixed assets, such as computers, equipment, furniture and fixtures in the estates belonging to the corporation in the statement of financial position for the year under review, despite the fact that only assets of similar nature and use should be segmented and accounted , all the fixed assets were shown in the financial statement of position under the single item of equipment, furniture and fixtures.

(g) The following disclosures have not been made in relation with investment properties of Rs.1, 611,520,641 mentioned in the Sri Lanka Accounting Standards No. 40.

- I. Whether there are contractual obligations relating to the purchase, construction, development, repair, maintenance or improvement of the said investment property as per paragraph 75 (h).
- II. Of property granted to the Corporation by Government Gazette No. 181/12 dated 27 February 1982, in terms of paragraph 78 (a), notwithstanding that the financial statements shall disclose a description of the investment property.

- (h) In terms of paragraph 4 (a) of Sri Lanka Accounting Standards No. 41, although forestry, should be accounted under consumptive biological assets, forestry cost Rs. 35,642,201 has been accounted under host biological assets.
- (i) In terms of the Paragraph 12 of Sri Lanka Accounting Standards No. 41 it has mentioned that consumer biological assets should be measured at fair value, but the plantations of the corporation spread over 726.73 hectares in 11 estates at the end of the year under review were stated as Rs. 3,314,581,133 in the statement of financial position without valuation or valuation at a fair value. Meanwhile, a depreciation value of 4 percent was erroneously also accounted for as depreciated value. Further, in the year under review, considering this crop as mature crops, Rs. 1,182,710 as the depreciated value was shown under expenses in the income statement, the loss of the corporation was also overestimated by that figure.
- (j) In terms of the paragraphs 43, 44 and 45 of Sri Lanka Accounting Standards No. 41, biological assets should be presented separately as mature and immature plantations, but statement of financial position disclosed under non-current assets of in the year under review, Rs. 193,172,503 biological assets were not classified and submitted accordingly.

1.2.2. Accounting Policies

In terms of the Accounting policy shown in note No. 3.1.4.2 of the financial statements, though it has mentioned that the consumer biological assets have been disclosed at a fair value, the financial statement of the year under review had shown as the same value as in the year 2012 without assessing the consumer biological assets of Rs. 3,314,581,133 at fair value.

1.2.3. Accounting deficiencies

- (a) During the year under review, Contributions made by the corporation of Rs.187,457 to the Estate Staff Provident Society (ESPS), Rs. 175,483 to the Employees' Provident Fund (ETF), Rs.194,753 to the Employees' Trust Fund (EPF) and Rs. 319,722 The Ceylon Planters' Provident Society Provident Society (CPPS) has been accounted twice and as a result the relevant payable amount has been calculated beyond the amount and also the cumulative cost of Rs. 877, 414 also has been calculated beyond the value.
- (b) Due to accounting on cash basis, the income received for the road provided by the Corporation on tax basis for Hunnasfall Hotel, the other income was overstated by a value of Rs. 6,007,640 in the year under review.

- (c) Mobile Liabilities have been understated, due to an amount of Rs. 4,123,787 has been mentioned by subtracting in the Financial Statements, which is the amount of bank overdraft balance of the Mobile Account No. 2327550, carried out by the corporation in the Bank of Ceylon, Hidepark Corner Branch.
- (d) The corporation had included a stock of mosquito rods value of Rs. 1,609,054 based on the book value of the year 2017 without physically verifying it, in the financial statements of the year under review.
- (e) The assets of the corporation were overstated by Rs. 3,594,787 due to the identification of non-existent plant nurseries belonging to 05 plantations in the financial statements of the year under review, and also the loss was understated by the same amount.
- (f) The statement of cash flows had been prepared with the following accounting deficiencies:
 - (i) In relation to the year under review of the Corporation, the change in trade payables was Rs. 45,442,707, but it was concerned as Rs. 172,413,700 in the cash flow statement, the net cash flow generated from operations had increased by Rs. 126,970,933.
 - (ii) 5. Employee gratuity payments in cash for the year under review were Rs. 10,159,690 as per the schedule provided, but since the amount identified under operating activities in the cash flow statement, it was Rs. 7,145,102 and as a result, the cash flow generated from operations was calculated by more of Rs. 3,014,588.

1.2.4. Un reconciled control accounts

- (a) The debt owed by the corporation to the Janatha Estates Development Board is Rs. 97,709,342 as per the financial statements, and the receivable value as of December 31, 2020, is Rs. 119,318,495 according to the ledger accounts of the Janata Estates Development Board. Accordingly, a difference of Rs. 21,609,153 was observed between the respective values.
- (b) A non-offsetting difference of Rs. 75,579,590 (debit) was observed in the current account maintained for the exchange of goods and cash between the head office and estates.

1.2.5 Unexplained Changes:

- (a) It was observed a difference of Rs. 168,874,507 between the fixed asset register and the relevant ledger accounts relating to property, plant, and equipment shown under non-current assets in the statement of financial position, and a difference of Rs. 2,420,933

between the consumable biological asset register and the relevant ledger accounts relating to consumable biological assets.

- (b) It was observed a difference of Rs. 12,043,774 and Rs. 1,525,154 between the balance shown in the financial statements and the balance shown as the net book value and accruals of host biological assets respectively, as per the schedule maintained by the head office.

1.2.6. Receivable and payable accounts

- (a) In accordance to the credit period analysis of the corporation, the unsettled balance from 1 year to 4 years was Rs. 363,323,605, and the unsettled balance beyond 5 years was Rs. 700,185,731 and due to that unsettlement of the balances, a risk of being overestimating of the liability of the corporation.
- (b) Due to non-payment of contributions to the Estate Staff Provident Fund (ESPS) and the non-settlement of Rs. 16,625,046 as on the date under review, provision was not made for surcharges to be paid for these liabilities.
- (c) There was a risk of overestimating of the liability of the corporation due to not settling or writing off the advance value of timber, an amount of Rs. 786,379, which was carried out 8 years ago.
- (d) Of the debtor balances of Rs. 169,523,942 indicated under current assets in the statement of financial position, the balance between years 02 and 04 was Rs. 1,984,314 or 0.7 percent, and the balance beyond the years 05 was Rs. 87,063,235 or 50 percent. Uncertainty of recovery was observed due to the fact that the corporation had not taken effective measures to recover these debtor balances in the year under review, and the corporation had not taken steps to allocate partial credit for those balances.
- (e) On October 15, 2014, the corporation had given a loan of Rs. 6 million to the Alkaduwa Plantation Company without entering into an agreement, and since the year 2015, the corporation had not taken steps to allocate partial credit for the unpaid balance of Rs. 1,916,092 due to the failure of the company to pay the aforesaid loan.

1.2.7 Lack of evidence for audit

- (a) An inactive balance of Rs. 1,933,043, which existed before the year 2012, was stated as trade and other payables in the current liabilities of the statement of financial position in the year under review, and no explanation of this balance was submitted to the audit.
- (b) Due to the poor financial condition of the corporation, the balance confirmation for 06 creditor balances of Rs. 174,415,850 and the balance confirmation and late balance settlement reports for 29 debtor balances totaling Rs. 101,184,952 were not submitted to the audit.

- (c) The relevant valuation reports, invoices, information of the suppliers, and sales agreements, etc., were not submitted for the audit to confirm of an amount of Rs. 2,801,000, which is the credit value of the sale of the trees.
- (d) A balance of Rs. 6,379,570 as refundable tender deposits belonging to 12 estates from the year 2006 was also shown under current liabilities in the statement of financial position in the year under review, and documentary evidence was not submitted to the audit to confirm these balances.
- (e) An adequate explanation was not submitted to the audit regarding the credit balance of Rs. 67,350,179 adjusted to the gratuity allocations.
- (f) In the statement of financial condition, the necessary documentary evidence was not submitted to the audit to confirm the value of the forest management cost of Rs.1,645,340 and other assigned assets of Rs.6,705,259 which have been carried forward from the previous years under property, plant and equipment.
- (g) In the statement of financial condition, land worth Rs.649,377,816, an amount of Rs.187,748,858 for deeds/permits for buildings and valuation reports, and amounting to Rs.148,535,052 for registration certificates for vehicles, an amount including of all Rs.1,149,166,505 for, which have been carried under property, plant and equipment are not submitted for audit
- (h) The necessary documentary evidence was not submitted to the audit to prove the facts that led to the identification of Rs.781,064 under deferred assets, which were the funds given for the modernization of roads in Alakolla, Galpilla, Hunnasingiriya and Rangala estates of the corporation.
- (i) The physical verification was not done of the consumer stocks including fertilizer and chemicals etc. worth of Rs. 4,870,669.
- (j) The necessary documentary evidential schedules was not submitted to the audit to confirm the debtor balances worth amounting of Rs. 25,878,517 as of the last date of the year under review, to confirm that from whom these balances should be recovered and the amounts of those balances.
- (k) It was not possible to check the accuracy due to non explanation of the basis of allocation of partial credits of an amount of Rs. 1,591,349 and allocation for special compensation of an amount of Rs. 47,537,070, which was shown in the Financial statement of the year under review and also existing beyond 2012 as shown by subtracting from the debtor balance.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SL Au Ss). My responsibilities, under those standards are further described in the Responsibilities of the Auditor 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 Other Information's that included in the Annual Report of the Corporation

By other information it meant that the details which are included in the Annual Report of the Corporation for the year 2020, but expected to provide me after the date of the submission of this Audit Report and the information in relation to such details in my Audit Report. For these other information the management should be responsible.

My opinion in relation to the Financial Statements are not uncover the other information and I do not make any kind of confirmation or statement of any notion regarding that.

In relation to the my Audit on Financial Statements, my responsibility is reading the identified aforesaid other information when obtained, and when doing so considering if the other information are quantitatively compatible with the financial statements by I gained through Auditing or other kinds of knowledge.

When reading the Annual Report – 2020 of the Corporation, if I notice any kind of quantitative errors, it should be communicated with the relevant parties for rectification. Even after that, if such errors are remaining without rectifying, in terms of the Article 154(6) of the Constitution it will be included into the report, which is to be tabled in the House of Parliament in due course.

1.4 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 ability of the Corporation 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 financial reporting process of the Corporation.

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. Responsibility of the Auditor 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 report of the auditor 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 report of the auditor 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 report of the auditor. 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 Any member of the Board of Directors of the Corporation has any relationship, directly or otherwise, outside the ordinary course of business in connection with any agreement with the Corporation except as mentioned below in accordance with the requirements mentioned in Article 12(d) of the National Accounts Act No. 19 of 2018.

2.2.2 Acting contrary to any written law or any other general or special order issued by the Board of Directors of the Corporation except for the observations mentioned below in accordance with the requirements mentioned in Article 12 (f) of the National Accounts Act No. 19 of 2018,

Reference to legal regulations/ regulatory procedures	Observations
(a) Public Enterprises Circular No. 1/2015 dated 25th May, 2015	Although the MM category officers are not eligible to get vehicle pass, the Corporation in the year under review for two posts in that category Rs. 1,200,000 as an official vehicle worth Rs. 394,560 worth of fuel allowance has also been provided.
(b) 1.2 Section of Public Enterprises Circular No. PED 01/2020 dated 27th	Even though the monthly fuel allowance of the Chairman is 150 litres, he has exceeded

January 2020	that limit by Rs. 280,907 worth of 1,843 liters has been approved from the Board of Directors on 26th August 2020.
(c) Board of Directors Memorandum No. SLSPC/201617/May/10/10BP/146	In special cases where the monthly fuel allowance for the general manager is not sufficient, in spite of the sanction of 120 liters of fuel in addition to the monthly fuel allowance, 1909 liters of fuel has been procured in 2020 in violation of that limit and the total revenue is Rs. 279,282.
(d) 3.1 section of General Administrative Circular No. 30/2016 dated 29 December 2016	No such fuel consumption test was conducted for 55 vehicles used by the Corporation, although each vehicle is required to undergo a fuel test within 12 months or after running for 25,000 km or after major overhaul of the engine, whichever occurs first.
(e) 1645 (a) of the Finance Ordinances of the Democratic Socialist Republic of Sri Lanka and Article 3 (Xii) of General Administrative Circular No. 11/2006 dated 14 July 2006	Although a vehicle log book is required to be maintained by the officers in charge of the vehicles belonging to the Corporation, such vehicle reference books are not maintained for 55 vehicles belonging to the Corporation.
(f) Section 15 of the Employees' Provident Fund Act No. 15 of 1958 and Section 16(i) of Part ii of the Employees' Trust Fund Act No. 46 of 1980.	Since the year 2006 till the end of the year under review Rs. 413,339,668 worth of Employee Provident Fund liability of Rs. 23,804,025 has not been taken up for payment of employee trust liability and as a result during the year 2019 the corporation has Rs. 43,640,418 and 2,658,745 worth of excess levy was levied.
(g) Sub-section (5) (1) of section (ii) of the Payment of Gratuity Act No. 12 of 1983.	Although the gratuity is expected to be paid within 30 days from the date of retirement or death of an employee, due to non-payment of such gratuity by the corporation on the said date, the balance of gratuity account as on 31st December 2020 is Rs. 402,314,300 with a deficit of Rs. 14,296,172 as excess levy was payable.
(h) Section 2 (a) of Assets Management Circular No. 01/2018 dated 19 March 2018 and Section 02 of State Finance Circular No. 02/2015 dated 10 July 2015.	Actions to sell a total of 58 vehicles including 20 lorries, 24 tractors and trollers, 09 cars, 03 jeeps, 01 ambulances, 01 three-wheelers and 36 motorcycles belonging to the corporation but which are not suitable for use, have not been carried out till 17th December 2022.
(i) 395 (b). of Finance Regulations of the Democratic Socialist Republic of Sri Lanka	Although the bank reconciliation statement was supposed to be prepared on or before the 15th of the following month after the

	completion of one month, but the date was not mentioned in the reconciliation statement prepared by the corporation, it was not possible to examine whether it was done according to the regulations and the bank reconciliation statements and bank statements related to 14 bank accounts were not submitted for audit.
(j) Section 113 of the Inland Revenue (Amendment) Act No. 10 of 2006	Any individual or partnership business shall file a self-assessment tax return with the Inland Revenue Department at the end of the quarter on or before 15th August, 15th November, 15th February and the 15th day of the next assessment year or 30th September of the next year if the balance of tax remains unpaid before that. 2021 assessable income tax is not due till 31st December 2021 and income tax liability is not calculated.
(k) Section 113 of the Inland Revenue (Amendment) Act No. 10 of 2006	Although the income tax return is supposed to be submitted to the Income Tax Department on or before November 30 of the following year, the corporation has not submitted the income tax return for the assessment year 2020/2021 to the Income Tax Department until December 30, 2021.
(l) Section 5 (2) of Public Finance Circular No. 01/2014 dated 11th February 2014 and Section 5.1.3 of Public Enterprises Circular No. 12 dated 02nd June 2003	15 days before the commencement of the financial year, a business plan containing expected business activities to be implemented in the next financial year should be prepared and submitted to the Ministry of Programmes, Department of Public Enterprises, Treasury and Auditor General with the approval of the Board of Directors, but no such report has been prepared by the Corporation.
(m) Section 5 (2) of Government Finance Circular No. 01/2014 dated 11th February, 2014	Based on the business plan, an action plan containing the business activities expected to be implemented in the next financial year should be prepared by the corporation, but no action plan for the year 2020 has been prepared by the board of directors.
(n) Public Enterprises Circular No. 12 dated June 02, 2003	Although performance reports and progress review reports are supposed to be prepared and submitted on half-yearly and annual basis, the Corporation has not prepared such reports.
(i) Section 4.2.3 and 4.2.6	

(ii) (ii) Section 5.2.5	After preparing the annual budget 15 days before the start of the financial year and getting the approval of the Board of Directors, it was supposed to be submitted to the Ministry of Public Enterprises Development, the Department of Public Enterprises, the Treasury and the Auditor General, but the corporation delayed preparing the annual budget and submitted it to the concerned organizations on February 12, 2020, approved by the Board of Directors.
(o) Article 7 of the Guidelines on Transfer of Land No. SAI/A/01/34 issued by the President's Secretariat on 25 July 1995	Although the lease rent is to be determined on the basis of the market value determined by the State Chief Valuer while leasing the government lands, the Corporation has not received the government valuation till March 02, 2022 for the 02 Routes 2.87 Perches land leased to the Independent Television Company and the 2 Route 6 Perches land granted to the Hunnespol Hotel Limited and the 1 Route 39.07 Perches land of the Opalgala State Estate. As the annual lease rent was not calculated on the basis of actual market value as determined by the Chief Assessee while granting on lease basis to Dialog Broadband Company Rs. 6,853,120 was observed as loss of lease rental income.
(p) Sub-section 07(1) of the Sri Lanka State Plantations Corporation Amendment Act No. 49 of 1979	A land measuring 2 roots 6 purchas from Hunnesgriya Estate was given to Hunnespole Hotel on lease basis for a period of 50 years without prior approval of the Minister.

2.2.3 Acting in a manner inconsistent with the authority, function and functions of the corporation as per the requirements mentioned in Section 12 (a) of the National Audit Act No. 19 of 2018.

2.2.4 The resources of the Corporation have not been procured and used economically, efficiently and effectively in accordance with the relevant legal regulations within the specified period except for the observations mentioned below in accordance with the requirements mentioned in Section 12 (A) of the National Accounts Act No. 19 of 2018.

As per Section 4.2.1 of the Government Procurement Guidelines, matters such as level of authority, proposed date of commencement and proposed plan of completion are not covered in relation to purchase of fixed assets for estates.

3. Other audit observations

3.1 Performance

(a) According to statistics from the Ministry of Plantations, although the annual produced tea yield per hectare in Sri Lanka in 2020 was 1377 kg, the yield in the 15 estates managed by the corporation was very low, ranging between 103 and 992 kg.

(b) Though the Corporation owns 4189 hectares of tea plantation area, out of which 2838 ha is tea plantation older than 100 years. Also, attention has been given to resume tea cultivation in an area of 135 hectares.

(c) The total manufactured tea production from the 1356 hectares of land allotted to outgrowers was 99,850 kg in 2019 and it was 157,987 kg in 2020, despite the fact that as per the tea factory data presented by the Ministry of Horticulture, the annual normal manufactured tea production of the said area was 1,867,212 kg. It was observed paradoxically that outdoor gardeners produced only 8 percent of the total produce.

(d) Although the expected tea production of the Corporation in 2020 was 1,814,592 kg, the actual production for the year was 1,584,373 kg. This is 87 percent of expected production.

(e) According to the data uploaded by the Tea Export Council for the year 2020, the normal selling price per kilogram of tea is Rs. 631, but this value of the Corporation were less like Rs. 386 to Rs. 470 and 470.

(f) Out of the total area of 11,012 hectares of the extends of Corporation's 17 plantations, 4,189 hectares of land was used for tea, 65 hectares for mulberry and 2471 hectares for minor export crops and forestry. The remaining 4288 hectares of land, i.e. 39 percent, is not used for any income generating activities.

(g) The final tea production of the Corporation in 2012 was 1,911,616 kg, which was 1,742,360 kg in the year under review, and it shows a decrease of 169,256 kg, or 09 percent, in five years, which is 30 percent of the accepted yield in 2020.

(h) According to the data of the Rubber Research Institute, the number of rubber trees per hectare was supposed to be 516 in 2020, but the Wahalanduwa plantation had only 18,634 rubber plants, even though it was supposed to have 33,540 rubber trees on 65 hectares of land. . It is 55 percent of what it should be. In 2020 the normal rubber production per hectare is expected to be 608 kg but the normal rubber production of Wahalanduwa plantation is 456 kg, which is the 75 percent of the average production.

3.2 Staff Management

(a) As per letters dated 25th July 2017, 13th October 2017, 21st December 2018 and 09th October 2019 of the Department of Management Services, as of 31st December 2019 though there are supposed to be the approved staffing of the head office of the Corporation was 109 permanent registrars, 03 contract based posts and 2 temporary posts, as on 31st December 2020, there are 19 vacancies in permanent posts, 04 posts that have been recruited in addition to the approved staff, 08 posts have been appointed on contract basis in addition to the approved staff, 2 posts are vacant and 02 temporary posts are vacant. In addition to this, the officers recruited in addition to contract staff during the year under review had been paid Rs. 3,126,189 and for appointments in addition to permanent staff Rs. 2,417,804 as salary and allowances.

(b) In accordance with Section 5.2 of Section 11 of the Rules of Procedure, where a vacancy occurs in any post, a permanent officer is required to be appointed immediately, but for the post of Manager – Legal, which has been vacant since 2008, an officer appointed on contractual basis without appointing a permanent officer, in the review year, Rs. 220,609 has been spent.

(c) As per Section II of the Management Services Circular No. 3/2018 dated 18th of 2018, for the officers recruited on contract and permanent basis for 07 posts without prior approval of the Department of Management Services during the year under review Rs. 3,051,901 has been spent by the Corporation.

(d) The Corporation had not a proper approved procedure of recruitment to a new post of the corporation, which includes the educational qualifications, and other qualifications in terms of the 9.3.1 paragraph of the Public Enterprises Circular No. 12 dated 2nd June 2003.

(e) As per Section 3 of the II paragraph of the Establishments Code, for recruitment of all the positions in the public service, applications should be called through a public notice, 04 new recruitments have been done without calling applications through a public notice.

3.3 Management Activities

(a) It was observed that unauthorized residents are resided in relation to the Kandy, Galle and Matale Districts, which are administered by the Corporation, about 450 perches in 08 Estates and 2 Quarters of Midland Estate and 2 Quarters of Hunnasgiriya Estate, approximately for 28 years.

(b) Actions were not taken to recover the lease income of an amount of Rs. 8,91,700 for the leased property by the corporation at the end of the year under review.

Signed Illegibly

W.P.C. Wickramarathna

Auditor General

07 recruitments and 02 promotions have been made in the head office without the approval of the Board of Directors and other.

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 (Draft)

Answers/ Explanation to the Audit Paras of the above Report

1.2.1 Noncompliance with the Sri Lanka Accounting Standards.

- a) These deficiencies which occurred in the preparation of the 2020 (a)(b) financial statements have been corrected in the preparation of the 2021 financial statements.
- b) We would like to inform you that necessary arrangements will be made to prepare the financial statements for the year 2022 in order to do not occur deficiencies mentioned in the audit report.
- c) Of the lands owned by the corporation, only the Walahanduwa Estate is estimated to be Rs. Mr. 620 and including that value too, and the money spent on the development of other lands in 1996, in the financial statements related to the year 2020, the total asset value under property, plant and equipment in the statement of financial condition is mentioned as Rs. 645 Million. Related activities have been started now, with the valuation department for the valuation of other lands. It is expected to obtain the amount spent for this process from the Treasury and we would like to inform that these activities will be started as soon as the provision is received.
- d) We would like to inform that the revaluation of fixed assets, which have zero value, are planned to be done in the year 2023.
- e) Please be informed that this error which occurred during the preparation of the 2020 financial statements will be corrected during the preparation of the 2022 financial statements.
- f) This error occurred during the preparation of the 2020 financial statements has been corrected during the preparation of the financial statements for the year 2021.
- g) Please be informed that the life expectancy method is expected to be used in the calculation of employee benefit obligations of the relevant institution for the year 2023.
- h) Please be informed that the value of the property leased by the corporation to local plantation companies is shown in the financial statements as an investment property, and details of such property and contractual obligations will be disclosed in the financial statements for the year 2022.

- i) This error in the preparation of the 2020 financial statements has been corrected in the preparation of the 2021 financial statements.
- j) Please be informed that the valuation of consumer biological assets owned by the Corporation is expected to commence in the year 2023. The depreciation value that was wrongly accounted for in relation to forestry has been corrected during the preparation of the financial statements for the year 2021.
- k) Please be informed that this error will be corrected during the preparation of the 2022 financial statements.

1.2.2. Accounting Policies

It is to be informed that the assessment of commercial timber plantations under consumable biological assets will be started in the year 2023.

1.2.3. Accounting deficiencies

- a) Rs. 877,414, which was overcalculated, as mentioned in the audit report, has been corrected while preparing the financial statements for the year 2021.
- b) We would like to inform you that financial statements related to the year 2022 will be prepared so that the deficiencies mentioned in the audit report do not occur.
- c) As the bank had agreed to write off 50% of the interest charged by the bank for a bank overdraft that existed before the year 2012 under the current account of the Bank of Ceylon account number 2327550 belonging to the corporation, accordingly the amount of Rs.4,123,000 was removed from the books. However, this problem has been arosed due to the bank's delay in writing off the amount from the books. So far, the Bank of Ceylon has issued a letter dated 03.03.2022 regarding the reduction of interest, and accordingly, the issue has been resolved. **(Annexture 01)**
- d) Rs. The stock of 1,609,054 mosquito rods was sold by tender in the year 2021 and the corresponding accounting adjustments were made in the year 2021.
- (e) Please be informed that a committee is expected to be appointed in the year 2023 to inspect the failed tea plant nurseries and further work is expected to be carried out on the recommendation of that committee.

- (f) Financial statements related to the year 2021 have been prepared so that there are no errors of such type mentioned in the I.II audit report.

1.2.4. Un reconciled control accounts

(a) Please be informed that the difference between these balances will be resolved after discussing with the Janatha Estates Development Board.

(b) Please be informed 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

a) Since the officer who was the Estate Superintendent of the Gomara estate belonging to the corporation was promoted and assumed the duties as the General Manager of the institution on 26.02.2017, this balance issue has occurred due to the gratuity allocation for that officer was not transferred from the Gomara estate to the head office. However, as a whole, we would like to inform you that this has not affected the allocation balance for gratuities of the corporation, and we would also like to inform you that the relevant adjustments have been made so far.

b) Under Note No. 9.1 of the Statement of Financial Position as of 31/12/2020 as the value of consumable biological assets is Rs. 3,314,581,133, and the manner in which the amount has been calculated is given below.

Value of Commercial Forestry in Estates owned by the Corporation as on 31/12/2017=
3,312,160,200.00 (+)

The amount spent by the corporation on plantation commercial forestry in the year 2018=
2,420,932.89

Total Amount

3,314,581,132.89

- a) The institution does not maintain a fixed asset register for the above consumable biological assets. The report on how the calculation was made of Rs. 2,420,933 amount is in the possession of the institution and that document shows how each estate has been processed and a certified copy of the same is attached herewith.(Attachment No. 02)
- b) Among the documents showing the details of the ledger accounts and fixed assets related to the property, plant, and equipment mentioned in the audit report, the difference of

Rs.168,874,507 is currently being checked, and please be informed that the corrections related to the fixed assets documents will be made during the preparation of the financial statements for the year 2022

- c) Please be informed that the differences between the balance shown in the financial statements and the net book value of the host biological assets according to the schedule maintained by the head office and the balances shown as additions are currently being checked, and the corresponding corrections will be made during the preparation of the financial statements for the year 2022.

1.2.6. Receivable and payable accounts

- a) Due to the financial crisis faced by the corporation for many years, it has not been possible to settle the balances of creditors properly. However, the details of all the creditors of the corporation are currently being checked, and accordingly, we would like to inform you that a decision is to be taken before the end of 2022 regarding the settlement of the belated creditors or the recovery of those balances as income.
- b) Due to the financial crisis that the Corporation has been facing for many years, it has not been able to send the dues to the Estate Staff Provident Society (ESPS). Please be informed that it is expected to get the money required for these payments from the Treasury, and after receiving the money, settlement of these payments will be possible.
- c) No refund of the money received (deposited money to be refunded) for tenders related to the sale of trees SLSPC/PL/TB/T-88/2010 and SLSPC/PL/TB/T-88/ 2011, was made due to a disputable circumstance between the said customers and the corporation. Keep informed that after checking the facts in the year 2023, the money will be accounted as income of the corporation or the money will be released to the relevant parties.
- d) An official committee has been appointed to check the details of the non-debtors and after receiving the details, another committee is expected to be appointed to make recommendations regarding the recovery of the money or writing it off from the books. Please be informed that the necessary activities will be carried out according to the decisions made by the board of directors for the recommendations of the committee.

- e) Keep informed that the amount of Rs.1,916,092 due from Alkaduwa Plantation Company will be discussed with the Ministry of Plantations and necessary arrangements will be made to write it off or recover it from the books.

1.2.7.Lack of evidence for audit

(a) In the statement of financial condition, current liabilities are included in, Rs. 1,933,043 and prevailing since before the year 2012, as the inactive account balance. keep informed that this will be re-checked and the relevant account adjustments will be made upon the necessary approvals during the preparation of the 2022 financial statements.

(b) The audit report mentioned Rs. 235,826,809 total creditor balance is made up as below. However, due to the bad financial situation of the institution, it has not been possible to settle this balance.

Description	Amount (Rs).
Advance - Opalgala	4,480,000
Poly Chemix	715,389
Perth Estate	6,870,411
Janatha Estates Development Board (JANAWASAMA)	97,709,342
Public Resources Management Corporation	28,709,029
Fertilizer Corporation	35,931,679
Chilaw Plantation Corporation	36,410,959
Lanka Mineral Sands Corporation – Loans	<u>25,000,000</u>
Total	<u><u>235,826,809</u></u>

The relevant institutions were informed to send the letters regarding confirmation of balance to the audit office located directly at the Janawasama Building, and it was mentioned in the letters to forward their copies to us. Accordingly, copies of the relevant letters have been sent to us only by Chilaw Plantation Company and Lanka Mineral Sands, so their copies are attached herewith.

(Annexure 03 and 04)

(a) However, as the balance confirmation letters were not sent by the other institutions, the annual financial statements were prepared considering that the balances are correct in the books of the corporation.

(b) The amount of Rs.2,801,000, which is a loan value on the sale of trees is a balance from before the year 2016 and we kindly inform you that this amount will be written off from the books after checking the nature of this balance, how long it has been prevailing as a balance and how it has been formed, upon the approval of the Board of Directors.

(c) The repayment of the Rs.6,379,570 tender deposit amount is the balance carried forward from before the year 2006. We would like to inform you that this amount is expected to be written off from the books in the year 2022 upon the approval of the Board of Directors.

(d) In this regard, we would like to inform you that account adjustments will be made in the year 2022 after checking.

(e) Please be informed that the mistake made in accounting the expenditure incurred in the year 2009 to prepare the management plan under property, plant, and machinery in the statement of financial condition is the amount of Rs.1,645,340 will be corrected in the year 2022. Also, the value of Rs. 6,705,259 is a balance carried forward from before the year 2010. It is expected to check how this balance has arisen and how it has been prepared and make the necessary account adjustments in the year 2022.

(f) We would like to inform that the existing documents of the institution regarding the land, buildings and vehicles owned by the corporation will be provided to the auditors who will come for the audit of the financial statements for the year 2021.

(g) Shown as deferred assets of the amount of Rs.781,064 is a balance from before the year 2012 and represents the expenses incurred for the maintenance of the access roads to the estates owned by the corporation. The manner in which the amount is worked out is given below.

Details	Amount Rs.
Alakolla Estate	9,013.00
Galpeella Estate	62,159.44
Hunnasgiriya Estate	588,762.33
Rangala Estate	<u>121,129.00</u>

Total 781,063.77

It was decided to write off these road maintenance costs in 2012 for 10 years on the advice of Ernst and Young audit firm. However, since the depreciation occurred due to the non removal of that amount for several years after 2012, and by 2021/12/31, Rs. 438,730 remaining balance.

(h) Copies of the verification reports related to the physical verification of fertilizers, chemicals and consumer materials required for plantation work in the plantations of Kotagaga, Gomara, Hebarak, Hunnasingiriya, Vaiitalawa and Walahandua as of 31.12.2020 are attached herewith. Also, it was reported to the Audit officers related on this matter. (Annexre 05)

)i(An official committee has been appointed to check the details of the non-debtors and after receiving the details, another committee is expected to be appointed to make recommendations regarding the recovery of the money or writing it off from the books. Please be informed that the necessary activities will be carried out according to the decisions of the board of directors for the recommendations of the committee.

(j) Since these balances are carried forward from before the year 2012, to check the way those values have been prepared and make relevant disclosures while preparing the 2022 financial statements.

1. 2. Report on Other Legal and Regulatory Requirements

2.2.2. Reference to Laws/Direction

(a) As mentioned in the audit report, transport allowances and fuel allowances were paid to the following officers in the year 2020.

R.I.B.S.S. Mr. Bandara - Internal Auditor (This officer has been resigned on 21.05.2021 from the service)

Mrs. B. V. L. C. Benaragama - Manager - Lands

Mr. R.C. Kahawita - Manager - Plantations

The relevant payments have been made on the approval of the Board of Directors.

Regarding the payment of this transport allowance, the transport and fuel allowance paid to the Manager - Land was stopped from January 2022 as per the letter sent from the Department of Public Enterprises dated 30.09.2021 and the decision of the Board of Directors.

- a) At the same time, Mr. R. C. Kahawita, who had been given an appointment as Estate Superintendent, served as Manager - Plantation on a work visit basis. As per his letter of appointment as an Estate Superintendent, he was given a transport allowance in lieu of the supervisory car as he was required to provide a car for surveillance purposes. A driver was not provided for it. Accordingly, instead of providing a surveillance vehicle without a driver, paying Rs. 50,000/- was more favorable to the Corporation.
- b) The amount of fuel required for the chairman of the corporation for estate supervision and other departmental duties has been included in the annual expenditure estimate for the year 2020 and has been approved by the board of directors. However, please be informed that the details regarding the fuel obtained for the vehicle of the Chairman in the years 2020 and 2021 beyond the relevant circular limits will be submitted to the Board of Directors meeting to be held on 26.08.2022 and will be approved.
- c) The amount of fuel required for the General Manager of the corporation for estate supervision and other departmental duties has been included in the annual expenditure estimate for the year 2020 and has been approved by the board of directors. However, please be informed that the details regarding the fuel obtained for the vehicle, of the General Manager, in the years 2020 and 2021 beyond the relevant circular limits will be submitted to the Board of Directors meeting to be held on 26.08.2022 and will be approved.
- d) No fuel combustion test has been done on the vehicles in running condition owned by the corporation up to now. According to the method to be followed to check the fuel consumption of the vehicles, the corporation has to spend a lot of money for this and according to the current adverse financial condition of the corporation, this is a difficult task. Also, there are problems related to checking the fuel consumption of vehicles such

as tractors owned by the corporation. However, we would like to inform you that in the year 2023, the work of checking the combustion of this fuel will be started.

- e) We would like to inform you that from the year 2021, log books will be maintained for the vehicles owned by the corporation.
- f) Due to the financial crisis that the corporation has been facing for a long time, these surcharges have to be paid due to the inability to pay employee provident contributions, employees' trust fund contributions and employee gratuities as scheduled. We are expecting to get money from the Treasury to settle these arrears and after receiving the money, we would like to inform you that we will settle the related payments.
- g) Please be informed that the disposal of unusable vehicles owned by the corporation will be started in the year 2023.
- h) From the year 2021, when preparing the monthly bank reconciliation statements, we have arranged to mention the dates on which they were prepared. Also, be informed that the auditors who come to check the financial statements of 2021 that will be provided the bank statements and bank reconciliation statements related to all the bank accounts belonging to the institution.
- i) 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 and the sending of income tax reports. Therefore, it is expected that the Board of Directors will be informed about this and take further action according to the instructions.
- j) We would like to inform you that we are preparing a business plan for the year 2023 of the corporation and an action plan based on that.
 - I. We would like to inform you that according to the action plan to be prepared for the year 2023, performance will be evaluated quarterly, semi-annually, and annually, and the reports will be sent to the relevant institutions.
 - II. Although there was a delay in the preparation of the budget document for the year 2020, the approval for the 2020 budget document was obtained in the

board meeting held on 12.02.2020. A copy of the budget document is attached herewith. (Attachment No. 06)

- k) It has been approved by the letter No: MPI/2/IND/98 and dated 18.12.1998 of the Ministry of Public Administration Home Affairs and Plantation Industry to lease 2.87 Rood 02 perches of Gammaduwa estate belonging to Sri Lanka State Plantation Corporation to Independent Television Company. A copy of the relevant letter is attached herewith. (Attachment No. 07)
- l) Approval of the Ministry of Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs by the letter No: MPI/2/SPC/Land and dated 15.08.1996 to lease 20 Rood 01 perches (as per plot no. 2196) of Hunnasgiriya estate belonging to the corporation to the Independent Television Company. A copy of the relevant letter is attached herewith. (Annexure No. 08)
- m) 40 Perches of Hunnasgiriya Estatem, to lease to People's Media Network (Private) Company in 2008 for signing the Lease Agreement by letter No.: PEMD/Ad/Ep/C/1 and dated 07.11.2007 of the Ministry of People's Estate Management and Development. A copy of the relevant letters is attached herewith. (Attachment No. 09)
- n) While leasing 2.87 rood and 2 perches of Gammaduwa estate belonging to the corporation to Swadhina Rupavahini, no lease agreement was signed with that company and due to this, no tax rent was charged based on the assessment of the government. In order to sign a lease agreement with that company, letters dated 23/12/2020 and 22/10/2021 have been sent to that company and no reply has been received so far. Also, a discussion was held at the head office of the corporation on 16.03.2021 in this regard with the Independent Television Network. Although the officials who came agreed and said that they would inform us of a date to sign the agreement, but since the arrangements were not made, we tried to contact the relevant officials over the phone, but it was unsuccessful. In between, the chairmanship of that institution changed several times. Due to such practical problems, it has not been possible to sign the relevant lease agreement until now. Therefore, we hope to resolve this issue with the support of the Ministry of Plantation Industries.
- o) A land of 02 perches of Road 06 has been leased to Hunnasfalls Hotel Limited from the Corporation's Hunnasgiriya Estate for the entrance road of the hotel for 50 years by lease agreement dated 08.08.2008 bearing No. 08. A Valuation report has not been obtained from the Valuation Department while determining the relevant tax amount. We would like to inform the Board of Directors in this regard and inform that further work will be done as per the instructions.

- p) An amount of 39.07 roods and 01 perch from Opalgala Estate owned by the Corporation has been leased to Dialog Broadband (Private) Company by the Agreement No. 111 dated 01.01.2000. Here, an amount lower than the Valuation report of the government has been mentioned in the relevant agreement. We would like to inform the board of directors about this and take further action based on the instructions.
- q) The approval of the minister has not been obtained in leasing a portion of land of 02 perches and 06 roods from Hunnasgiriya estate owned by the corporation to Hunnasfalls Hotel Limited. We will inform the board of directors in this regard and inform that necessary actions will be carried out as per the instructions. (Details regarding the lease of this land are given under (p) para above.

2.2.3 Please be informed that the affairs of the institution have been conducted in accordance with the powers and duties of the corporation mentioned in the Parliament Act related to the establishment of Sri Lanka State Plantation Corporation.

2.2.4 Due to the financial crisis faced by the corporation, it is difficult to make accurate forecasts regarding the purchase of fixed assets of the institution. However, we would like to inform you that while preparing the procurement plan for the year 2023, the purchase of fixed assets of the estates will also be included in it.

3. Other Audit Observations

3.1 Performance

(a) According to the data of the Ministry of Plantation Industries, the standard ready made tea yield per hectare in Sri Lanka in 2019 was 1482 kg, but the amount for 2020 is 1376.8 kg. According to the statistics of the corporation, the ranges of ready made tea productivity in the estates owned by the corporation for the years 2019, 2020 and 2021 are given below.

Year	Ready made Tea Yield per (Kg)
2019	174 – 723
2020	201 – 991
2021	198 - 1131

According to the above table, compared to the year 2019, it is evident that in the years 2020 and 2021, the tea productivity of the plantations owned by the corporation has been significantly increased.

- (a) (The data regarding the Viharagala Estate, which was taken under the control of the Corporation in the year 2019 and the Kuda Oya Estate, which was identified as a separate estate in the year 2019 and rejoined to the Opalgala Estate in the year 2022, is not included in the above table)
- (b) According to the files of the corporation, the number of tea lands owned by the corporation is 4,189.06 hectares by 2020, of which 2,838 hectares are tea plantations that are more than 100 years old. Out of that, replanting of 180 hectares of tea has been started by using the financial allocation made by the line ministry.
- (c) According to the files of the Corporation , the number of lands given to outside planters in 2019 is 1,391 hectares, which is the total tea production of outside planters in that year is 99,850 kg. The production in 2020 and 2021 were 157,987 kg and 170,645 kg respectively.

Accordingly, it has been possible to make significant progress in tea production in 2020 and 2021 compared to 2019. However, the tea lands that have been given to the external planters are of very low productivity, and since the beginning of 2020, due to the problematic situation of obtaining fertilizers, it was not possible to develop tea production as expected.

(d) In the audit report, according to the data released by the Census and Statistics Department for the years 2018/2019, the average cost of 1 kg of tea in Sri Lanka is Rs. 484. Although it was stated as Rs. 484, according to the statistics of the Ministry of Plantation Industries, the average cost of 1 kg of tea in Sri Lanka was Rs. 547.77 in relation to the year 2020. As mentioned in the audit report, we accept that it was in the range the annual production unit cost of 9 estates is Rs. 500 to Rs. 1974.

- (e) Since the beginning of 2020, it was not possible to develop tea production as expected due to the existence of a problematic situation in obtaining fertilizers.
- (f) As mentioned in the audit report, we accept that the Net Sales Average (NSA) for the year 2020 of the estates belonging to the Corporation was in the range of Rs.386 - Rs.470.

(g) By the year 2020, the extent of lands owned by the corporation is 11,012 hectares, of which 4,189.06 hectares have been set aside for tea cultivation, 64.56 hectares for rubber cultivation, and 2,471.38 hectares for minor export crops and forestry. Apart from this, the uncultivated land area including wasteland, woods, rocky lands and knuckles reserve area is 4,287.70 hectares. We would like to inform you that as a large percentage of the uncultivated land is located in the Knuckles reserve area, no cultivation can be done in those areas.

(h) According to the files of the Corporation, the ready made tea production in 2012, (including the output obtained from outside planters) was 2,102,344 g. Also, in the years 2020 and 2021, the finished tea production of the corporation was 1,742,363 kg and 1,803,226.kg respectively.

In the years 2020 and 2021, the amount of land allocated for tea cultivation in the corporation is 4,189.06 and 4,199.74 hectares respectively. According to the statistics of the Ministry of Plantation Industries, the ready made tea production obtained by the corporation in the years 2020 and 2021, when taken as a percentage of the standard ready made tea production, is 30% and 31% respectively.

(i) According to the data of the Sri Lanka Rubber Research Institute, the number of rubber plants that can be planted 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, We accept that the average rubber production per hectare in Walahanduwa estate belonging to the Corporation is 456kg.

3.2 Administration of the staff

(a)(b)(c) In the total approved number of staff of the Corporation, staff recruitment has been maintained so as not to exceed the number of posts (permanent or contract) sanctioned under each category of posts. Accordingly, no recruitment has taken place beyond the total approved staff. Without hiring a permanent officer for a certain position, by hiring an officer on contract basis for that position, it is more beneficial to the organization because the contract service period of the relevant officer can be terminated when necessary. Also, we would like to inform that even though there are vacancies in the institution, due to the financial crisis faced by the institution, the activities of the corporation have to be run by a limited number of essential staff.

(d) Based on the instructions given by the Department of Management Services and the Ministry regarding the preparation of the recruitment procedure of the Corporation, after revising the recruitment procedure amended at that time for three times, it was forwarded to the Ministry of Plantations by letter dated 14.12.2021 to submit it to the Department of Management

Services. Accordingly, the Ministry of Plantations on the recommendation of the Secretary of the Ministry sent the draft of the procurement procedure to the Department of Management Services once again to our institution for revisions by that department, and as per the instructions, the relevant revisions were made for the fourth time and the letter dated 07.07.2022 was handed over to the Department of Management Services.

(e) The recruitments mentioned in the audit report are short-term appointments made on contract basis. In case of recruitment of permanent employees, the respective recruitments are always done by publishing public notices as per the recruitment procedure currently prepared and sent for approval. We have to inform you that it is difficult to bear such expenses due to the financial crisis that the corporation is currently facing, while publishing advertisements in public newspapers for temporary posts.

3.3 Management Activities

(a) In the audit report, out of the people who are illegally occupying 450 perches of land in the estates belonging to the corporation, 05 perches of land has been reclaimed from Ranjith Subhasinghe and Thalwadam Gedara Sintamani, who were enjoying those lands. Also, cases have been filed against the unauthorized occupants of the other official houses mentioned in the audit report and the parties who are illegally enjoying the lands extend of 445 perches mentioned above.

(b) We would like to inform that the Corporation will submit to the Board of Directors the details of the lands leased to various parties, which were leased before 06th of February 2020, which are not subjected to tax on the basis of government Valuation, and relevant actions will be taken as per the instructions.

After 06th of February, 2020, no land owned by the Corporation has been leased.