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வருடாந்த அறிக்கை

Annual Report

2017

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மக்கள் தோட்ட அபிவிருத்திச் சபை

JANATHA ESTATES DEVELOPMENT BOARD

VISION

TO BE THE BEST MID GROWN/ORTHODOX TEA MANUFACTURE IN THE REGION WHILST ACHIEVING THE HIGHEST NET SALE AVERAGE TO MAKE THE ORGANIZATION, ONE OF THE PROFITABLE AND
VIABLE STATE OWN INSTITUTE.

MISSION

WHILST UTILIZING OF AVAILABLE RESOURCES, WITH UTMOST CARE AND DEDICATION BY DEVELOPING SKILLS OF PERSONNEL, TO ACHIEVE THE DESIRED GOALS WITH TEAMWORK, TOWARDS A SUSTAINABLE PROGRESS
IN THE INDUSTRY AND FOR THE BENEFIT OF THE COUNTRY AT LARGE.

JANATHA ESTATES DEVELOPMENT BOARD

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CORPORATE INFORMATION

Name	**:**	Janatha Estates Development Board	
Legal Form	**:**	JEDB had been established by virtue of a Gazette Notification No.199/IM dated 06th February, 1976 under the State Agricultural Corporation Act No. 11 of 1972 for the purpose mentioned therein.	
Address	**:**	55/75, Vauxhall Lane, Colombo 02.	
Auditors	:	Auditor General	
Bankers	:	Bank of Ceylon People's Bank Nations Trust Bank	
Directors	**:**	Mr. Keerthi B Kotagama	- Chairman
		Mr. Tharik Omar	- Executive Director
		Ms. Nilupa Karunarathna (From January to February)	- Working Director
		Mr. Bewan Perera (From March)	- Working Director
		Mr. Nilu Wijedasa	- Director
		Mr. Ananda Gallage	- Director
		Mr. S M Dayarathna	- Treasury Representative

JANATHA ESTATES DEVELOPMENT BOARD

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CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report for the financial year ended 31st December, 2017.

Planter Sector

There are 2935.81 Hec. of Tea Plantation and 367 Hec. of Rubber Plantation in the Organization.

Tea Cultivation

The Tea crop for the ended 2017 had recorded as 1,445,526 Kgs. of made tea which was an increase of 130,436 Kgs. above the year 2016. This was mainly due to favorable weather and timely application of inorganic ground fertilizer also spraying of organic fertilizer.

It is evident that of the fertilizer application was done according to the Estimates programme, a further increase in crop would have been achieved.

Cost of Production - Tea

The C O P at the end of the year as Rs. 588.08. The year-end C O P had been lower than previous year C O P of Rs. 602.81.

Net Sale Average - Tea

The year-end Nett Sale Average which was Rs. 428.40 shows as improvement in the prices against the year 2016 which recorded as Rs. 326.61. There had been a fluctuation of N S A during the period under review.

However the 04 factories in operation at the moment need some important and urgent machinery repairs. After the repairs are attended we expect further improvement the N S A with better raw materials.

Rubber Cultivation

Production

JEDB produced 379,092 Kgs. of Rubber against 322,691 Kgs. in the previous year which shows a marginal increase in the production. As indicated above, the increase of production was mainly on account of favorable of weather conditions and fertilizer application given by JEDB.

Net Sale Average

The Sale Average of the year had been increased Rs. 302.24 per Kgs. The market trend for Rubber was favorable during the year. This was advantageous of our estates.

Head Office Income

The Head Office Income for the year was Rs. 82,057,703. The said income included lease Income, building rent.

Sales proceeds of Consumer Division

Consumer division in the head office had achieved a turnover of Rs. 335,121,617 which is a increase against Rs. 318,416,415 in the year 2016.

I take this opportunity to thank Hon. Minister of Plantation Industries, the Secretary and its staff and all the employees of JEDB for their contribution and support to success of Janatha Estates Development Board.

Wing Cmdr. Buwaneka D Abeysuriya (Rtd. SLAF)
Chairman
Janatha Estates Development Board

JANATHA ESTATES DEVELOPMENT BOARD
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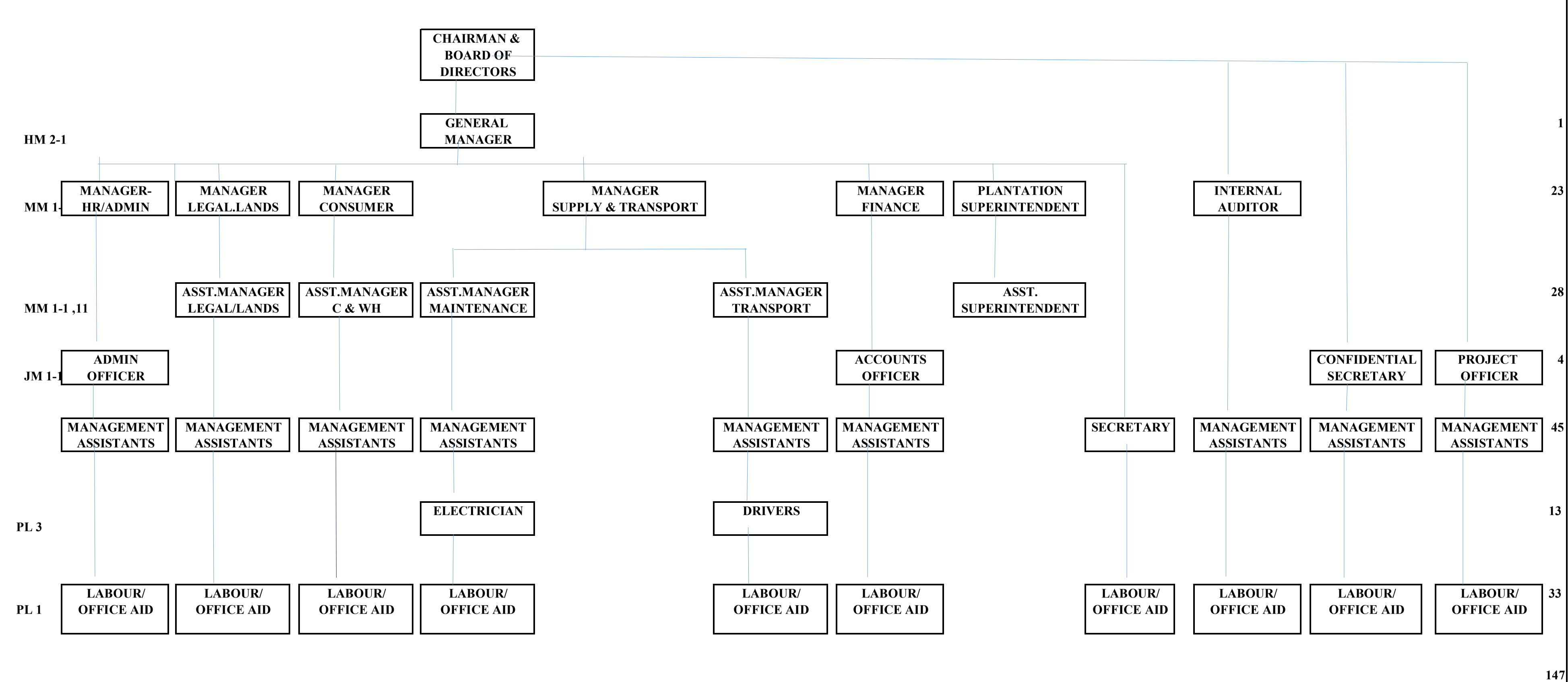
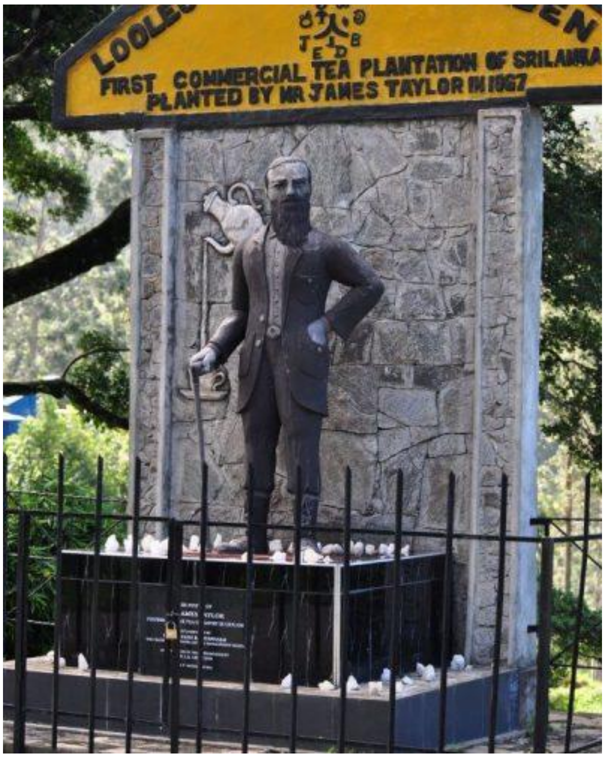


History and Background

The Land Reforms (Amendment) Act, which came into effect in 1975, handed over all plantation land owned by the company to the government. With the nationalization of these Estates, the management of the Estates expanded quite a bit, and the Estates were entrusted to several land management agencies.

Apart from the "Sri Lanka State Plantation Corporation" (SLSPC) which managed several plantations prior to nationalization, in 1976 under the State Agricultural Corporation Act No.11 of 1972.



The Act created a new body called "Janatha Estates Development Board" (JEDB). In addition to these two organizations, a new type of organization was created to manage the nationalized Estates. These institutions included "Usavasama" (Upland Cooperative Estate Development Board) settlement.

It is argued that the division of land between several managing agencies led to a severe backlog of management in the tea sector, resulting in many disadvantages such as low production, wastage and inefficiency.

Hence the immediate impact of this land reform was not favorable to the tea industry.

In view of this situation, the government that came to power in 1977 took several steps to unify the management structures and practices for the betterment of the tea industry. Accordingly, the Usavasama, settlement and election cooperatives were abolished and all the properties managed by these organizations were transferred to the JANAWASAMA and the State Plantations Corporation of Sri Lanka.

These two main management agencies were brought under two separate Ministries from 1980 and their management structures were also decentralized through regional branches, thereby giving region's independence and decision making powers with the aim of increasing productivity.

JEDB was able to achieve high profitability during 1984 – 1985 period due to high demand from the Russian Market for Sri Lankan Tea. During this period JEDB was able to give dividends to the Treasury.

JEDB had to take challenges due to the political and economical set back during 1987 1988. JEDB had to face sever financial difficulties during 1989 – 1990 and had to restructure and 242 Estates to be given to the 22 Companies.

JANATHA ESTATES DEVELOPMENT BOARD

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Profile of Directors

01. Mr. Keerthi B Kotagama - Chairman
02. Mr. Tharik Omar - Executive Director
03. Miss. Nilupama Karunarathna - Working Director
    (From January to February) +
04. Mr. Bewan Perera - Working Director
05. Mr. Nilu Wijedasa - Director
06. Mr. S M Dayarathna - Treasury Representative

JANATHA ESTATES DEVELOPMENT BOARD

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JEDB HEAD OFFICE & REGIONAL OFFICE MANAGEMENT TEAM

01.	Mr. Lalith Abeykoon (From January to November)	- Actg. General Manager
02.	Mr. M Shereef (From July)	- Deputy General Manager
03.	Mr. M C Premathilaka	- Manager (Transport & Maintenance)
04.	Mr. K J T B Rajasuriya	- Accountant (Estates)
05.	Mrs. N Ranasinghe	- Accountant (Head Office)
06.	Mr. Upul Siriwardhana (From March)	- Manager (Human Resources)
07.	Mr. Namal Wijethunga	- Actg. Manager (Forestry & Land)
08.	Mr. Asela Rajapaksha (From March)	- Manager – (Legal)
09.	Mr. Rohan Bambaradeniya	- Manager – Regional Office
10.	Mrs. Krishmi Nanayakkara (From May)	- Internal Auditor
11.	Mr. Sunil Rajapaksha	- Asst. Internal Auditor
12.	Mr. S A L Perera	- Asst. Accountant
13.	Mr. H G Anura	- Asst. Manager (Marketing)
14.	Mr. K A N Perera	- Asst. Manager (Maintenance)
15.	Mrs. Chandima Ratiyala	- Asst. Manager (Transport)
16.	Mr. W G P Wadduwage	- Asst. Manager (Marketing)

JANATHA ESTATES DEVELOPMENT BOARD

ESTATE MANAGEMENT TEAM – 2017

Estate	Manager In Charge	Crop	Extent (Hect.)	Postal
Bopitiya/ Greatvalley	Mr. K G S Kossinna	Tea	786.11	Deltota
Bowhill	Mr. A M D I Rajakaruna	Tea	472.01	Kataboola
Deltotte	Mr. P Rajapaksha	Tea	410.10	Galaha
Gallebodde	Mr. A B D R Kumara	Tea	752.75	Gallebodde
Hantane	Mr. Nishantha Raj	Tea	1405.63	Kandy
Hope	Mr. N S Athukorala	Tea	654.00	Hewahata
Kandaloya	Mr. D B S L Perera	Tea	989.93	Nawalapitiya
Kolapatane	Mr. C Bandara	Tea	381.00	Nawalapitiya
Levellon	Mr. C D Aluvihare	Tea	1254.92	Pupuressa
Loolecondera	Mr. D C Kodituwakku	Tea	1050.03	Deltota
Mahavilla	Mr. Harsha Kumara	Tea	283.15	Ulapane
Mount Jean	Mr. H M S D Hunugala	Tea	301.67	Watawala
Nagastenne	Mr. A S Dayarathna	Tea	506.42	Nawalapitiya
Rahathungoda	Mr. G G Pulasinghe	Tea	478.14	Hewahata
Rookwood	Mr. I M A B Ilangakoon	Tea	429.67	Hewahata
Kumarawatte	Mr. A S Sethunga	Rubber	1822.46	Monaragala
Pallai	Mr. S S I Samarasinghe	Coconut	682.19	Jaffna
(This Estate given to NLDB from 28.08.2017 under the lease basis)				
Thelipotenna/ Diyaluma	Mr. W A A K Wijesuriya	Rubber	354.34	Koslanda
Total				

JANATHA ESTATES DEVELOPMENT BOARD

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Audit & Management Committee Minutes

Committee Minutes

Implementing and following up on recommendations from the Internal Audit and External Audit divisions to effectively manage the financial reporting system and internal controls to achieve corporate objectives.

Composition of the Committee

It consists of two independent Executive Directors. This has established to assist to achieve goals of the board and to oversee the functions of the board.

Mr. S M Dayarathna	- Chairman (Treasury representative)
Mr. Gallearachchi	- Board Director
Mr. K P G Kumara	- Audit Superintendent (Government Audit)
Mrs. Krishmi Nanayakkara	- Internal Auditor (Conveyer)

Referral

To ensure state property are used sparingly effectively and efficiency, to ensure tasks, and programmes are implemented as per the audit plan. Identify, correct and guide key issues in the reports of the Internal Auditor and the External Auditor General and enhance asset management.

Audit & Management Committee 2017

1. **Assignment of Duties – All Divisions (Duty List)**
   Notice that all employees of the organization should be given duty lists and that the duty lists have already been given to the Accountants and that action should be taken to transfer the other employees immediately.

2. **Approval of Annual Accounts and submission to Audit. (2016)**
   The Deputy Auditor General emphasized that the Audit and Committee does not have the power to approve the annual accounts and that it should be referred to the Board of Directors for approval.
   Annual accounts were duly notified with all attachments.

3. **Debtors & Creditors List**
   As it has not been prepared yet, it was requested to be prepared and handed over to the Government Audit.

4. **Fixed Assets Register**
   It was informed that this has not been prepared yet and should be prepared within two months. The Finance division is responsible for this. Do this expeditiously so that only the cost of usable assets is revaluated and the depreciated assets could be removed.

5. **Land Leased in Colombo city**
   Mr. Paint Institute
   A legal case is pending in this regard and further action will be taken after receiving the judgment.

6. **Nilona Lanka Institute**
   The matter was also discussed in 2010 and the last four years have not been properly taxed and the letter of demand should be sent to them as soon as possible.

7. **Mag City Institute**
   There is an enjoining order at present and it should be revoked by a court order and due process should be carried out.

8. **Elkaduwa Plantation Company**
   There is no lease agreement for the office premises leased to this institution and a new agreement should be entered into.

9. **With regard to encroachment lands**
   A full report on the unauthorized occupation of all estates along with the land areas as prepared and submitted to the Committee.

10. **Employee issues in the organization**
    About the three officers who were recruited on contract basis.
    The three officers have already been removed. The problem has been solved by paying 03 months' salary to the Legal Manager.

11. **Supply of Tea to the Forces (Army and Navy)**
    It was stated that the Auditor General's Department had given its full support to make this work a success and therefore this work was a success.

12. **Silence Factories**
    There are only 4 out of 13 factories owned by Janatha Estates Development Board are operational and the remaining factories need to be repaired and put into production.

13. **Sale of Green Leaf**
    As a matter of policy, the sale of green tea leaves to outside should be stopped.

14. **Hanthana Tea Factory**
    It was stated that a report on the present condition of the Hanthana Tea Factory and its closure should be prepared and submitted to the Committee.

15. Submitting answers for Audit queries.
    Answers for unanswered queries as soon as possible and submitted to the next committee.

16. **Regarding Audit fees**
    Determination of the Committee that we owe about Rs. 2.1 M. to the AUDITOR General Department and action should be taken to pay it.

17. **Internal Audit Reports**
    Gallaboda estate Audit report should be sent to the estate Superintendent and its matters should be inquired into and then submitted to the Board of Directors.

18. **Internal Audit Plan**
    The plan should be prepared according to the circular and get it approved.

19. **Appointment of Advisors and the present General Manager**
    It was asked how the approvals got for the appointments of new advisors and their duty list.
    Advisor
    It was stated that there is only the approval of the Board of Directors for the appointment of Advisors.

20. Appointment of a Field Officer for estates.
    Conducting field inspections of estates, obtaining reports and submitting the committee.

21. **Obtaining the approval of the ministry for the appointment of Advisors to posts outside the approved staff.**
    Reporting on the progress of staff approval submitted to the Department of Management Services for approval.

22. Appointing an Acting General Manager to carry out the operations of the organization in a systematic manner.
    Obtaining Cabinet approval if appointing the present Advisor, obtaining the approval of the Treasury and the Ministry for the recruitment of Human Resource Manager and Legal Manager to HM grade which is not in the approved staff and reporting on its progress.

    Although the official vehicle allowance is not offered for the MM grade, it is obtained by all MM category officers in the institution and obtains the proper approval from the Ministry for this.

JANATHA ESTATES DEVELOPMENT BOARD
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INFORMATION ABOUT ESTATES

All 18 Estates under Janatha Estates Development Board fall into 04 main groups.

Groups

i)	Hewaheta	Tea
ii)	Galaha	
iii)	Nawalapitiya	
iv)	Kumarawatta Thelepotenna	Rubber

Summary of Groups

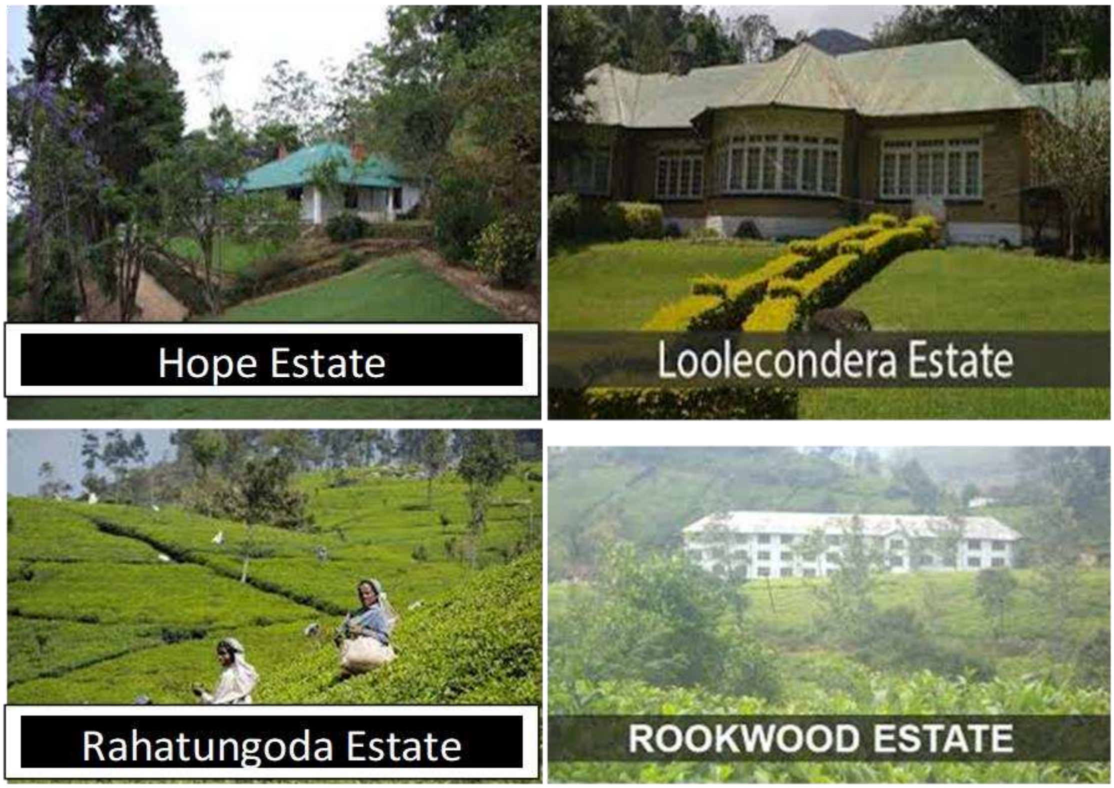
	VP	Good Seedling	Marginal Seedling	Poor Seedling	Bare Lands
TEA	1,214.65	944.48	636.79	718.49	1,189.65

	Good Rubber	Marginal Rubber	Poor Rubber	Bare Lands
RUBBER	291.40	25.81	217.29	129.20

i) Hewaheta Group

The Hewaheta Valley claims the oldest tea growing district, in fact our model Estate to be Loolecondera is the first ever Commercial Tea Plantation in the Country.

The 04 Estates of the Hewaheta Group are as follows;

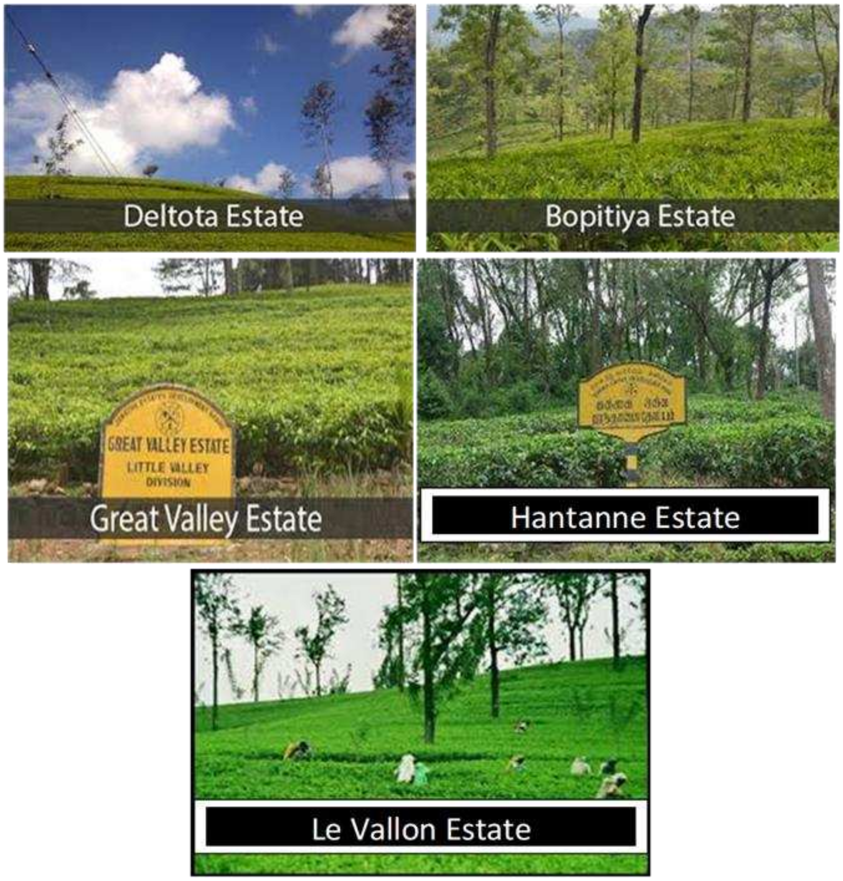


* All figures in Hectares.

Estate	VP	Good Seedling	Marginal Seedling	Poor Seedling	Bare Lands
Loolecondera	130.50	221.15	-	89.75	19.00
Hope	81.25	109.75	58.00	88.32	16.00
Rookwood	64.24	217.48	-	28.47	8.50
Rahathungoda	64.73	19.96	87.06	34.93	-
Total	**340.72**	**568.34**	**145.06**	**241.47**	**43.50**

ii) Galaha Group

There are 5 Estates which fall under this Group;



Estate	VP	Good Seedling	Marginal Seedling	Poor Seedling	Bare Lands
LeVallon	129.80	231.25	118.00	-	8.29
Great Valley	37.44	14.39	26.25	30.50	130.63
Hantane	111.14	3.16	196.12	138.05	109.57
Bopitya	39.75	23.50	-	23.75	-
Deltota	50.80	21.25	61.62	77.75	73.00
Total	**368.93**	**293.55**	**401.99**	**270.05**	**321.49**

* Bopitiya and Great Valley amalgamated.

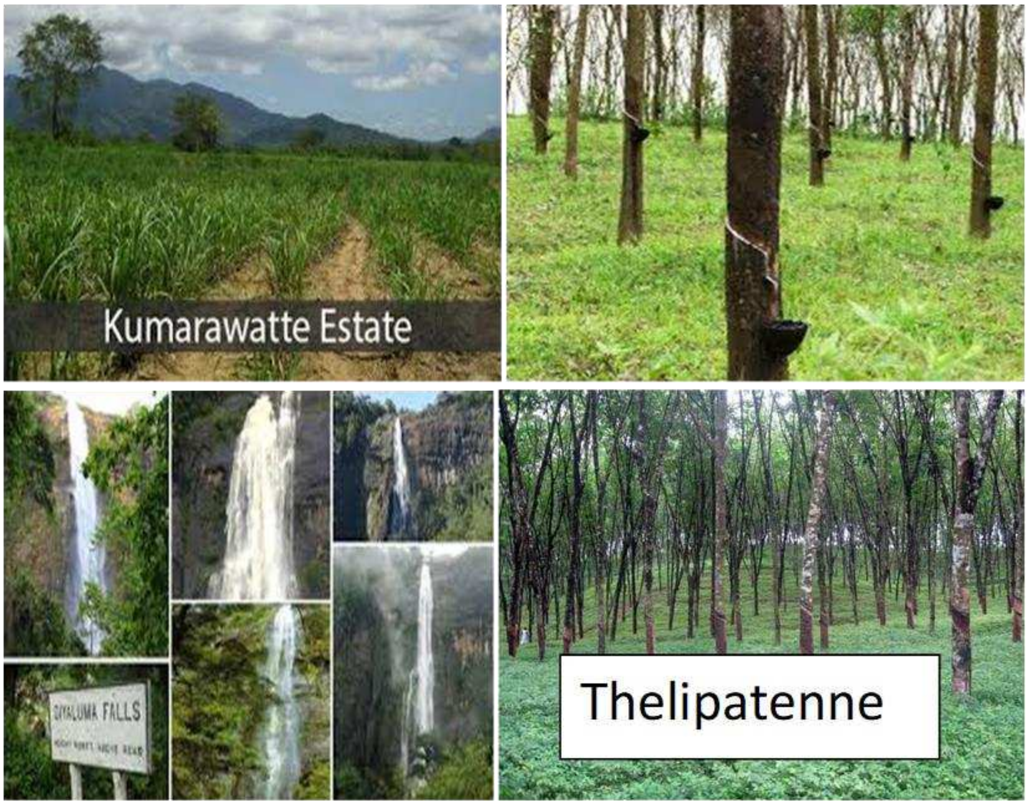
iii) Nawalapitya Group

The following Estates fall under this Group;

Estate	VP	Good Seedling	Marginal Seedling	Poor Seedling	Bare Lands
Kolapatana	94.00	38.50	-	46.00	13.00
Bowhill	55.00	-	20.75	26.50	108.50
Kandaloya	52.30	24.59	8.00	56.20	-
Nagastenna	72.60	-	25.50	63.23	163.60
Gallebodda	88.40	19.50	-	24.45	402.12
Mahawila	85.82	-	-	-	-
Mount Jean	56.88	-	35.49	17.59	137.44
Total	**505.00**	**82.59**	**89.74**	**233.97**	**824.66**

iv)	Rubber Estates

There are 3 Estates which fall under this group.



*	Thelopotenna and Diyaluma amalgamated.

Estate	Good Rubber	Marginal Rubber	Poor Rubber	Bare Lands
Kumarawatta	282.78	23.81	147.29	-
Diyaluma	8.62	2.00	70.00	129.20
Total	**291.40**	**25.81**	**217.29**	**129.20**

Details of Internal Training Programs carried out in the organization.

01. Utilization of income in a useful manner in a family for their own benefit conducted by the help of the Plantation Human Development Trust.

02. Training of field staff & workers in order to improve productivity.

03. Trained the welfare and Child Development Center staff with the help of Plantation Human Development Trust.

04. To introduce SAGE 50 Accounting System at Head Office, the finance section staff was trained.

05. Superintendents & Assistant Superintendents were trained at National Institute of Plantation Management in order to enhance their knowledge & improve productivity.

06. Tender Procurement Committee were trained by the Vocational Training Center to enhance their knowledge on tender procedure.

07. Different productivity programmes conducted by Plantation Human Development Trust in order to improve productivity.

08. Trained the finance section staff with the help of the Department of Accountancy.

09. Worker Housing Co-operative Society staff were trained by the Plantation Human Development Trust.

10. EMA's and the Midwifes were trained by the Plantation Human Development Trust.

11. Computation of EPF & ETF the estate office staff were trained by the Labour Department.

12. Accurate information required to prepare reports on welfare matters further training on collection and reporting through District Labour Offices arrangements to provide the Estates to the Staff.

JANATHA ESTATES DEVELOPMENT BOARD
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017

		2017.12.31	2016.12.31
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Assets			
Non-Current Assets			
Property Plant and Equipment	13	1,561,893,715	1,577,300,989
Intangible Assets	14	1,168,937	904,781
Biological Assets	15	623,715,174	620,797,324
Lease Assets		32,168,955	32,168,955
		2,218,946,780	2,231,172,049
Current Assets			
Inventories	16	81,861,673	94,292,580
Trade & Other Receivable	17	663,022,229	577,852,712
Cash & Cash Equivalents	18	28,410,286	14,310,963
		773,294,187	686,456,255
Total Assets		**2,992,240,968**	**2,917,628,305**
Equity & Liabilities			
Equity			
Stated Capital	19	3,670,000,000	3,670,000,000
Accumulated Loss		(8,843,465,152)	(8,469,369,707)
		(5,173,465,152)	(4,799,369,707)
Reserves			
Capital Reserves	20	2,776,220,129	2,782,868,702
General Reserves/Govern. Grants	21	2,357,289,535	1,676,360,639
Total Equity		**5,133,509,664**	**4,459,229,341**
Non-Current Liabilities			
Retirement Benefit Obligation	22	654,352,345	624,741,404
Bank Loan	23	55,506,609	100,867,027
		709,858,954	725,608,431
Current Liabilities			
Gratuity Payables – Ex.Employees	24	487,135,579	512,668,406
Interest Bearing Borrowings	25	240,198,529	236,845,419
Lease Creditors	26	8,148,093	15,242,210
Brokers Advance	27	46,044,639	19,759,873
Trade & Other Payables	28	521,540,287	595,183,624
EPF/ESPS/CPPS	29	792,027,827	906,154,103
ETF & Other Payables	30	6,445,405	32,367,337
Deposits/Advance for property Lease	31	163,973,403	137,069,289
Bank Over Draft	32	56,823,741	76,869,978
		2,322,337,501	**2,532,160,239**
Total Equity & Liabilities		**2,992,240,968**	**2,917,628,305**

Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the board of directors of Janatha Estates Development Board.

Chairman **Director**

JANATHA ESTATES DEVELOPMENT BOARD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	31/12/2017	31/12/2016
	5	Rs.	Rs.
Income		1,099,303,454	494,938,120
Cost of Sales	6	(1,333,252,569)	(893,804,173)
Gross Profit		**(233,929,115)**	**(398,866,053)**
Other Income	7	82,057,703	76,650,747
		(151,871,412)	322,215,306
Distribution Cost	8	3,727,420	976,081
Administrative Expenses	9	80,964,828	26,825,392
Staff Cost	10	110,731,080	105,544,232
Other Estate Expenses	11	10,706,191	77,156,042
		206,129,519	210,501,747
Operational Profit before Finance Cost		(358,000,931)	(532,717,052)
Finance Cost	12	23,021,592	31,243,961
Profit before Tax		(381,022,523)	(563,961,014)
Income Tax		-	-
Profit /(Loss) for the year		**(381,022,523)**	**(563,961,014)**
Total Comprehensive Income for the year		(381,022,523)	(563,961,014)

JANATHA ESTATES DEVELOPMENT BOARD

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

	31/12/2017	31/12/2016
	Rs.	**Rs.**
Profit before Taxation	(381,022,523)	(563,961,014)
Adjustment		
Provision for Gratuity	29,610,941	32,213,221
Provision for Bonus	-	(606,377)
Depreciation	21,282,875	32,732,929
Depreciation Bio	24,340,262	-
Finance Cost	22,420,140	6,561,418
Interest Income	(575,478)	71,130
Amortization Cost	290,971	-
Surcharge- EPF,ETF & Gratuity	-	71,598,521
Gain from disposal of Motor vehicles	(5,025,000)	-
Operating Cash Flows before changes in working capital	**92,344,711**	**142,570,842**
	(288,677,812)	(421,390,172)
Change in working Capital		
(Increase)/Decrease Inventory	12,430,908	(30,880,991)
(Increase)/Decrease Trade & Other Receivable	(85,169,516)	(20,078,969)
(Increase)/Decrease Trade & Other Payable	(73,643,337)	45,445,579
(Increase)/Decrease Deposit & Advance	26,904,114	21,637,390
(Increase)/Decrease EPF/ESPS/CPPS	(114,126,277)	71,191,140
(Increase)/Decrease ETF & Other Payables	(25,921,932)	-
(Increase)/Decrease Broker Advance	26,284,766	(74,165,070)
(Increase)/Decrease Gratuity Payables Ex-Employees	(25,532,828)	-
Cash used in/generated from operating activities	(258,774,102)	13,149,079
Gratuity paid	-	-
Income Tax payment	-	-
Cash generated from operating activities	**(547,451,914)**	**(408,241,093)**
Cash Flows from Investing Activities		
Proceed from refuse tea	-	2,358,556
Refundable lease Rent	-	1,000,000
Field Development Expenses	-	(48,493,473)
Acquisition of biological assets	(27,258,111)	-
Interest Income	575,478	-
Acquisition of intangible assets	(555,127)	-
Proceed from vehicle disposal	5,025,000	-
Purchased from fixed assets	(5,875,600)	(22,931,087)
Cash generated from investment activities	**(28,088,361)**	**(68,066,004)**

Cash Flows from financing activities

Re payment of Loan	(45,360,418	(15,150,616)
Interest bearing borrowings	3,353,110	3,806,490
Lease Creditors	(7,094,117)	(4,298,063)
Finance Cost	(22,420,140)	(2,479,352)
Treasury Grants	679,300,000	511,689,820
Rubber subsidies Grants	1,628,896	2,400,224
Capital Reserves	278,505	-
Cash used in financing activities	609,685,836	495,968,503
Net increase in cash &Cash Equivalents	34,145,561	19,661,406
Cash & Cash equivalent at the beginning of the year	(62,559,016)	(82,220,422)
Cash & Cash equivalent at the end of the year	(28,413,454)	(62,559,016)

Analysis of the cash & Cash equivalent at the end of the year

Estate Bank balance	12,931,959	889,257
BOC - 8624530	5,053,888	4,342,093
Fixed Deposit	4,022,540	3,651,833
BOC - 80669453	1,983,464	-
BOC - 75646976	1,568,677	-
BOC - 2164625	893,355	171,132
BOC - 2327555	684,892	4,248,162
Cash in hand	610,840	178,853
PB - 014200183155909	281,196	270,188
PB - 014100103155909	139,771	139,771
Cash in hand - Regional Office	105,523	7,857
BOC - 034021	74,549	133,605
Cash in Transit	53,926	174,859
PB - 003200100022296	3,917	11,705
BOC - Jaffna	1,791	-
Bank Overdraft		
BOC – Hyde Park 2327554	(49,422,534)	(65,540,328)
BOC – Hyde Park 2327553	(4,943,149)	(9,049,107)
PB Union place 014100293155909	(2,457,103)	(2,279,589)
Nations Trust - 006100003643	(954)	(954)
	(28,413,454)	**(62,559,016)**

JANATHA ESTATES DEVELOPMENT BOARD
DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

		13/12/2017 Rs.	31/12/2016 Rs.
5.	**Revenue**		
	Green Leaf and Bulk Tea	520,978,068	404,455,324
	Consumer Tea	335,121,617	16,705,202
	Rubber & Other	196,840,890	68,957,502
	Minor Crops	45,852,751	3,715,584
	Coconut	510,127	1,104,509
		1,099,303,454	**494,938,120**
6.	**Cost of Sales**		
	Green Leaf & Bulk Tea	990,317,220	778,515,510
	Jana Tea	143,485,915	13,504,680
	Rubber & Other	196,236,401	92,916,151
	Minor Crops Estate	1,467,979	2,804,653
	Coconut	1,725,055	6,063,178
		1,333,232,569	**893,804,173**
7.	**Other Income**		
	Building Rent	42,863,392	10,041,700
	Land Lease	27,981,200	44,541,880
	Gain from disposal of of Motor vehecles	5,025,000	-
	Sundry Income	5,139,801	7,049,251
	Security	472,832	1,967,832
	Loan – FD interest	575,478	71,131
	Sales of Timber	-	12,978,954
		82,057,703	**76,650,747**
8.	**Distribution Cost**		
	Transport Charges	2,329,878	5,500
	Accommodation	422,852	22,285
	Gratis	351,077	53,215
	Travelling & Subsistance	285,364	55,913
	Insurance	74,599	-
	Loading & Unloading	67,879	2,200
	Advertisement Expenses	66,049	-
	Trade License Fees	58,109	-
	Sales Promotions	25,239	620,506
	Tender Deposits	46,375	-
	Donations	-	216,462
		3,727,420	**976,081**

JANATHA ESTATES DEVELOPMENT BOARD
DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

		31.12.2017 Rs.	31.12.2016 Rs.
9	**Administrative Expenses**		
	Surcharge - E P F	28,573,486	
	Surcharge Gratuity	17,493,328	
	Vehicle Rent	5,220,665	2,285,000
	Depreciation	3,306,738	3,793,909
	Vehicle Fuel	3,527,463	2,766,017
	Sundry Expenditure	2,902,808	2,098,049
	Rate & Taxes	2,824,080	2,824,080
	Surcharge - E P F	2,250,905	
	Electricity	2,412,723	1,830,007
	Advertisement	1,828,442	544,504
	Vehicle Repair & Maintenance	1,658,186	1,382,473
	Telephone & Internet	1,635,245	977,124
	Access Trainee Allowance	1,570,778	
	Stationery	1,433,933	1,122,930
	Janitorial Service	966,000	890,466
	Director Fee	623,000	206,670
	Office Equipment's Repair	555,645	214,696
	Water	412,685	266,791
	Building/Office Maintenance	397,701	4,051,561
	Surcharge ESPS	374,765	
	Amortization	290,971	
	Postage	167,049	123,538
	Donation	155,000	90,000
	Air Conditioner Repair	147,575	122,450
	Audit Fees	130,000	130,000
	Trainee Seminar & Exam Fee	54,976	234,494
	Newspapers & Periodicals	45,680	47,574
	Valuation Fee	5,000	124,438
	Survey Fee		55,000
	Consultation Fee		643,622
		80,964,827	**26,825,393**
10	**Staff Cost**		
	Salaries & Allowances	82,881,535	80,950,588
	EPF/ESPS/CPPS	6,847,930	4,999,089
	Gratuity Provision	3,447,612	8,248,742
	Non Exec. Staff Medical	3,464,233	2,419,407
	Labour Charges	2,954,656	2,588,332
	Exec. Staff Medical	1,909,466	1,245,333
	Overtime	1,846,573	873,570
	ETF	1,678,787	1,473,741
	Staff Tea	1,252,191	1,194,383
	Staff Welfare	3,186,170	675,835
	Attendance Bonus	706,350	516,100
	Travelling & Subsistance	417,854	315,832
	Cost of Pocket Expenses	137,724	43,281
		110,731,081	**105,544,233**

		13/12/2017	31/12/2016
		Rs.	Rs.
11.	**Other Estate Expenses**		
	Legal Expenses	10,116,582	-
	Compensation	589,609	2,640,180
	Surcharge - ESPS	-	77,453
	Surcharge - EPF	-	39,113,467
	Surcharge – ETF	-	2,885,549
	Surcharge - Gratuity	-	29,305,572
	Legal Expenses	-	3,133,821
		10,706,191	**77,156,042**
12.	**Financial Expenses**		
	Overdraft Interest	10,253,184	11,819,759
	Broker Advance Interest	8,156,989	8,778,983
	Other Loan Interest	3,579,800	4,082,067
	Penalty	503,500	-
	Bank Loan Interest	291,504	2,479,352
	Lease Interest	138,663	
	Bank Charges	97,952	4,083,800
		23,021,592	**31,243,961**

JANATHA ESTATES DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

13 Property Plant and Equipment

Description of Assets	COST			DEPRICIATION			W.D.V	W.D.V
	Balance as at 01.01.2017	Additions	Balance as at 31.12.2017	Balance as at 01.01.2017	For the year	Balance as at 31.12.2017	As at 31.12.2017	As at 31.12.2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Unimproved land,Mature Plantation vested & Other Asset vested	27,557,465		27,557,465	24,926,940		24,926,940	2,630,525	2,630,525
2.Improved of land, Road,Bridge & latrines,Building & Stores	1,620,868,485	487,964	1,621,356,449	145,239,812	3,570,280	148,810,092	1,472,546,358	1,475,628,674
3. Machinery, Office Equipment, Vehicles	255,883,084	3,329,809	259,212,893	201,503,356	16,009,060	217,512,415	41,700,478	54,379,729
4. Computers & Printers	3,910,934	2,652,262	6,563,196	1,543,708	858,920	2,402,629	4,160,567	2,367,226
5. Furniture & Fittings	5,449,627	66,270	5,515,897	4,211,710	33,021	4,244,731	1,271,165	1,237,917
6.Water Supply Scheme, Minor Hydro Scheme & Peripheral Housing Sch.	16,597,190	383,160	16,980,349	5,198,234	811,593	6,009,827	10,970,522	11,398,956
7 Fences Security lights, Gliricidia Plantation	655,482		655,482	436,088		436,088	219,394	219,394
8 Onugaloya Estate Fixed Assets	6,013,927		6,013,927				6,013,927	6,013,927
9 Capital Working Progress	23,424,641	-1,043,863	22,380,778				22,380,778	23,424,641
Total	1,960,360,835	5,875,602.00	1,966,236,436	383,059,848	21,282,874.00	404,342,722	1,561,893,714	1,577,300,989

14. Intangible Assets

Description of Assets	Cost			Amortization			W.D.V	W.D.V
	Balance as at 01.01.2017	Addition during the year	Balance as at 31.12.2017	Balance as at 01.01.2017	For the year	Balance as at 31.12.2017	Balance as at 31.12.2017	Balance as at 31.12.2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Software Charge	904,781	555,128	1,459,908		290,971	290,971	1,168,937	904,781
Total	904,781	555,128	1,459,908		290,971	290,971	1,168,937	904,781

JANATHA ESTATES DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

15 **Biological Assets**

Bearer Plants

	Immature Plantations					Mature Plantations					Total
	Tea	Rubber	Coconut	Other	Total	Tea	Rubber	Coconut	Other	Total	
Cost											
As at 1st January	59,813,907	162,990,937	708,526	8,473,906	231,987,276	347,936,799	101,863,673	1,071,944	8,203,624	459,076,040	691,063,315
Additions during the year	103,350	26,089,199	23,068	185,270	26,400,887						26,400,887
Transfers during the year	-12,806,524	-25,410,852			-38,217,376	12,806,524	25,410,852			38,217,376	
As at 31st December	**47,110,733**	**163,669,284**	**731,594**	**8,659,176**	**220,170,787**	**360,743,323**	**127,274,525**	**1,071,944**	**8,203,624**	**497,293,416**	**717,464,202**
Depreciations											
As at 1st January						84,983,274	15,668,450			100,651,724	100,651,724
Charged during the year						10,000,000	14,340,262			24,340,262	24,340,262
Transfers during the year											
As at 31st December						94,983,274	30,008,712			124,991,986	124,991,985
Write Down val. as at 31.12.2016	**59,813,907**	**162,990,937**	**708,526**	**8,473,906**	**231,987,276**	**262,953,525**	**86,195,223**	**1,071,944**	**8,203,624**	**358,424,316**	**590,411,592**
Write Down val. as at 31.12.2017											
	47,110,733	**163,669,283**	**731,593**	**8,659,177**	**220,170,786**	**265,760,049**	**97,265,813**	**1,071,944**	**8,203,624**	**372,301,430**	**592,472,216**

Consumer Plants

	Immature Plantations					Mature Plantations					Total
	Timber	**Ginger**	**Banana**	**Other**	**Total**	**Timber**	**Ginger**	**Banana**	**Other**	**Total**	
Cost											
As at 1st January	21,189,726	202,947			21,392,673	8,912,685		23,008	57,366	8,993,059	30,388,733
Additions during the year	857,225				857,225						857,223
Transfer during the year	-11,991,255				-11,991,255	11,991,255				11,991,255	
As at 31st December	**10,055,696**	**202,947**			**10,258,643**	**20,903,940**		**23,008**	**57,366**	**20,984,314**	**31,242,957**

JANATHA ESTATES DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

			31/12/2017	31/12/2016
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16.	**Inventory**			
	Input Material & Consumables	16.1.	17,057,682	11,102,654
	Produced Crop	16.2.	61,732,053	80,256,602
	Growing Crop Nurseries		3,071,938	2,933,324
			81,861,673	94,292,580
16.1.	**Input Material & Consumables**			
	Packing Materials		8,770,340	1,784,970
	Fertilizer		4,563,711	4,511,814
	Absolute Stock		1,833,254	1,609,692
	Sundry Stock		1,694,332	2,646,917
	Stationery		196,044	549,261
			17,057,682	11,102,654
16.2.	**Produced Crop**			
	Tea Stock		50,003,068	68,951,411
	Rubber		11,520,815	11,098,482
	Sundry Stock		208,169	206,709
			61,732,053	80,256,602
17.	**Trade & Other Receivables**			
	Trade Receivables		363,896,686	224,492,798
	S LSPC Loan & Interest		119,346,347	160,453,589
	Sundry Debtors	17.3.	89,781,610	94,567,347
	Deposit & Prepayments	17.2.	29,034,165	27,281,350
	Staff & Labour Receivables	17.1.	30,347,996	40,465,451
	Adjustments		11,190,988	11,190,988
	Receivables		9,589,407	9,566,158
	Plantation Development Project		4,136,733	4,136,733
	VAT Receivable		3,521,614	3,521,614
	Quinrich Agro (pvt) Ltd.		2,176,683	2,176,683
			663,022,229	577,852,712
17.1.	**Staff & Labour Receivables**			
	Festival Advance		21,344,112	20,950,303
	Sundry Receivables		7,125,342	5,367,058
	Social Welfare		1,241,303	2,357,514
	Lease Staff Debtors (Recoverable)		501,029	11,647,367
	Special Advance		136,209	143,208
			30,347,995.57	40, 465,451.32

17.2. Deposit & Prepayments

Advance Payments	22,582,879	22,146,828
Deposit	5,840,972	4,960,052
Pre Payments	610,315	174,471
	29,034,165	27,281,350

17.3. Sundry Debtors

1. Estate Control Account	8,897,236	-
2. Monte Cristo Estate	40,503,226	-
3. Other	34,739,812	86,376,104
4. E P F(Legal A/c)	2,938,093	-
5. Matale Estate Control A/c	902,935	-
6. Jaffna Estate Control A/c	684,875	-
7. Mulhalkele Estate Control A/c	436,345	-
8. E P F (Legal A/c)	382,830	-
9. E P F A/c (Over payment 1996 A/c)	160,400	-
10. Jana Tea Export A/c	100,421	-
11. Diyaluma Estate Control A/c	20,317	-
12. Jana Tea Control A/c	6,120	-
13. Sundry Debtors - Estates	8,191,243	
	89,781,610	94,567,347

18. Cash & Cash Equivalent

Estate Bank Balance	12,931,959	889,257
B O C - 8624530	5,053,888	4,342,093
Fixed Deposit – H N B/People's Bank	4,022,540	3,651,833
B O C - 80669453	1,983,464	-
B O C - 75646976	1,568,677	91,647
B O C - 2164625	893,355	171,132
B O C - 2327555	684,892	4,248,162
Cash in hand	610,840	178,853
People's Bank - 103155909	281,196	270,188
People's Bank - 183155909	139,771	139,771
Cash in hand – Regional Office	105,523	7,857
B O C- 034021	74,549	133,605
Cash in Hand	53,926	174,859
B O C - Jaffna	1,791	-
People's Bank - 100022296	3,917	11,705
	28,410,286	**14,310,963**

JANATHA ESTATES DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

			2017.12.31	2016.12.31
19	**Stated Capital**			
	Stated Capital		3,670,000,000	3,670,000,000
			3,670,000,000	3,670,000,000
20	**Capital Reserves**			
	Capital Reserves A/c		1,965,050,475	1,965,050,475
	Capital Reserves Grant		656,308,762	656,308,762
	Land Sale Income(Gr.) A/c		149,193,311	148,914,807
	Sale of Assets Taken Over		5,667,581	5,667,581
	Vehicle Sales Income (Gr.)			6,927,078
			2,776,220,129	2,782,868,703
21	**General Reserves/Govern. Grants**			
	Grants	21.1	2,053,989,820	1,374,689,820
	General Reserves		287,270,977	285,642,081
	Plantation Development Project		16,028,738	16,028,738
			2,357,289,535	1,676,360,639
21.1.	**Generla Reserves**			
	New Plantation Subsidy Re		7,459,578	5,830,681
	General Reserve A/c		55,280,753	55,280,753
	Plantation Human Development		43,934	43,934
	General Reserv A/c		224,486,712	224,486,712
			287,270,977	285,642,080
22	**Retirement benefit obligation**			
	Retirement benefit obligation	19.1	654,352,345	624,741,404
			654,352,345	624,741,404
23	**Bank Loan**			
	People's Bank Loan 03 A/c -0102298		22,970,327	22,970,327
	Pan Asia Bank - 010063380119		32,536,283	69,536,283
	B O C Loan No. 712647723			8,360,418
			55,506,610	100,867,028
24	**Gratuity Payables - Ex-Employees**			
	Gratuity Payables - Ex-Employees		487,135,579	512,668,406
			487,135,579	512,668,406
25	**Interest bearing borrowings**			
	Other Loan Payables			
	SRMC		131,571,131	131,191,331
	Chilaw Plantation Ltd.		63,627,397	60,427,397
	Sri Lanka Tea Board		25,000,000	25,000,000
	Lanka Mineral (Pvt) Ltd.		15,000,000	15,226,690
	Ceramic Corporation		5,000,000	5,000,000
			240,198,528	236,845,418
26	**Lease Creditors**			
	Leasings		6,840,071	
	Financial Lease Obligations		136,160	136,160
	E W Information Systems Ltd		1,171,863	
	Interest in Suspense			15,106,051
			8,148,094	15,242,211
27	**Brokers Advance**			
	M/S Mercontile Produce Brokers		36,299,149	16,609,439
	M/S Nawalapitiya Plantations		5,171,815	
	M/S John Keells		1,708,260	
	Ratwatte Tea Factory Ltd.		1,500,000	1,500,000
	M/S Summerville & Com.		744,136	744,136
	J D & Sons (Pvt) Ltd.		21,379	21,379
	Insite Factory Pvt) Com.			884,918
			45,444,739	19,759,872

	2017/12/31	**2016/12/31**
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28. Trade & Other Payables

Trade Payables	124,170,872	87,317,758
Staff salaries & Wages payable	74,691,871	117,605,286
VAT Payable	51,205,999	47,493,726
NBT Payable	6,648,637	8,549,878
PSC Payable	6,357,269	7,819,534
Sundry Creditors	251,569,315	322,897441
Inter Estate Transfer	3,332,395	-
Bonus to Employees	2,879,784	3,107,837
Stamp Duty	233,775	219,525
PAYEE Tax	195,186	172,638
Rahathungoda Estate Control A/c	255,184	-
	521,540,287	595,183,624

28.1. **Trade Payable**

Other	81,961,378	3,736,848
Mahaweli Housing Project	36,310,518	36,310,518
State Trading Corporation	4,398,976	4,333,500
AICM Marketing	1,500,000	1,500,000
SLSPC	-	41,107,242
Elkaduwa Plantation Com.	-	329,650
	124,170,872	87,317,758

28.2. **Staff Salaries & Wages payable**

Wages payable	16,388,527	54,716,515
Holiday Pay	27,678,532	27,654,478
Staff/Labour salary Deduction	21,143,800	23,136,440
Staff Medical Aid Scheme	7,717,979	8,016,656
Unclaimed Wages	1,763,034	4,081,196
	74,691,871	117,605,286

28.3 **Sundry Creditors**

Others	94,844,832	225,015,231
Refundable Deposits	57,987,031	63,313,167
Accrued Expenditure	15,684,657	17,352,768
Trade Creditors	82,938,086	17,216,276
	251,454,606	322,897,411

28.3.1. **Others**

Regional Office Kandy A/c	13,828,888	-
Suspend A/c Regional Office	1,863,756	-
Prepayment	688,440	-
SNC Payable A/c	25,566	-
	16,405,650	-

29. EPF**/ESPS/CPPS**

EPF/ETF/Legal	395,480,359	502,339,066.59
EPF/ETF	228,383,418	-
EPF	154,290,285	381,475,551.78
ESPS	20,978,325	19,139,467.04
CPPS	2,895,240	3,200,017.96
	792,027,827	906,154,103

30. **ETF & Other payables**

ETF	6,445,405	32,367,337
	6,445,405	32,367,337

31. **Deposits/Advance for Property Lease**

Deposit against Asset Lease	57,475,321	137,069,289
Others	106,498,081	-
	163,973,403	137,069,289

32. **Bank Over Draft**

BOC – Hyde Park 2327554	49,422,534	65,540,328
BOC - Hyde Park 2327553	4,943,149	9,049,107
People's Bank – Union Place	2,437,104	2,279,589
Nations Trust Bank 006400003643	954	954
	56,823,741	76,869,978

JANATHA ESTATES DEVELOPMENT BOARD
ANNUAL REPORT 2017

For the year ended 31th December, 2017.

1. Corporate Information

1.1 Reporting Status

Janatha Vatu Development Board was established under the Agricultural Corporations Act No. 11 of 1972 vide Gazette Notification No. 199/1M dated February 06, 1976. The registered office and principal place of business are established at No. 55/75 Vauxhall Lane, Colombo 02.

1.2 Basic activities and nature of operations

There has been no significant change in the nature of the core activities of the Board during the financial year under consideration. The primary activities of the board were cultivation, production and sale of tea and rubber. Instead of selling tea through brokers (value added products), Janatha Vatu Development Board runs regional tea shops (Jana Tea/Customer Service).

2. Basis of preparation

2.1 Disclaimer

The Board's financial statements consist of profit/loss statement and other detailed income, statement of financial position, statement of changes in cash flows and accounting regulations and notes to the financial statements.

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA of Sri Lanka) and the Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995.

2.2 Basis of Evaluation

The financial statements are prepared on the basis of historical cost contracts. The relevant special regulations are detailed in subsequent notes. The underlying statements have not been adjusted for inflation and these financial statements have been prepared in Sri Lanka Rupees.

2.3 Use of Estimates and Judgment

The preparation of financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management to make judgments, estimates and assumptions that may affect the application of regulations and the reporting of assets, liabilities, income and expenses. Actual results may differ from these estimated values.

Estimates and related assumptions are based on past experience and other factors believed to be reasonable under the circumstances and are the basis for determining the value of assets and liabilities that cannot be easily determined from other sources.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the revision period and future periods if the revisions affect only that financial year, then in that period the revisions have effects on that financial year and future financial years.

2.4 Moving Forward

The Board has decided to restructure the company in a public, private and employee (PP&E) partnership concept for the future of the company. A restructuring program is currently underway with the objective of utilizing unused or minimally utilized assets and properties for joint ventures with private investors. EPF and ETF shortfalls are settled using income generated from anticipated income from new investments. Financial statements are prepared on a going forward basis and they do not abandon or stop any business activities until the restructuring program is implemented.

2.5 Comparative Information

Accounting policies have been implemented consistently with the policies used in the previous year by the Board. These figures and sentences have been rearranged at relevant places to represent the current year's data.

2.6 Events After the Reporting Date

This includes events occurring after the end of the reporting period and favorable and unfavorable events occurring between the date the financial statements are authorized to issue. The materiality of events occurring after the reporting period is considered and, where necessary, appropriate changes or disclosures are made in the underlying disclosures.

3 Other information

3.1 JEDB - Gallebodda Estate

The above estate has been mortgaged to C/S Fan Asia Bank in 1999 and has obtained a financial facility of Rs.40 million. A portion of the balance has been settled in advance. The interest payable is written off with the consent of the bank. As a result, as of December 31, 2017, the balance of the ledger was Rs.32,536,283.

4 Significant Accounting Policies

The following accounting policies have been substituted for all periods presented in these financial statements.

4.1 Borrowing Costs

General and special borrowing costs are directly attributable to the acquisition, construction or production of assets that take a significant period of time to prepare for intended use or sale and are added to the cost of those assets until they are ready for sale.

Capitalization of borrowing costs begins when it incurs the cost of the asset and the activities necessary to prepare the asset for its intended use or sale. Capitalization is stopped when the work required for the intended use of the asset is substantial. Capitalization of borrowing costs is suspended if operational development of a qualifying asset is suspended.

The board receives funds and uses them for assets such as immature tea, rubber and coconut plantations. The board determines the borrowing costs eligible for capitalization by substituting a capitalization approval for the costs of the above bio-assets. For this purpose the Board uses the relative average of borrowing costs applicable to normal borrowings. All other borrowing costs are recognized in the profit and loss statement in the period in which they are incurred. Investment income earned on temporary investments in specific borrowings is obtained by deducting their expenditure on eligible assets from the eligible costs for capitalization.

4.2 Assets and bases of their valuation

Assets classified as current assets in the statement of financial assets are cash and bank balances and those expected to be realized in cash during the normal operating cycle or within one year from the reporting date. Assets other than current assets are assets that the board elects to hold for more than one year from the reporting date.

Non-current assets have not been revalued for a long time and therefore the present value may differ from the value stated in the financial statements as the value of the asset.

4.2.1 It has been reported that the identification and calculation of property, machinery and equipment is done by deducting the accumulated depreciation from the value obtained in the cost assessment. Property. The cost of machinery and equipment is the cost incurred to purchase or construct and any cost incurred to bring the asset into working condition for its intended use.

Purchased software integrated into the operation of the respective equipment is capitalized as part of the equipment itself. Property, plant and equipment are treated as separate parts (major components).

4.2.2 Late Costs

If future economic benefits flow to the board from the replacement of a piece of property, machinery, or equipment, it is recognized in its value and its cost can be measured reliably. The cost of the replaced part is recognized in the profit/loss statements as the day-to-day servicing of property, plant and equipment.

4.2.3 Depreciation/Amortization

Depreciation can be recognized as profit/loss directly over the estimated useful life of each piece of property, machinery and equipment.

Depreciation of an asset begins when it becomes available for use, and depreciation of the asset ceases before the date on which it is classified for sale (or entered into a disposal table classified as held for sale). No tax is levied on freehold land.

Assets depreciate over their useful lives at the following rates:

Items	Estates	HO
Building	5%	5%
Machinery (Old)	33.33%	12.5%
Machinery (New)	20%	20%
Plumbing System & Toilets	5%	5%
Motor Vehicles	25%	25%
Wood products & Equipment	12.5%	12.5%
Mature Crop	5%	5%
Roads & Bridges	5%	5%
Hydro Electric Power Plants	5%	5%
Computers & Printers (New)	20%	20%
Computers & Printers	12.5%	12.5%

4.2.4 Computer Software

All computer software that is not intrinsically linked to the associated hardware and is clearly identifiable, reliably measurable and gives rise to future economic benefits is included in the statement of financial position under the category of intangible assets.

4.2.5 Permanent land development costs

Permanent land development costs are the costs incurred to make major changes to land contours for the development of new access roads and other major infrastructure. As per the board's depreciation policy, the cost of these types of projects (roads, bridges etc.) is capitalized and depreciated.

4.2.6 Investment property (rented land and buildings)

Investment property is properly held to earn rental income or for capital appreciation or both and not for sale in the ordinary course of business or for the production or supply of goods and services or for administrative purposes.

Investment property is measured at cost on initial recognition and any subsequent change is recognized as a fair value gain/loss.

Investment property is measured at cost on initial recognition and any subsequent change is recognized as a fair value gain/loss.

A gain/loss on disposal of investment property (calculated as the difference between the disposal proceeds and the value of the item) can be recognized in the profit and loss statement. Investments previously classified as property, plant or equipment.

Any amount included in the revaluation reserve is transferred to retained earnings when a property is sold.

4.2.7 Limited Life Land Development Costs

Immature and mature cultivars

Costs directly attributable to replanting and replanting are classified under immature crops till harvest time.

As there are no market-determined prices or values and alternative estimates of fair value are clearly unreliable, the Board has rejected the tea. Immature and mature plantations of biological assets like rubber, coconut are accounted for at their cost and depreciation and initial identification of biological assets under property, machinery and equipment as defined under LKAS 16 is done in accordance with the guidelines provided by the Institute of Chartered Accountants of Sri Lanka.

As fair value cannot be easily determined, the nursery is maintained at cost. Costs consist of appropriate proportions of direct materials, direct labor, and direct factors. When the fair value of such a biological asset can be measured reliably, the Board calculates the value obtained by deducting the cost to sell from that value.

All costs incurred in preparing the land, cultivating it and developing it until the crops are ripe or harvested are capitalized as biological assets. All expenses incurred after crop maturity are recognized directly in the profit/loss statement.

General charges for replanting and new plantings are allocated on the basis of the number of labor days spent on the respective replanting and new plantings and are capitalized on the basis of immature areas. The rest of the common expenses are the expenses related to the time frame for which the calculations are made.

	Immature Stage	Harvest Begin
Tea	1 – 4 Yr.	5th Years
Rubber	1 – 6 Yr.	7th Years

4.2.8 Expenditure for land filling

Landfill development costs are capitalized as landfills for mature areas where expected future favorable conditions are higher than the previous landfill factor evaluation. Amortization costs are amortized if the useful economy of the relevant maturing estate remains, the new asset or the expected tax period is less.

If expenses are not capitalized, they are included in the income statement in the year in which they are incurred.

Timber Cultivation

In the initial identification, the timber plantation is calculated at fair value and at the end of each reporting period, the total cost including all the costs for sale including transportation is reduced from that fair value.

The fair value less costs to sell timber plantations and changes in fair value are included in the profit and loss statement for the period in which they arise. All expenses incurred for maintaining the assets are included in the profit and loss statement of the respective year.

Biological assets

Biological assets are eligible for recognition if the board controls the asset as a result of past activity. The future economic benefits associated with the asset will flow to the board and the fair value or cost of the asset can be accurately calculated.

4.2.9 Goods register

After making proper allowances for obsolete and low-selling goods, goods other than stock and nursery stock are mentioned as goods with lower costs and net values. The board uses the FIFO method in determining costs for inventory.

These costs include acquisition of parts, production and conversion costs and costs incurred to reach the current status and condition. Net value means the value obtained when the estimated cost of completing the product and the cost of selling the product are deducted from the assessed value.

The value added value of the goods produced up to the date mentioned in the ledger was calculated as ninety. The value of the remaining stock was calculated at ninety times the assessed selling price. This value is the net value obtained after deducting all the money spent on the public auction.

The production cost of 1 kg of tea is always higher than the calculated net value.

Financial Assets

LKAS 39 Basic recognition and measurement of financial assets within the scope of profit or loss, loans and receivables, long-term investments. Financial assets designated as available-for-sale or financial instruments are classified as financial liabilities. The classification of financial assets is done by the board in the initial identification.

All financial assets are initially recognized at fair value and transaction costs are applied to assets with no fair value through profit or loss. The identification, purchase or sale of financial assets that need to be distributed within a time frame established by the market (ordinary trading) regulations or agreements must be done on the day of trading, i.e. on the day the board assigns the asset to be purchased or sold. The financial assets of the Board include cash or cash equivalents, short-term deposits, loans and advances to suppliers, sales and other receivables.

Subsequent calculation

Subsequent calculations of financial assets are classified as described below. Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated on initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for sale or purchase in the near term.

Derivative financial instruments included by the Board that have not been designated as hedging instruments in future hedging relationships as defined by LKAS 39 are included in this category. Derivatives, including discrete and embedded derivatives, are classified as held-for-trading unless designated as effective forward hedging instruments. Financial assets at fair value are shown in profit or loss in the statement of financial position. Changes in fair value are presented as finance income or finance expense in the income statement. The board carried out an assessment of the financial assets at fair value through profit and loss to determine whether the sale of the financial assets is appropriate in the near term. As the board was unable to sell these financial assets due to inactive markets, the management intends to sell them in the future.

The Board may elect to declassify these financial assets in rare cases when they are significantly different. Classification of loans and other receivables, whether sold or held to maturity depends on the nature of the asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for sale and financial assets initially designated as at fair value through profit or loss. Financial assets held with the intention of selling or repurchasing in the near future are classified as held for sale.

As defined in LKAS 39, this category includes derivative financial instruments entered by the Board that are not designated as hedging instruments in forward hedging relationships. Derivatives, including separately held derivatives, are classified as available for sale unless designated as forward hedging instruments. Financial assets with fair values

Shown as profit or loss in the statement of financial position. The basis of the income statement is the change in fair value as income or financial expense.

The Board has evaluated the financial assets at fair value through profit or loss to check whether the financial assets are suitable for sale in the near future. As the Board was unable to sell these financial assets due to inactive markets, the Board intends to sell them in the future.

The Board may elect to declassify these financial assets in rare cases when significant changes occur. The classification of loans and other receivables as held-to-maturity depends on the nature of the asset.

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 calculations, such financial assets are measured at amortized cost under an efficient interest rate method (EIR) with less depreciation. Amortized cost is calculated taking into account any discount or premium for acquisition and fees or costs which are an integral part of the EIR. EIR Amortization is included under finance income in the income statement.

Financial investments available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified under the above financial asset classification.

Available-for-sale financial assets are initially recognized at fair value and directly attributable transaction costs. After initial recognition, they are measured at fair value and charges excluding impairment losses and foreign exchange differences on existing debt instruments and are recognized in other comprehensive income and presented fairly in the fair equity reserve. Accumulated gain or loss on equity is reclassified to profit or loss when an investment is derecognized. Available-for-sale financial assets consist of equity securities.

Not accepting

Non-recognition of a financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) occurs when the right to earn money from that asset expires. The board has assigned the right to receive the proceeds of the asset or obliges a third party through any arrangement to pay in full the cash flows received without material delay. The Board has (a) transferred substantially all the risks and rewards of the asset or (b) has not transferred or retained all the risks and rewards of the asset but has delegated control of the asset.

When the entity has transferred its rights to receive cash flows from an asset or passed through an arrangement and has not transferred or retained substantially all the risks and rewards of the asset and has not transferred control of the asset to the extent that the entity continues to be involved in the asset. Identification takes place.

In such a case, the board recognizes joint liability. The calculation of the transferred asset and joint liability is reflected by the rights and obligations retained by the board.

Impairment of financial assets

The Board performs an assessment at each reporting date to determine whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset and have a measurable effect on the future cash receipts of the financial asset or group of financial assets.

Evidence of harm includes evidence of debtors or credit unions experiencing significant financial difficulties, defaults or defaults on interest or principal payments, which may lead to bankruptcy or other financial reorganization and measurably reduce future cash receipts. That may include changes in balances or related economic conditions.

Financial obligations

Basic identification and measurements

Financial liabilities within the scope of LKAS 39 can be appropriately classified as financial liabilities at fair values through profit or loss, loans and borrowings, derivatives designated as hedging instruments of an effective amount. In initial identification, the board identifies the relevant primary liability classification.

All financial liabilities are initially recognized at fair value and in the case of loans or borrowings, amortized cost is considered. This includes directly attributable transaction costs. The board's financial liabilities include trade and other payables, bank overdrafts and borrowings.

<u>Subsequent calculations</u>

The measurement of financial asset is determined based on their following classification.

<u>Financial liabilities at fair value through profit/loss</u>

Financial liabilities at fair value through profit/loss include financial liabilities held for trading and financial liabilities recognized on initial recognition at fair value through profit/loss.

Financial liabilities are classified as held for trading if they are acquired with the intention of selling them in the near future.**LKAS**39 This includes derivative financial liabilities entered into by the Board that are not identified as hedging instruments of the hedging relationship. Separate embedded derivatives are also classified as held for trading unless they are identified as effective hedges. The receipts and expenses of the liabilities taken for business activities are recognized in the profit and loss. The Board has not identified any financial liabilities at fair value as profit/loss in initial recognition.

Loans and borrowings

After initial recognition, interest bearing debt and borrowings are subsequently measured at amortized cost using the effective interest rate method. When the liability is not recognized, from the income statement and the effective interest rate method in the amortization process.(COPPER)Receipts and expenses are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs and is an integral part of the effective interest rate system. Effective interest rate amortization is included in financial expenses in the income statement.

Not being recognized

A financial liability is derecognized when the obligation under the liability is released, canceled or expires. Such an exchange or modification is considered when an existing financial obligation is replaced by another from the same lender on substantially different terms or when the terms of the existing obligation are substantially changed.

Derecognition of the original liability and recognition of a new liability and the difference in the respective carrying amounts are recognized in the income statement.

Settlement of financial instruments

The net amount reported in the statement of financial assets and financial liabilities is offset only if there is a present enforceable legal right to set off the recognized amount, to settle on a net basis or to realize the asset or to settle the asset in lump sum. As specifically stated in the Board's accounting practices, income and expenses shall not be offset in the income statement unless required or approved by any accounting standard or interpretation.

Fair value of financial instruments

At each reporting date, the fair value of financial instruments traded in an active market is determined at quoted market prices or dealer prices (long-term bids and short-term ask prices) without deducting any transaction costs. The fair value of financial instruments that are not traded in an active market identifies ninety appropriate valuation techniques.

Such methods include obtaining recent market transactions, fair value of a similar financial instrument, reviewing discounted cash gallons or other valuation methods.

Provisions, Contingent Liabilities, Contingent Assets

A liability shall be settled when the board has a present liability (legal or constructive) as a result of a past event and when it is probable that an economic benefit will result from the outflow of resources and a reliable estimate of the amount of the liability can be made.

Contingent liabilities are disclosed as a note in the financial statements if the outflow of resources is not liquid. Contingent assets are disclosed if an economic benefit is probable.

4.2.10 Trade and Other Receipts

Estimated amounts to be realized and net provision for bad and doubtful debts are stated in ninety trade receivables.

4.2.11 Cash or cash equivalents

Cash or cash equivalents Cash balances. Consists of Fixed Deposits and Demand Deposits. Bank overdrafts, which are repayable and an integral part of the board's financial management, are included in cash or cash equivalents as an objective of cash flows.

Interest paid is classified as operating cash flow and interest received as investment cash flow for representation in the cash flow diagram prepared based on the curve method.

5 Warranties and Provisions

5.1 Retirement benefits of employees

(a) Existing benefit plans
Payment of Gratuity Act No. 13 of 1983 and Indian Immigration Act No. 34 of 1978 provide for a retirement benefit scheme to eligible employees. On retirement benefit cost **LKASA** dequate provision is not made in the financial statements for retirement gratuity from the first year of service to all employees in accordance with 19. However, according to the Gratuity Act No. 12 of 1983, the obligation to pay employees arises after five years of continuous service. Liabilities are included in the notes to the financial statements.

(b) Gratuity payable to ex-employees
As on 31 December 2017, the gratuity payable to the employees of the estate has been correctly calculated and entered in the accounts of the estate. As of December 2017, the amount to be paid to old employees is Rs.560,610,171.08.

(c) Provision for gratuity
Provisions for retirement gratuity have been set aside for all employees from the first year of service and included in the financial statements. The liability recognized in the balance sheet for bonuses is the present value of the bond at the end of the reporting period. The board has not done a life expectancy assessment for quite some time.

(d) Defined contribution plans (EPF, ETF, ESPS, CPPS)
All employees who are eligible for the Defined Provident Fund and Employees' Trust Fund are covered by the respective contributory funds in accordance with the relevant policies and regulations. Ninety 12% of gross salary of employees EPF, ETF, ESPS, CPPS 3% for funds **ETF** The board also pays for the fund.

EPF, ETF during the stipulated period from 2001 to 2017 **and** ESPS, CPPS, EPF, **ETF** Not remitted to the Board. The Labor Commissioner has taken legal action against the Board of Directors.

Balances as on 31.12.2017	
To be paid **EPF** (2000 – 2017)	Rs.339,700,736.86
To be paid **ETF** (2000 – 2017)	Rs. 25,724,364.15
To be paid **ESPS** (2000 – 2017)	Rs. 32,487,286.97
To be paid **CPPS** (2000 – 2017)	Rs. 5,080,487.62
EPF/ETF Issues (2000 – 2017)	Rs.395,480,358.92

5.3 Government Grants

Government grants related to the purchase of property, plant and equipment are measured at cost less impairment losses and are recognized as deferred revenue at their initially determined fair value when there is reasonable assurance that they will be received. The Board will also be subject to amortization and will be recognized in the profit and loss statement on a straight-line basis over the expected lives of the relevant assets.

Grants for compensation of board expenses or losses already incurred are recognized in the statement of profit or loss as other income when the period of receipt and expenses are identified. An amount of Rs. 679,300,000.00 was received from the state treasury for the year under review.

Trade Payments

Trade payables are obligations to pay for goods or services obtained from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payments are due in one year or less. Otherwise they are presented as non-current liabilities. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Taxation

Current tax

Tax expense consists of current tax expense and deferred tax. Income tax assets and liabilities for current and prior periods are measured at the amount expected to be collected from or paid to the taxing authorities. Tax rates and tax laws used for cash calculations are those enacted or substantially enacted as of the balance sheet date. Provisions for income tax are based on an element of income and expenditure as reported in the financial statements and calculated in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and its amendments.

5.3 Statement of Income

Revenue

Revenue is recognized to the extent that economic benefits flow to the board and revenue can be easily measured at whatever stage the payment is made. Revenue from the sale of goods is measured at the fair value of the goods received or receivable, net of returns and allowances, trade discounts and volume discounts. Revenue is recognized if significant risks and rewards have been transferred to the buyer, if it is probable that the consideration will be realized, if the related costs and benefits of the goods can be estimated reliably, if there is no ongoing management involvement with the goods, and if the amount of revenue can be measured reliably.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by surveying the tasks performed. The Board has adopted the following policies and procedures for determining when entities transfer significant risks and rewards of ownership of objectives.

(a) Selling tea at auction
According to the terms and conditions of tea issued by the Ceylon Tea Merchants' Association (Section 17) the ninety highest bidder shall be accepted and the sale shall be terminated at the fall of the hammer. The sale value is determined by calculating the agreed price and quantity and raising the sales notes.

(b) Selling rubber at auction
Bidders shall be accepted in accordance with the rules and regulations of rubber issued by the Colombo Rubber Traders Association and the sale shall be terminated at the drop of the hammer. The value of the sale is determined by adding the agreed price and quantity to the ninety plus sales notes.

(c) Harvesting timber plantations
Revenue from the sale of timber is recognized when legal ownership and risk of loss are transferred to the buyer and the quantity sold is determined.

(d) Gains and losses of a revenue nature on disposal of property, plant and equipment
Profit or loss is determined by taking net sales proceeds and comparing them with property, plant and equipment capitalized as part of the cost of those assets and recognized net in other qualifying assets.

(e) Tax revenues
The board has leased out land and factories to various parties and the income received from them has been recognized as tax income. They are calculated monthly and annually based on receipts.

(f) State allowances
Grants are initially recognized when there is reasonable assurance that they will be received and the Board is in compliance with the conditions associated with the grant. Grants indemnified by the Board for expenses are recognized in the profit and loss statement on a systematic basis over the periods in which the expenses are recognized.

5.3.2 Cost identification

All expenses incurred for the running of the business are charged to income on receipt for the year. Repair and renewal expenses are charged to the profit or loss statement of the year in which they are incurred.

Financial cost

Finance costs include interest expense on borrowings, fees charged on the fair value of financial assets at fair value through profit or loss, and impairment losses recognized in the profit or loss statement. Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of profit and loss using the effective interest method. The interest expense component of finance lease payments is allocated to each period during the lease term to generate a constant periodic interest rate on the remaining balance of the liability.

Statement of Financial Flows

Interest received is classified as a cash flow and interest paid is classified as a cash flow for the presentation of the statement of cash flows prepared using the indirect method.

My No- PLA/A/JEDB/01/2017/19 February 2022

The Chairman

Janatha Estates Development Board

Report of the Auditor General on the Financial Statements of the Janatha Estates Development Board for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Janatha Estates Development Board for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 23 of the State Agricultural Corporations Act, No.11 of 1972. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act, appear in this report and in the report on transactions issued to the Chairman of the Board on 17 October 2018.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

1.4 Basis for Disclaimer of Opinion

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

2. Financial Statements

2.1 Disclaimer of Opinion

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

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Board

The net assets and the working capital of the Board had taken negative values of Rs.39,955,487 and Rs.1,549,043,313 as at 31 December 2017 respectively due to running at a loss by the Board continuously. It was observed that the going concern of the Board is uncertain under such circumstances without further assistance from the Treasury or other financial assistance from the Government.

2.2.2 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 1

In terms of paragraph 66(d) of the said Standard on the presentation of financial statements, an entity shall classify an asset as non-current when the asset is cash or a cash equivalent (as defined in LKAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Accordingly, even though the investment valued at Rs.2,500,000 made in Fixed Deposits on 21 September 2012 by the Janatha Estates Development Board had improved up to Rs.3,803,642 by 31 December 2017, the value of the said deposit which should be brought to account under non-current assets as per Sri Lanka Accounting Standards 1 and 7, had been brought to account under current assets by the Board.

(b) Sri Lanka Accounting Standard 2

In terms of paragraph 31 of the said Standard, an immovable stock of Made Tea valued at Rs. 4,752,220 older than two years, had been included in the stock balance. However, no provision whatsoever had been made therefor in the financial statements, thus overstating the stock value in the financial statements.

(c) Sri Lanka Accounting Standard 16

In terms of paragraph 3 of the said Standard, bearer biological assets valued at Rs.592,472,216 related to agricultural activities should be indicated as a separate item under property, plant and equipment in the statement of financial position. Nevertheless, it had been indicated under biological assets.

(d) Sri Lanka Accounting Standard 17

Even though according to financial statements of the Board, leased assets valued at Rs.32,168,955 had been presented in the statement of financial position as at 31 December 2017, necessary disclosures on assets had not been made in the financial statements in terms of paragraph 47 of the said Standard.

(e) Sri Lanka Accounting Standard 19

In terms of paragraph 57 of the said Standard, the service benefit liability of the entity should be computed by using an actuarial technique and assumptions such as current service cost, age limit and life expectancy of employees, impact on the service turnover, retirement age, discount ratio, salaries and increment percentage should be applied therefor. However, the Janatha Estates Development Board had not applied the said actuarial technique in the computation of its benefits.

(f) Sri Lanka Accounting Standard 41

(i) Even though Ginger, Cocoa and Banana plantations should be brought to account under bearer biological assets, such assets valued at Rs.283,321 had been indicated under consumable biological assets by the Board.

(ii) In terms of paragraph 12, a biological asset shall be measured and brought to account on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. However, the Board had not assessed and brought to account a number of trees over 60,000 with timber value even by now.

2.2.3 Accounting Policies

According to the accounting policies of the Board, the period of transfer of cost incurred for immature plantations of tea and rubber to the mature plantation had been specifically indicated. However, the maturity period of plantations such as Cocoa, Coffee, Cinnamon, Cardamom, Nutmeg, Areca Nut, Coconut and Pepper had not been disclosed by accounting policies. As such, the year on which the expenditure of

Rs.8,639,177 to be capitalized, incurred before the maturity of those plantations, could not be recognized.

2.2.4 Accounting Deficiencies

The following observations are made.

(a) The gratuity surcharge of Rs.2,209,960 payable as at 31 December 2017 relating to Kolapatana Estate, had not been brought to account.

(b) Gratuity of Rs.346,767 belonging to the Kumarawatta Estate, paid as per a judgement by a cheque bearing No. 483516 dated 17 August 2017, had not been recorded as an expenditure in accounts of estates.

(c) An expired stock of tea valued at Rs.1,833,254 was available in the Jana Tea Section of the Head Office as at 31 December 2017 and action had not been taken either to eliminate those stocks from accounts or dispose of them by following another appropriate measure.

(d) Expired stocks of tea of the Jana Tea Section and old stocks of tea nurseries valued at Rs.2,411,964 had been disclosed under current assets in the financial statements, thus observing the under computation of loss of the Board and over computation of assets by the same amount.

(e) Even though the revenue from buildings of the year under review amounted to Rs.42,863,392, according to the Nation Building Tax returns, it had been Rs.17,984,651. Accordingly, Nation Building Tax had been under assessed by Rs.497,574 due to taking into account the cash basis instead of accrual basis, as per Section 3 (2) (iii) of the Nation Building Tax Act, No.09 of 2009.

(f) Estates had not reported the progress of incurring total expenditure of Rs.1,619,020 for development and plantation activities since before several years and as such, the cost of those assets had been indicated as work-in-progress under property, plant and equipment of the statement of financial position of the year under review without being capitalized or written off.

(g) Even though the value to be capitalized from the Capital Work-In –Progress Cost Account of the year under review amounted to Rs.219,426, a sum of Rs.1,043,863 had been capitalized erroneously from the cost of capital work in progress in the year under review.

(h) Even though a value of Rs.6,840,071 had been indicated in the financial statements as at 31 December 2017as lease liabilities relating to 04 Lorries purchased under the lease basis, , the lease liability was observed as Rs.5,984,770 as per the independent computations carried out by Audit according to lease agreements, thus observing an over assessment of lease liability by Rs.855,301.

(i) Even though a lease liability of Rs.1,171,863 relating to E.W. Information System Ltd. had been indicated in the financial statements of the Board, according to the independent computations made as per the lease agreement, the lease liability had been Rs.1,702,400 as at 31 December 2017, thus observing an under assessment in the Lease Liability Account by Rs.530,537.

(j) According to an assessment report received on 18 February 2017, the Value Added Tax and the fine totalling Rs.342,365 relating to the period from 01 January 2016 to 31 March 2016, had not been brought to account. As such, the Value Added Tax payable had been under assessed by the same amount.

(k) Even though according to the financial statements of the Board, the expenditure incurred for the acquisition of property, plant and equipment of the year under review, had been Rs.6,919,465, in making adjustment under investment activities in the cash flow statement, the expenditure incurred for the acquisition of property, plant and equipment had been indicated as Rs.5,875,600, and as such, the expenditure on purchase of property, plant and equipment amounting to Rs.1,043,865 had not been adjusted in the cash flow statement.

(l) In the preparation of the cash flow statement for the year under review, no value whatsoever had been adjusted as gratuity payments. However, the payable gratuity shown under current liabilities in the statement of financial position had been understated by Rs.25,532,828.

(m) An opening balance amounting to Rs.6,927,078 had remained in the Motor Vehicles Sales Income Account of the financial year ended 31 December 2017 and it had been transferred to retained earnings through a journal entry on 31 December 2017 without being analyzed.

(n) Even though 18 motor vehicles owned by the Board had been sold at Rs.5,025,000 during the year under review, cost of those vehicles and depreciation for accounting had not been transferred to the Motor Vehicles

Sales Income Account, thus observing an over computation of the cost of those vehicles and provision for depreciation.

(o) The Board had not taken effective measures for the recovery of old balances valued at Rs.24,945,072 relating to the period from the year 2003 to the year 2016, generated due to selling of tea leaves on credit basis.

(p) In terms of Section 2 of the Economic Service Charge Act, the service charge shall be charged from every institution which exceeds the income of Rs. 10 million per quarter. Nevertheless, the Board had not taken action accordingly, and even though the overall turnover in the financial year concerned, amounted to Rs.1,099.3 million, the Economic Service Charge of Rs.2,748,258 payable thereon had not been computed and brought to account.

(q) According to accounts, the cost of the immature Rubber plantation included in the bearer biological assets had been Rs.163,669,283 and out of that, plantations valued at Rs.25,357,794 to be brought to account as mature plantations according to the Accounting Policy No.3.2.7 of the Board, were destroyed plantations. The said value had not been eliminated from accounts, thus over computing the assets.

(r) Amortization of three estates of the Board had been over computed by Rs.388,345 in accounts, thus over computing the loss by the same amount.

2.2.5 Unreconciled Control Accounts

The following observations are made.

(a) According to the financial statements, the payable trade balance as at the end of the year under review of the Head Office amounted to Rs.275,108,425. However, according to the creditors age analysis, the said balance had been Rs.118,866,992, thus observing a difference of Rs.156,241,433 between those balances.

(b) According to the financial statements of the Board, the payable trade balance of estates amounted to Rs.241,038,504. However, according to the creditors age analysis, the said balance had been Rs.50,765,175, thus observing a difference of Rs.190,273,329.

(c) An unreconciled credit balance of Rs.2,183,955 was observed between debit and credit balances in Estate Control Accounts maintained relating to the exchange of goods carried out between estates and the Head Office.

(d) In the reconciliation of gratuity and surcharge balances payable according to Estate Accounts submitted along with the financial statements, with the balances included in the schedule submitted by the Head Office for auditing, a difference totalling Rs.36,940,269 comprising Rs.36,697,576 and Rs.242,693 was observed respectively.

(e) The balances of the Employees' Trust Fund and Employees' Provident Fund, payable as per the financial statements totalled Rs.774,599,467 and according to schedules obtained in auditing, those balances totalled Rs.791,665,849. Accordingly, it was observed that there was a difference of Rs.17,066,382 between the value as per the financial statements and values of the Head Office and estates.

(f) The mature rubber plantation valued at Rs.25,410,852 capitalized in the year under review, had been indicated as Rs.26,809,144 according to monthly accounts of the said estate, thus observing a difference of Rs.678,292 between values.

(g) According to the financial statements, the value of surcharge payable for the Employees' Trust Fund amounted to Rs.2,250,905 and according to schedules obtained in auditing, the surcharge calculated by the Audit as per Section 27 of the Employees' Trust Fund Act, No.46 of 1980, amounted to Rs.18,519,235, thus observing a difference of Rs.16,268,330 between the surcharge value shown according to final accounts of the year under review and computations of the Audit.

(h) According to the financial statements, the value of surcharge payable for the Employees' Provident Fund amounted to Rs.28,573,486 and according to the information received in auditing, the surcharge calculated by the Audit as per Section 27 of the Employees' Trust Fund Act, No.15 of 1958, amounted to Rs.358,362,261, thus observing a difference of Rs.329,788,775.

(i) Only five out of ten debtors from whom letters on confirmation of balances were summoned by the Board, had confirmed balances by making response to relevant letters and according to letters on confirmation of balances, it is observed that relevant institutions had not agreed with 3 debtors balances totalling Rs.8,890,102 and existence of debtors balances amounting to Rs.38,065,358 is contentious due to understating the conformation of balances by Rs.29,175,256 relating to two other institutions.

(j) According to tax returns on Value Added Tax and the financial statements, the turnover was observed as Rs.17,242,695 and Rs.1,174,785,678 respectively, thus observing a difference of Rs.1,157,542,983 between the turnover according to tax returns on Value Added Tax and the turnover according to the financial statements.

(k) Even though a sum of Rs.10,000,000 had been adjusted as the amortization value relating to mature tea plantation, shown under bearer biological assets of the statement of financial position, the amortization value computed according to the Fixed Assets Register had been Rs.12,192,800, thus observing a difference of Rs.2,192,800 in amortizations.

(l) Even though the amortization value accounted relating to the rubber plantation had been Rs.14,340,262, the amortization value as per the Fixed Assets Register had been Rs.6,358,559, thus observing a difference of Rs.7,981,703.

2.2.6 Unexplained Differences

The following observations are made.

(a) A credit balance of Rs.13,828,888 had remained as at the end of the year under review in the account in which transactions carried out between the office of Regional Estates-Kandy and the Head Office, are reported and it had been included in trade payables.

(b) Out of the payable trade balance of Rs.5,393,358 of the Jana Tea Section of the Head Office relating to the year under review, recoverable balance of Rs.5,278,648 representing 97 per cent were brought forward for over a period of 5 years and it is observed that recovery of those balances, is impossible.

(c) Impossibility of recovery of 287 debtors balances totalling Rs.64,232,303 of the Board is observed and it remained unrecovered for a period between 90 and 781 days and the recovery was sluggish.

(d) Even though balances in Estate Accounts amounting to Rs.3,197,506 brought forward since before 1999 had been indicated under property, plant and equipment in the statement of financial position in the year under review as well, the asset relating thereto had not been specifically recognized.

(e) The reason for indicating the expenditure of Rs.590,530 incurred for Seed Tea and Twig Tea nurseries commenced from the year 2008 to the year 2014 by estates, as capital work-in-progress without being capitalized or written off even after many years, had not been given.

(f) According to the financial statements, the balance payable to the Plantation Human Development Trust as at the end of the year under review, had been Rs.18,457,480. However, according to the confirmation of balances carried out by the Plantation Human Development Trust, the said balance had been Rs.24,775,454, thus observing an unreconciled difference of Rs.6,317,974 between those balances.

(g) Even though an immature tea plantation costing Rs.47,110,733 of five estates was indicated in the financial statements, it was observed according to the age analysis that there were no mature tea plantations in those estates. As such, the balance indicated as immature tea plantations according to accounts, could not be accepted or satisfied.

2.2.7 Accounts Receivable and Payable

The following observations are made.

(a) According to the creditors age analysis submitted by the Board in the year under review, the creditors balance over five years amounted to Rs.103,753,900. However, the Board had not taken action to settle these balances even in the year under review. That balance was 87 per cent of creditors of which creditors' age analysis was submitted by the Board.

(b) The balance of rates in arrears between 01 year and 04 years as at the end of the year under review amounted to Rs.11,289,205 and the balance of rates in arrears exceeding 05 years amounted to Rs.32,422,084. Accordingly, the rates in arrears exceeding 05 years represented 74 per cent of the total balance of rates in arrears. As such, adequate steps had not been taken even in the year under review by the Board to settle these rates in arrears.

(c) Even though balances of festival advances amounting to Rs.1,116,571 relating to estates of the Board were as old from the year 2000 to the year 2016, adequate steps had not been taken even in the year under review by the Board to recover those loan balances.

(d) A debtors balance of Rs.32,138,382 remains by the end of the year under review due to sale of tea leaves on credit basis and of that debtors of tea leaves amounting to Rs.28,183,139 belong to the period ranging from the year 2003 to the year 2016. However, adequate measures had not been taken even in the year under review by the Board to recover these old balances.

(e) Thirty three old debtors balances amounting to Rs.4,008,885 relating to seven estates brought forward during a period ranging from the year 1999 to the year 2016 have been revealed under current assets in the statement of financial position and it is observed that the recovery of the said balances are doubtful.

2.2.8 Lack of Evidence for Audit

The following observations are made.

(a) Letters on confirmation of balances or loan agreements relating to loans amounting to Rs.176,571,131 obtained from the 4 institutions of Corporation for Public Enterprise Resource Management, Chilaw Plantations Limited, Sri Lanka Tea Board, Lanka Mineral Sands Limited and Lanka Ceramic Corporation, had not been made available to Audit.

(b) The detailed schedules of employees including particulars on allocations and payments of gratuity for 17 estates of the Janatha Estates Development Board, had not been made available to Audit.

(c) Confirmation of balances relating to 6 balances of bank current accounts totalling Rs.13,011,262 indicated in the financial statements presented to Audit, had not been made available to Audit.

(d) Lease liability of 04 lorries and other assets valued at Rs.7,687,170 obtained on lease basis, had not been confirmed by relevant financial institutions.

(e) Tax returns relating to Value Added Tax of Rs.51,205,999 indicated in the trade and other payable balances as at 31 December 2017, had not been made available to Audit.

(f) No documentary evidence whatsoever had been made available to Audit on confirmation of payable opening ledger balance of Value Added Tax amounting to Rs.9,788,022 and the Value Added Tax amounting to 3,521,614 receivable as at 31 December 2017.

(g) In terms of Section 26 of the Value Added Tax (Amendment) Act, No.14 of 2002, Value Added Tax payable for each month should be paid on or before the twentieth of the succeeding month. However, according to notes on Value Added Tax, payable tax amounting to Rs.2,264,172 had not been remitted to the Inland Revenue Department indicating the financial crisis as the reason therefor.

(h) No documentary evidence whatsoever had been made available to Audit to confirm the physical existence of a stock of old rubber valued at Rs. 640,504 brought forward from the year 2005 to the year 2016.

(i) The loan balance of Rs.22,970,327 obtained from the People's Bank comprised in the sum of Rs.55,506,609 indicated as bank loans in the financial statements as at 31 December 2017, is the opening balance remained on 01 January 2017 and a letter on confirmation of balances, a loan agreement or any other documentary evidence thereon had not been made available to Audit to confirm the said loan.

(j) Necessary adjustments had not been made by identifying cost and depreciation relating to 18 vehicles sold during the year.

(k) Even though 1 to 16 years old balances of festival advances valued at Rs.1,116,571 remained in the estate accounts of the Board, the officers relating to those balances could not be identified.

(l) A physical stock verification had not been carried out relating to the stock of Made tea valued at Rs.43,690,535 and the stock of rubber valued at Rs.11,520,815 included in the stock balance indicated under current assets.

(m) Even though repayable tender deposits of Rs.57,987,031 had been brought to account as current liabilities in the statement of financial position of the year under review, a register of depositors relating thereto had not been made available to Audit.

(n) The creditors' register relating to 05 trade balances payable totalling Rs.5,444,530 brought forward since many years, had not been made available to Audit.

(o) No documentary evidence whatsoever had been made available to Audit for confirming the trade and other payable balance of Rs. 63,882,700 of estates indicated under current liabilities in the statement of financial position of the year under review.

(p) The value of trade and other payable balances of Rs.3,487,070 of the Jana Tea Section of the Head Office and balances of the regional office (suspense balances) and sundry creditors' balance amounting to Rs.291,579 included in the final accounts of the Board, were being brought forward prior to the year 2015 and no documentary evidence whatsoever necessary for confirming those balances had been made available to Audit.

(q) No confirmation of balances called for, had been received even by 23 February 2021, the date of audit, to confirm the payable trade balance of Rs.53,173,699 remaining in the Head Office of the estates of the Board and the Jana Tea Section. Moreover, as after settlements were not submitted for the sum of Rs.46,019,100, the existence of those balances could not be satisfied.

(r) Action had not been taken to settle the deposit balance of Rs.669,161 remaining in the Jana Tea Section of the Head Office under current assets in the statement of financial position.

(s) No explanations had been given on the manner in which the stock of tea valued at Rs.1,613,875 and old rubber stocks valued at Rs.109,143 included in the stock balance, became negative balances.

(t) Steps had not been taken even in the year under review by the Board to identify four balances totalling Rs.192,483,366 brought forward over a period of ten years.

(u) Adequate disclosures had not been made in the financial statements of the Board relating to provision made for gratuity and gratuity paid during the year. Accordingly, schedules necessary for confirming the accuracy of making provision for gratuity amounting to Rs.29,610,941 adjusted to the profit before tax in the cash flow statement, had not been made available to Audit.

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

The following observations are made.

	Reference to Laws, Rules and Regulations	Non-compliance
(a)	Paragraph 6.5.1 of Public Enterprises Circular No.12 of 02 June 2003	The annual accounts relating to the entity should be presented to the Auditor General within 60 days after the closure of the financial year. However, the accounts of the Board for the year under review had been presented to the Auditor General on 10 September 2020 and the period of presenting accounts had lapsed by 2 ½ years by now.
(b)	F.R. 395 (b)	Bank Reconciliation Statements should be prepared by the Board and they should be certified by the Paying Officer concerned and made available to the

		Auditor General for inspection. However, Reconciliation Statements for 07 bank accounts had been made available to Audit without certifying.
(c)	F.R. 395 (c)	Even though Bank Reconciliation Statements should be prepared as at the end of each month, before the 15 of following month relating to transactions, Bank Reconciliation Statements had not been prepared for the year under review relating to 05 bank accounts.
(d)	Sub-section (4)(1) of Part II of the Gratuity Payment Act, No.12 of 1983	The Board had failed to pay gratuity on the due date and as such, it was observed that a surcharge of Rs.124,734,142 should be paid by the end of the year 2017.
(e)	Employees' Provident Fund Act, No.15 of 1958	Employees' provident funds had not been remitted to the Fund as due in the year under review and as such, it was revealed in audit that a balance of Rs.749,582,376 was due for a period of 16 years from the year 2001.
(f)	Employees' Provident Fund Act, No.15 of 1958, Estate Board's Provident Fund established according to provisions thereof and the Employees' Trust Fund Act, No.46 of 1980	Provident funds relating to the period from the year 2006 to August 2017 and "Total earnings" including the Cost of Living allowance has not been taken for the computations of the Employees' Trust Fund. As such, according to schedules made available to Audit, it was observed that a sum of Rs.21,621,966 had not been remitted to the Commissioner of Labour for the employee employer contribution for the said period.

(g)	Sub-section 16(1) of the Employees' Trust Fund Act, No.46 of 1980	The employer shall be liable to pay to the Fund, on or before the last day of the succeeding month, a contribution of an amount equal to three per centum of the total earnings in respect of the employee. However, the contribution of the Employees' Trust Fund had not been duly remitted in the year under review and as such, a balance of Rs.42,082,874.32 had been due from a period of 7 years since the year 2011.
(h)	Section 113 of the Inland Revenue Tax (Amendment) Act, No.10 of 2006	Even though any person or partnership earns a business loss based on self-assessment, a tax profit or loss could occur according to tax matters. As such, the profit or loss should be computed according to tax matters and reported to the Inland Revenue Department at the end of a quarter. However, the Board had not reported so relating to the year of assessment - 2017.
(i)	Section 106 of the Inland Revenue Tax (Amendment) Act, No.10 of 2006	A return of income, shall be furnished to the Inland Revenue Department on or before the thirtieth day of November of the succeeding year. Nevertheless, the Board had not furnished the return of income for 2017/2018 relating to the year of assessment - 2017 to the Inland Revenue Department even by 03/03/2021.
(j)	Section 21(1) of the Value Added Tax (Amendment) Act, No.14 of 2002	Tax returns on Value Added Tax along with relevant schedules shall be furnished to the Commissioner General of Inland Revenue not later than the last day of the following month of the quarter. However, tax returns on Value Added Tax have been furnished with a delay by the Board.

(k)	Section 8 of Value Added Tax (Amendment) Act, No.14 of 2002 (PART II of Note one) XLVII	Even though leaf tea is exempt from Value Added Tax, the Board had not indicated tea stocks and consumable tea under Exempt Supplies.
(l)	Sub-section 04 of the Nation Building Tax Act	In furnishing the tax returns of the year 2017 to the Inland Revenue Department, they should be furnished not later than the day specified in the Act. However, it had not been done accordingly.
(m)	Sub-section 06 of the Economic Service Charge Act, No.13 of 2006	The economic service charge which every institution exceeding the turnover, chargeable shall, be paid on or before the twentieth day of the month immediately succeeding the end of that relevant quarter. However, The Board had neither furnished the returns from the year 2021 to the financial year - 2019 nor paid the charges.

3. Financial Review

3.1 Financial Results

According to financial statements presented, the financial result of the Board for the year ended 31 December 2017 had been a loss of Rs.381,022,523 as compared with the corresponding loss of Rs.563,961,014 of the preceding year, thus indicating a decrease in the loss by Rs.182,938,491 in the year under review as compared with the preceding year. The increase in the income of the Board from Made tea and rubber by Rs.318,416,415 and Rs.127,883,389 respectively in the year under review as compared with the preceding year had mainly attributed to the above decrease in loss.

3.2 Analytical Financial Review

Analysis of Ratios

According to the information made available, a few significant ratios of the Board for the year under review appear below.

	2017	2016
Gross Profit (Loss) Ratio (per cent)	(21)	(81)
Net Profit (Loss) Ratio (per cent)	(35)	(114)
Current Ratio	0.33: 1	0.27:1
Quick Ratio	0.29:1	0.23:1

The following observations are made.

The income from consumable tea and rubber had increased in the year under review over the preceding year by Rs.116,522,744 and Rs.127,883,388. The increase in these two incomes had been 51 per cent as compared with the preceding year.

4 Operating Review

4.1 Uneconomic Transactions

Contributions have not been duly paid to the Employees' Trust Fund and the Employees' Provident Fund and as such, sums of Rs.2,250,905 and Rs.28,573,486 had been paid as surcharge respectively in the year under review.

W.P.C. Wickramaratne

Auditor General

JANATHA ESTATES DEVELOPMENT BOARD

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Action taken to rectified the differences of audit queries and the audit reports in the year 2017.

No	Query	Action Taken
01	Even though according to financial statements of the board leased assets valued at Rs. 32,168,955/- had been presented in the statement of financial position as at 31st December 2017, necessary disclosures on assets had not been made in the financial statements in terms of paragraph 47 of the said standard.	The necessary adjustment has been disclosure in the financial statement for the year 2019, as according to terms of paragraph 47 of the said standard.
02	The gratuity surcharge of Rs. 2,209,960/- payable as at 31 December, 2017 relating to Kolapatana Estate, had not been brought to account.	Payable surcharges of Rs. 2,209,960/- on gratuity pertaining to Kolapatana Estate for the year 2017 have been shown in Estate accounts for 2018.
03	Even though the amortization value accounted relating to the rubber plantation had been RS. 14,340,262/- the amortization value as per the Fined Assets Register had been Rs. 6,358,559/- , thus observing a difference of Rs. 7,981,703/- .	On rubber plantations for 2017, depreciation amount should be Rs. 14,340,262/- as per the Final Accounts. But this has been stated as Rs. 6,362,021/- in the schedule. (Kumarawatte – Rs. 5,091,479/- and Diyaluma Rs.1,270,542/-) The amount of Rs. 7,978,241/- over accounted has corrected in the year 2018.
04	According to the creditors age analysis submitted by the Board in the year under review, the creditors balance over five years amounted to Rs. 103,753,900/- However, the Board had not taken action to settle these balances even in the year under review. That balance was 87 per cent of creditors of which creditors' age analysis was submitted by the Board.	The credit balances (Liabilities) exceed over 5 years at head office level are inclusive of the amount Rs. 103,753,900/- as in audit report. Due to financial crisis faced by the organization at present, these payments have not been made. However, once the financial situation improved, final payments would be made.
05	Even though balances of festival advances amounting to Rs. 1,116,571 relating to estates of the Board were as old from the year 2000 to the year 2016, adequate steps had not been taken even in the year under review by the Board to recover those loan balances.	It has been stated by the estates concerned, they were unable to recover some outstanding amount of Festival Advances due to the reasons, such as, demise of workers, terminate or vacating of employments, during the period concerned. However, necessary instructions have been given to the estate Superintendents to recover the outstanding amounts, when the workers or their nominees call over at the

		estates to make the claim for their EPF, ETF or gratuity.
06	Letters on confirmation of balances or loan agreements relating to loans amounting to Rs. 176,571,131/- obtained from the 4 institutions of Corporation for Public Enterprise Resource Management, Chilaw Plantations Limited, Sri Lanka Tea Board, Lanka Mineral Sands Limited and Lanka Ceramic Corporation, had not been made available to Audit.	The balances have been confirmed by Chilaw Plantation Ltd. for the year of 2017. Sri Lanka Tea Board and Lanka Mineral Company has not confirmed the balances for the year 2017, but they have produced the confirmation betters for the year 2020.
07	A physical stock verification had not been carried out relating to the stock of Made tea valued at Rs. 43,690,535/- and the stock of rubber valued at Rs. 11,520,815/- included in the stock balance indicated under current assets.	Once the final production are completed for a season in tea or Rubber factories, their products are invoiced and sent to the Brokers. As such, no stock taking is undertaken at the outside warehouses, but a crop ledger is maintained at the head office, pertaining to all sales.