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ஆண்டறிக்கை
Annual Report
2014

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நெல் சந்தைப்படுத்தல் சபை

PADDY MARKETING BOARD

PADDY MARKETING BOARD

ANNUAL REPORT
2014

Report submitted to the Hon. Minister of Agriculture in relation to the implementation and performance of powers, policies, programs, responsibilities and duties during the year ending on 31st December 2014, in terms of section 31/1of the Paddy Marketing Board Act No.14 of 1971.

Paddy Marketing Board

Annual Report – 2014

Role of the Paddy Marketing Board during the year 2014

Page No.

VISION

To Become the Pioneer Parastatal in the Country for Purchasing, Storing, Processing & Marketing of Paddy and Rice.

MISSION

To effect an implementing mechanism and provide related services for Purchasing, Processing, Storing, and Marketing of Paddy and Rice through a committed staff equipped with knowledge and skills to the satisfaction of both the producer and the consumer.

Aims

The Paddy Marketing Board is functioning with the intention of accomplishing of three major aims for the realization of the afore mentioned mission. The first is to provide higher benefits to the paddy farmers and the second is to secure the rice consumers. The third is to ensure the food security for the country.

Objectives

The objectives of the Board are :

1. to carry on the business of purchasing, selling, supplying and distributing paddy and rice,
2. to carry on the business of milling, hulling and processing of paddy and rice,
3. to carry on any such other business as may be incidental or conducive to the attainment of the objects referred to in paragraphs (1) and (2) ,
4. to do all other things which in the opinion of the Board are necessary to facilitate the proper carrying on of its business.

2. Board of Directors – 2014

The Board of Directors of the Paddy Marketing Board for the year 2014 consisted of the following members:

1.	Mr. K.B. Jayasinghe	- Chairman
2.	Mrs.Nimalka Dias	- Food Commissioner
3.	Mr. W.H. Karunaratne (up to 18.06.2014)	- Commissioner of Co-operative Development
	Mr.Upul Shantha de Alwis (up to 19.08.2014)	- Commissioner of Co-orperative Development
4.	Mr. M.A. Sunil Weerasinghe	- Commissioner General of Agrarian Services
5.	Mrs. M.T.I.V. Amarasinghe	- Director Public Enterprisers Department, General Treasury
6.	Mr. Anil Kumara Senadeera	- Member appointed by the Hon. Minister
7.	Mr. A.R.M. Haris	- Member appointed by the Hon. Minister

09 Board Meetings were hold during the year 2014. In this period, Mrs. Ruwanthika Gunawardana, Legal Officer of the Board acted as the Secretary of the Board.

3. Senior Management of the Paddy Marketing Board

1.	Mr.S.M Saman Palitha Bandara	-	Deputy General Manager (Operations)
2.	Mr.K.A.V.U.S. Perera	-	Deputy General Manager (Operations)
3.	Mr.R.C Rathnayake	-	Deputy General Manager (Finance)
4.	Mr.M.K.W.S de Silva	-	Accountant
5.	Mrs.Ruwanthika Gunawardena	-	Legal Officer
6.	Mr.A.M.U.N Atapattu (since 01.07.2014)	-	Internal Auditor
7.	Mr.Nimal Ekanayake	-	Regional Manager, North Western
8.	Mr.R.M.A Rathnayake	-	Regional Manager, Anuradhapura
9.	Mr.Suranga Senanayake	-	Regional Manager, Ampara
10.	Mr. N.G.C.K Nissanka	-	Regional Manager, Polonnaruwa
11.	Mr.Ranawaka Weerasekara	-	Regional Manager, Eastern
12.	Mr.Ajith Shantha Kumara	-	Regional Manager, Northern
13.	Mr.D.S Dissanayake	-	Regional Manager, Southern

4. Review of the Chairman

In terms of Act No. 14 of 1971, the main objectives of the Paddy Marketing Board, are as follows.

- Maintenance of a higher stable price for paddy in the Market.
- Provision of rice at a reasonable price.
- Ensure food security in the country.

The role of the Paddy Marketing Board is to,

1. carry on the business of purchasing, selling, suppling and distributing paddy and rice,
2. carry on the business of milling, hulling, and processing of paddy and rice,
3. carry on any such other business as may be incidental or conductive to the attainment of the objects referred to in paragraphs (1) and (2),
4. do all other things which in the opinion of the Board are necessary to facilitate the proper carrying on of its business.

After re-establishment of the Paddy Marketing Board in terms of a decision taken by the Cabinet of Ministers on 15th July 2007, the Paddy Marketing Board restarted to make an active contribution to purchase and sell paddy. The total annual production of paddy for the year 2014 was 4,109,326 MT. During the 2013/2014 Maha season the Paddy Marketing Board purchased 4,576 MT incurring Rs. Million 148.2. In this year, the Paddy Marketing Board purchased paddy at the guaranteed price of Rs. 32 per Kilo of Nadu paddy and Rs. 35 per Kilo of Samba paddy. Part of this stock was sold on cash and another stock was given to the World Food Program and to the Co-operative Wholesale Establishment. Further, during the year 2014, the Paddy Marketing Board exported certain amount of paddy. The rest of the paddy was retained as a buffer stock.

During the year 2014, the Paddy Marketing Board was able to contribute to maintain a stable price for paddy in the open market and to ensure a reasonable price for rice through the intervention in purchasing and selling of paddy.

In 2014, 213 stores belonging to the Paddy Marketing Board were used to store paddy. In this year 11 stores, the Regional Office, Polonnaruwa and the Regional Office Hambanthota were renovated.

The Paddy Marketing Board was able to pay back Rs. Million 1882.3 out of the loans obtained from the Bank of Ceylon, People's Bank, National Savings Bank and the Regional Development Bank. Further, the Paddy Marketing Board contributed to reactivate a number of small and medium scale mills which were not functioning by that time, through the program of processing paddy by those mills.

Although, the Paddy Marketing Board employed the services of co-operative societies and Agrarian Services Committees to purchase paddy at the initial stage in the capacity of agents, it started to purchase paddy directly from the farmers at late stages to maintain a close rapport with the farmers. Accordingly, farmers sold their paddy directly to the wherehouses of the Paddy marketing Board based on the certification given by the Agricultural Research & Production Assistants, in year 2014. In this year, a quantity of paddy recommended to be purchased from a farmer was 2,000kg.

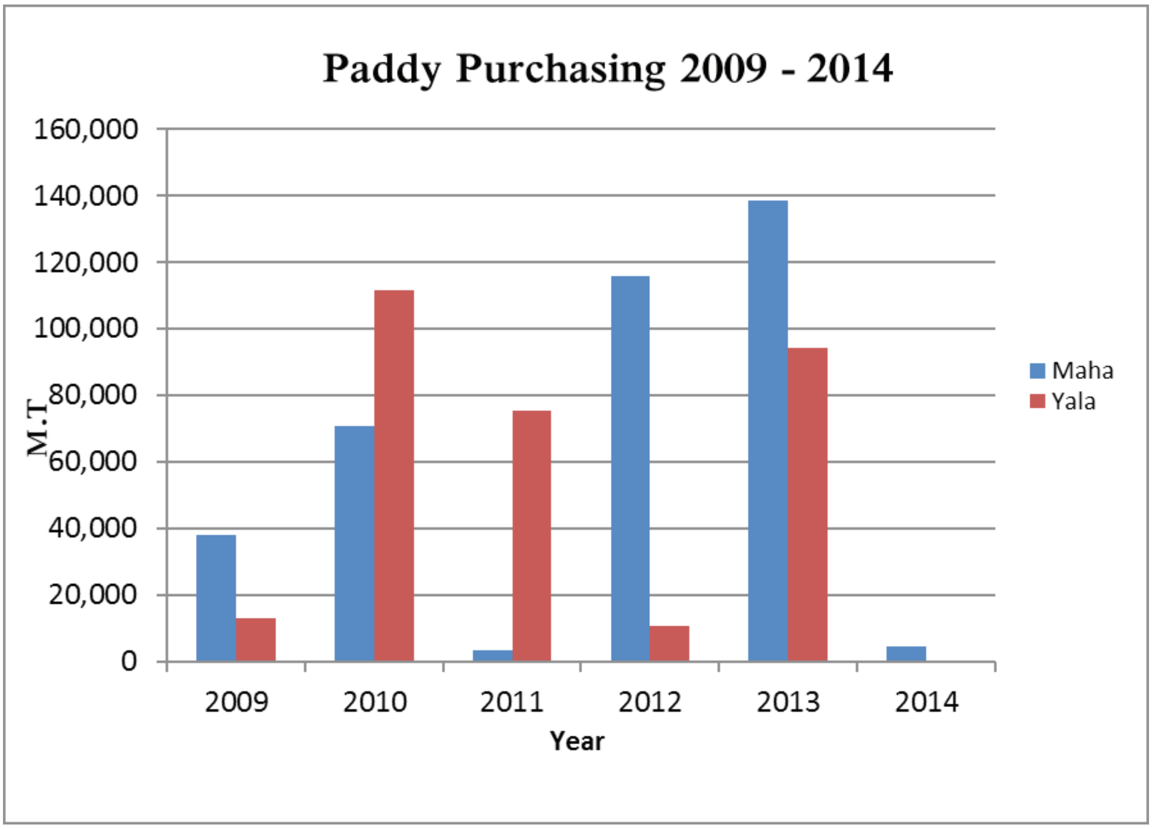
The standards used for purchasing Paddy in the Year 2014 are mentioned below.

1. Moisture (Maximum) :- 14%
2. Impurities (Maximum) :- 1 %
3. Type Admixture (Maximum) :- 6%
4. Immature Grains (Maximum by Volume) :- 9%
5. Free from discoloured grains
6. Free from sand and stones
7. Free from insect attack or insect eggs and other damaged conditions of insects.
8. Free from grains attacked by fungal.

In year 2014, the Paddy Marketing Board purchased the paddy processed according to the above standards at the guaranteed price mentioned above. Although the stock purchased by the Paddy Marketing Board was relatively less, the farmers were able to get a better price.

Stocks of Paddy purchased by the PMB during the last 6 Years.

Season	**Purchased Stock (mt.)**					
	2009	2010	2011	2012	2013	2014
Maha	38,000	70,771	3,470	115,786	138,650	4,576
Yala	13,374	111,756	75,172	10,476	94,376	-



Obstacles and Challenges faced by the Paddy Marketing Board

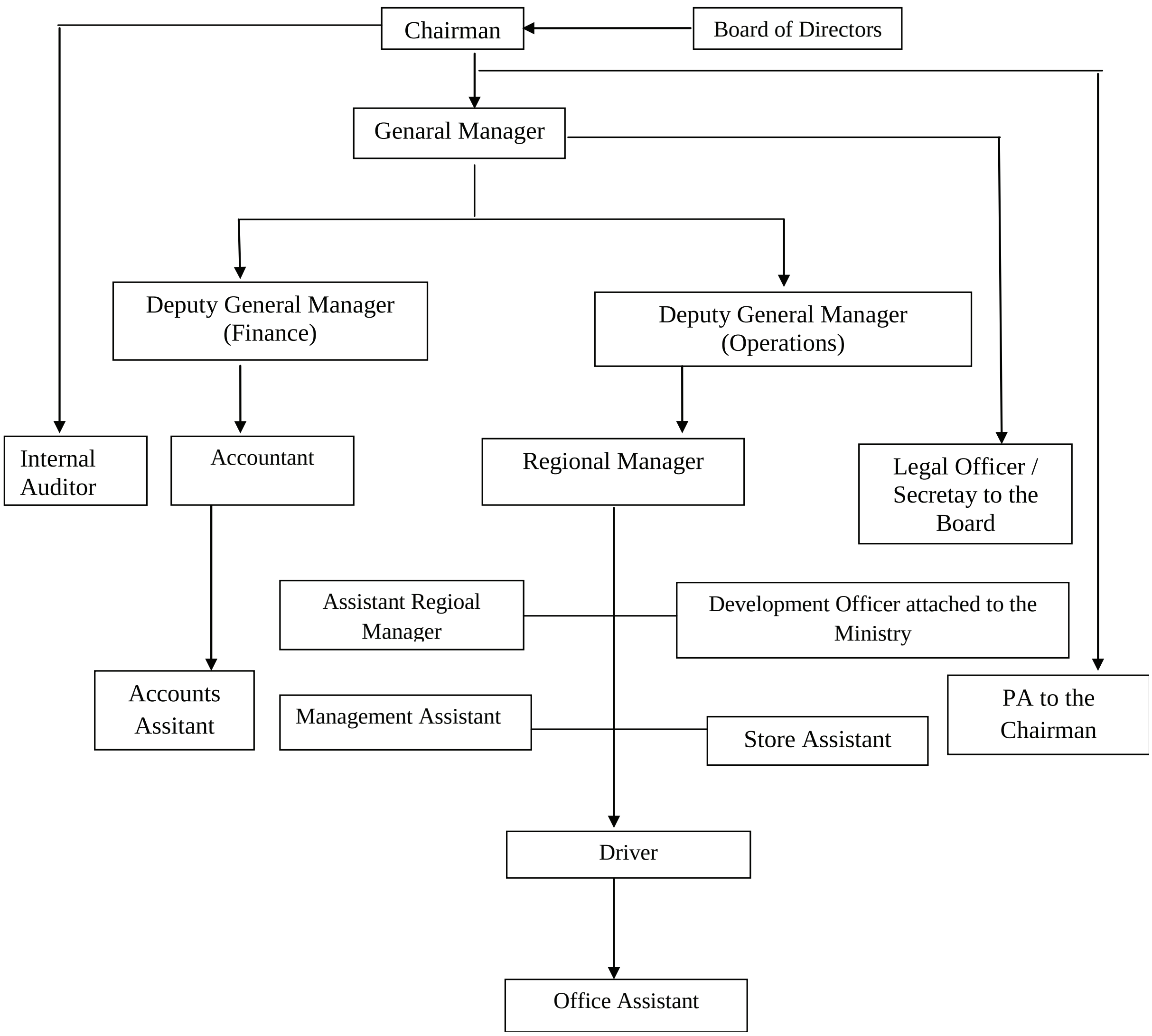
Lack of facilities for farmers to dry and transport paddy, lack of a scientific storage system, lack of trained and skilled officers are some of the obstacles and challenges faced by the Paddy Marketing Board during the year 2014.

The Paddy Marketing Board is not functioning as a mere profit making entity. It is compelled to maintain a guaranteed price for paddy for the farmers, a reasonable price for the rice consumers and to ensure food security of the country. However, the plans are underway to sell paddy according to a business plan making minimum cost to the Government while maintaining a scientific storage system and updated computerized data system, overcoming the obstacles and the challenges mentioned above.

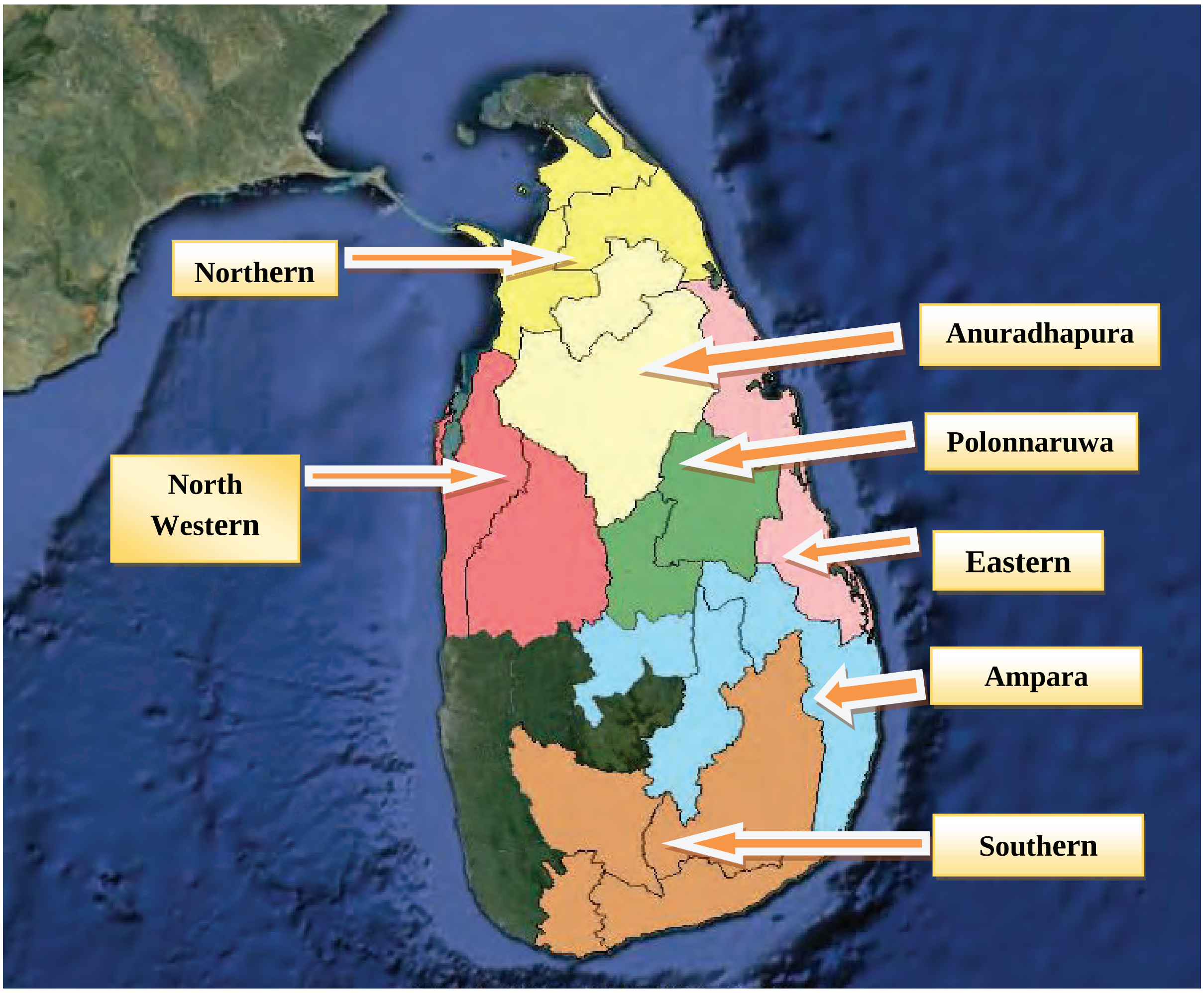
In preparing future plans the PMB is paying attention to get the views of the Farmer Associations and the millers in order to fulfil the aspirations of the farmers, millers and the consumers.

Chairman
Paddy Marketing Board

5. Organization Structure - 2014



6. Regional Operation



- **Address of the Regional Offices of the PMB**

1. Regional Manager
   Paddy Marketing Board
   North Regional Office
   Karndakoppu Junction
   Killinochchi

2. Regional Manager
   Paddy Marketing Board
   Polonnaruwa Regional Office
   Kaduruwela
   Polonnaruwa

3. Regional Manager
   Paddy Marketing Board
   Anuradhapura Regional Office
   Purahala Pedesa
   2nd Lane
   Anuradhapura

4. Regional Manager
   Paddy Marketing Board
   North Western Regional Office
   Millegoda
   Nikaweratiya

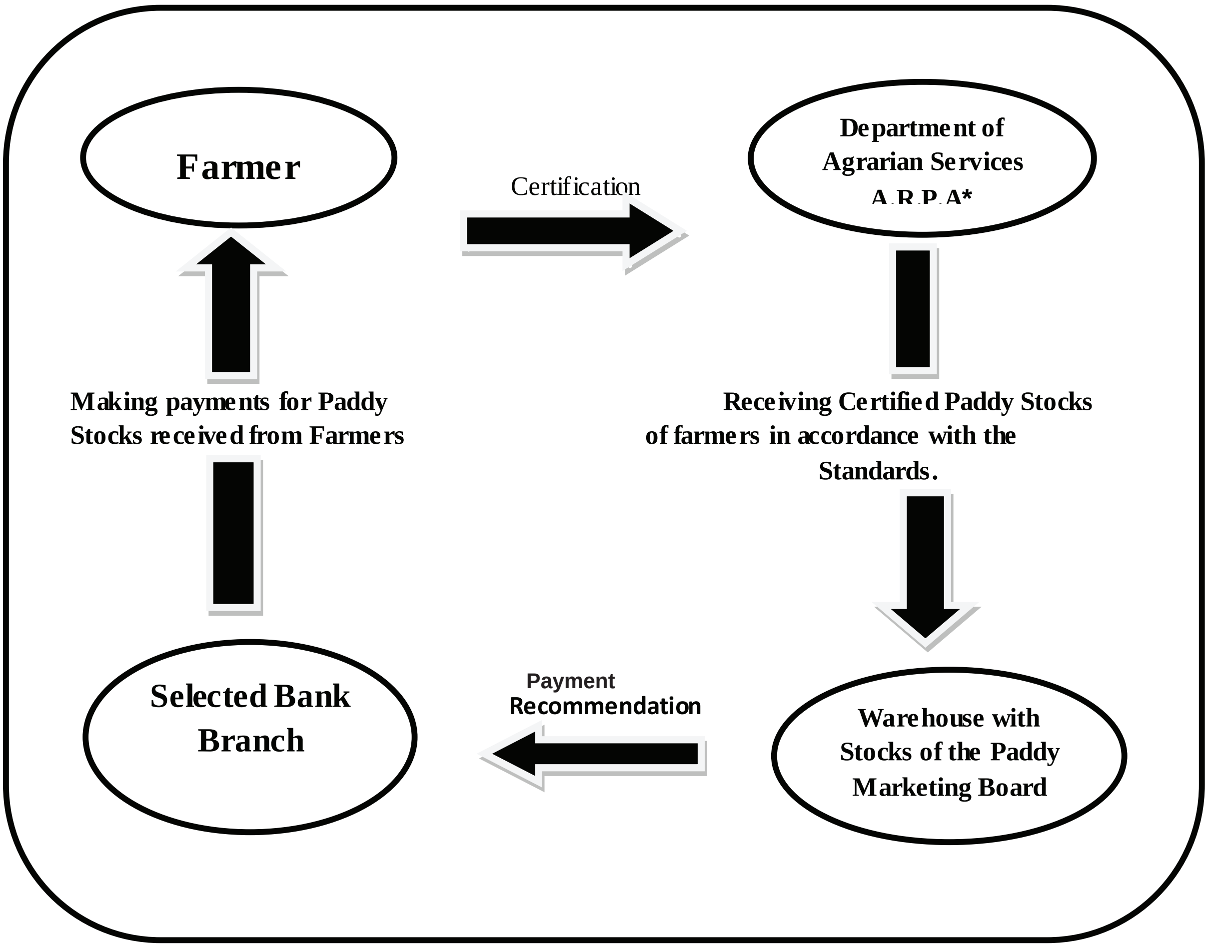
5. Regional Manager
   Paddy Marketing Board
   Eastern Regional Office
   District Secretariat Premises
   Trincomalee

6. Regional Manager
   Paddy Marketing Board
   Ampara Regional Office
   Inginiyagala Road
   Ampara

7. Regional Manager
   Paddy Marketing Board
   Southern Regional Office
   Dehigahalanda
   Ambalantota

7. National program of purchasing of paddy

- **Methodology of Purchasing Paddy**



* A.R.P.A.– Agricultural Research and Production Assistant

- **Region-wise Purchases of Paddy during the year 2013/14 Maha Season**

Region	Nadu (Kg.)	Samba (Kg.)	Total	
			Purchases (Kg.)	Amount (Rs.)
Anuradhapura	1,000	-	1,000	32,000.00
Ampara	3,005,586	385,100	3,390,686	109,657,252.00
West	67,900	1,250	69,150	2,216,550.00
North West	399,800	172,850	572,850	18,843,350.00
South	499,658	28,011	527,669	16,969,441.00
North	-	15,337	15,337	536,795.00
Total	**3,973,944**	**602,548**	**4,576,492**	**148,255,388.00**

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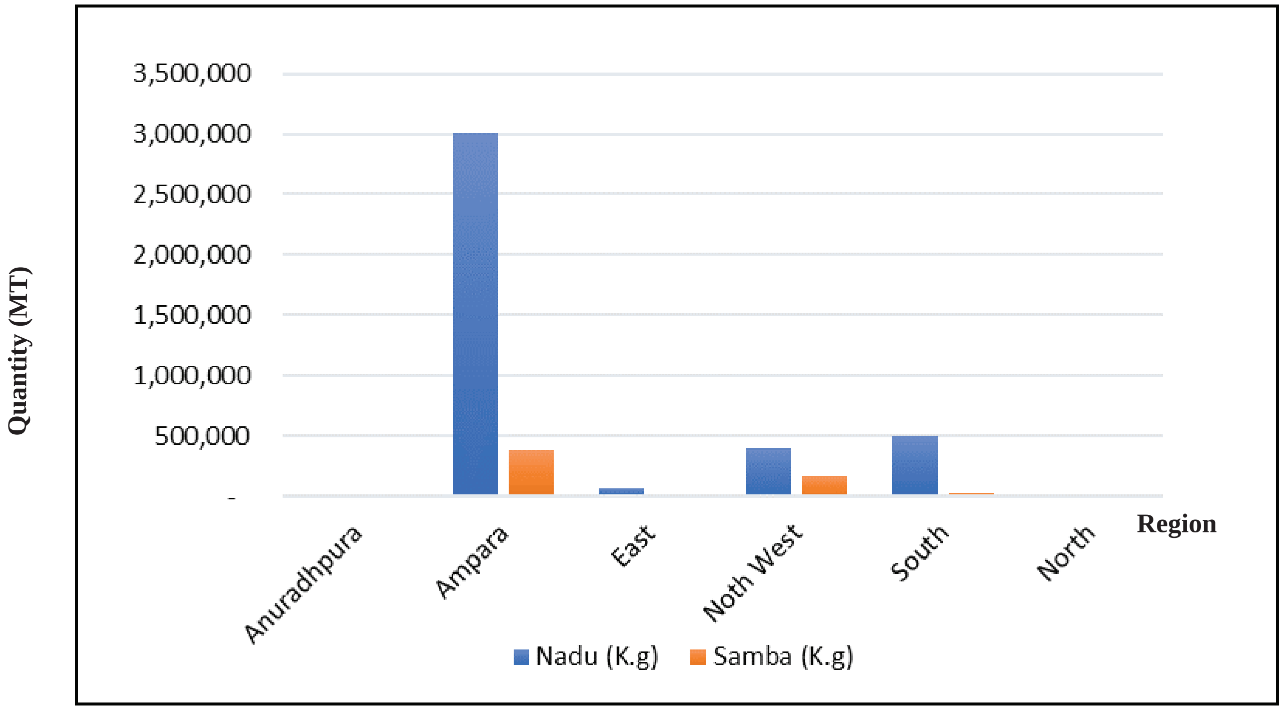
Paddy Purchasing 2013/14 - Maha Season

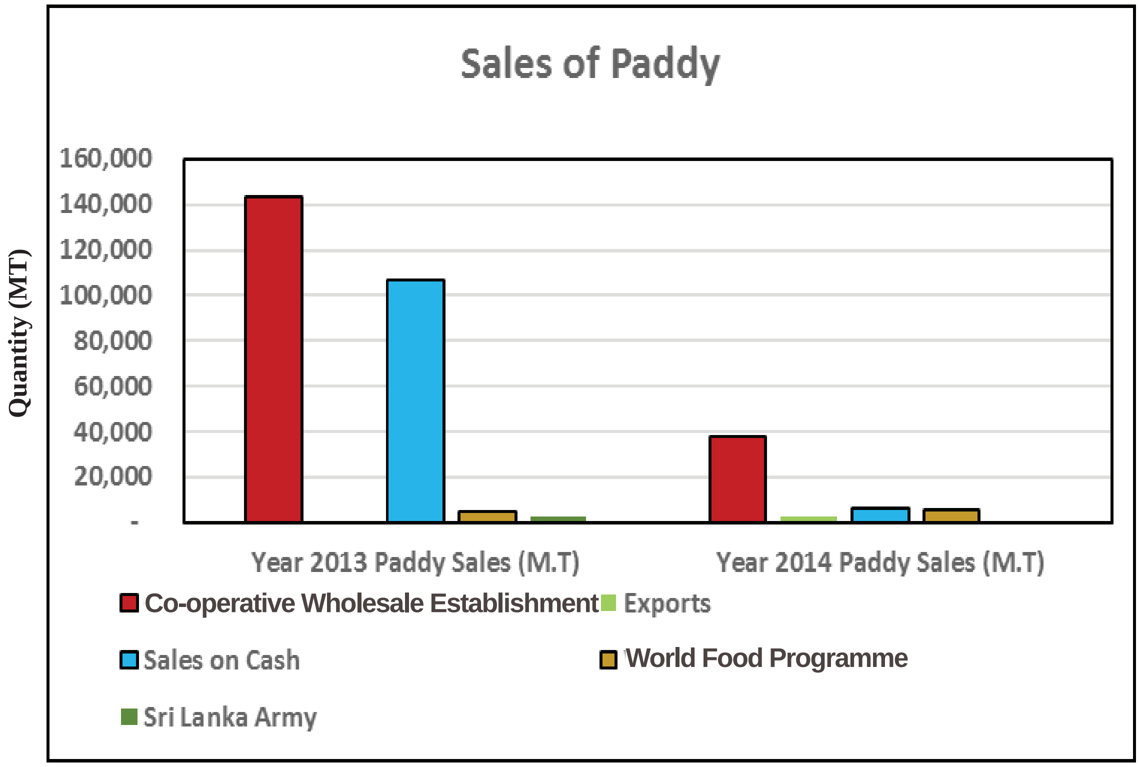


- **Availability of Paddy Stocks as at 31.12.2014**

Description	Samba (Kg.)	Nadu (Kg.)	Total (Kg.)
Opening Stock as at 01.01.2014	25,767,786	93,579,192	119,346,978
Purchases in 2013/14(Maha Season)	602,548	3,973,944	4,576,492
Total	**26,370,334**	**97,553,136**	**123,923,470**
Issues of Paddy			
(a) Co-operative Wholesale Establishment	5,039,430	32,592,609	37,632,039
(b) Exports	-	2,531,000	2,531,000
(c) Sales on Cash	1,553,216	4,590,625	6,143,841
(d) Donations for World Food Programme	539,616	4,957,113	5,496,729
Total Issues	**7,132,262**	**44,671,347**	**51,803,609**
Remaining Stock as at 31.12.2014	19,238,072	52,881,789	72,119,861

8. Details of Paddy Sales in Year 2013 and 2014

Serial No.	Description	Year 2013 Paddy Sales (Mt.)	Year 2014 Paddy Sales (Mt.)	Total (Mt.)
01	Issuence of paddy to Co-operative Wholesale Establishment	143,479	37,632	181,111
02	Exports	-	2,531	2,531
03	Sales on Cash	107,011	6,144	113,155
04	Donations for World Food Programme	4,860	5,497	10,356
05	Issuence of Paddy to the Sri Lanka Army	2,564	-	2,564



9. Financial Highlights (2009 - 2014)

Rs Mn

Description	2009	2010	2011	2012	2013	2014
Revenue	1,705.38	138.95	3,500.20	3,617.88	7,878.87	1,554.51
Purchases - Paddy	1,460.20	5,172.00	2,278.20	3,636.89	7,755.26	148.66
Gross Profit/(Loss)	263.85	20.81	249.64	(1,440.93)	(121.98)	(237.02)
Administration, Finance& Other Expenses	47.00	211.68	367.85	630.64	1,674.62	983.562
Net Profit/(Loss)	150.72	(346.75)	264.13	(1,996.23)	(1,036.23)	(1,126.93)
Funds Received for paddy purchses						
General Treasury	1,060.00	1,300.00	700.00	100.00	250.00	-
Bank Of Ceylon	-	2,250.00	410.40	914.80	1,150.00	-
People's Bank	-	1,500.00	106.30	311.80	1,296.00	-
National Savings Bank	-	1,000.00	-	725.90	584.20	-
Regional Development Bank	-	400.00	-	250.00	398.90	-
Debtors						
CWE	-	-	341.39	1,587.08	1,404.92	462.59
Food Department	-	-	611.99	470.95	440.55	425.95
Lanka Sathosa	-	-	90.41	49.94	79.93	77.53
Creditors - Banks & Others						
General Treasury	310.00	1,300.00	1,900.00	2,000.00	2,250.00	2,250.00
Bank Of Ceylon	-	2,250.00	2,185.20	3,100.00	4,115.89	3,129.78
People's Bank	-	1,496.96	1,354.45	1,553.74	2,651.99	2,314.94
National Savings Bank	-	267.80	47.80	725.95	1,142.96	1,000.00
Regional Development Bank	-	380.47	-	241.99	416.13	-
Treasury Grants						
For Capital	4.93	9.00	182.90	112.00	80.00	175.00
For Recurrent	8.00	24.00	25.00	35.35	40.00	66.50
Capital Used						
New Constructions	-	-	126.70	85.50	48.00	63.00
Renovation of paddy stores	4.93	6.30	52.30	25.10	27.00	105.00
Acquisition of Fixed Assets	-	2.68	3.90	1.40	5.00	7.00

10. Particulars of Loans obtained to Purchase of Paddy by the PMB and the Balance to be paid for the period of 2008-2014

Year	Funding Institution	Opening loan balance Rs. (Mn.)	Loans obatained during the year Rs.(Mn.)	Settled amount of the Loan Rs.(Mn.)	Loan Balance as at the end of the Year Rs.(Mn.)
2008	Treasury	-	200.0	-	200.0
	Total	**-**	**200.0**	**-**	**200.0**
2009	Treasury	200.0	1,060.0	950.0	310.0
	Total	**200.0**	**1,060.0**	**950.0**	**310.0**
	Treasury	310.0	1,300.0	310.0	1,300.0
	Bank of Ceylon	-	2,250.0	-	2,250.0
2010	People's Bank	-	1,500.0	3.0	1,497.0
	National Savings Bank	-	1,000.0	732.2	267.8
	Regional Development Bank	-	400.0	19.6	380.4
	Total	**310.0**	**6,450.0**	**1,064.8**	**5,695.2**
	Treasury	1,300.0	700.0	100.0	1,900.0
	Bank of Ceylon	2,250.0	410.4	475.3	2,185.1
2011	People's Bank	1,497.0	106.3	248.8	1,354.4
	National Savings Bank	267.8	-	220.0	47.8
	Regional Development Bank	380.4	-	380.4	-
	Total	**5,695.2**	**1,216.7**	**1,424.5**	**5,487.4**

2012	Treasury	1,900.0	100.0	-	2,000.0
	Bank of Ceylon	2,185.1	914.8	-	3,099.9
	People's Bank	1,354.4	311.8	112.5	1,553.7
	National Savings Bank	47.8	725.9	47.8	725.9
	Regional Development Bank	-	250.0	8.0	242.0
	Total	**5,487.4**	**2,302.5**	**168.3**	**7,621.6**
2013	Treasury	2,000.0	250.0	-	2,250.0
	Bank of Ceylon	3,099.9	1,150.0	134.1	4,115.8
	People's Bank	1,553.7	1,296.0	265.4	2,584.3
	National Savings Bank	725.9	584.2	167.0	1,143.0
	Regional Development Bank	242.0	398.9	224.8	416.1
	Total	**7,621.6**	**3,679.1**	**791.3**	**10,509.3**
2014	Treasury	2,250.0	-	-	2,250.0
	Bank of Ceylon	4,115.8	-	986.1	3,129.7
	People's Bank	2,584.3	-	337.1	2,247.2
	National Savings Bank	1,143.0	-	143.0	1,000.0
	Regional Development Bank	416.1	-	416.1	0.0
	Total	**10,509.3**	**-**	**1,882.3**	**8,626.9**

11. Guaranteed Prices of Paddy 2000 - 2014

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

12. Stores owned by the Paddy Marketing Board

Serial No.	Name of the Store	Capacity (Mt.)
	Ampara Region	
	Ampara District	
01	Maha Oya 1	1,040
02	Maha Oya 2	1,040
03	Gonagolla	1,040
04	Inginiyagala	600
05	Kohombana 1,2	2,080
06	Palam Kandawura 1	1,040
07	Palam Kandawura 2	1,040
08	Komariya 1	1,040
09	Komariya 2	1,040
10	Kumarigama	1,040
11	Tambatta	1,700
12	Weeragoda 1,2	2,080
13	Ampara 1	1,040
14	Ampara 2	1,040
15	Damana 1	1,040
16	Damana 2	1,040
17	Sammanthurei 1,2	2,080
18	Pothuvil 1	1,040
19	Pothuvil 2	1,040
20	Addalchchenai	1,040
21	Akkareipattu	2,000
22	Nindavur 1	1,040
23	Nindavur 2	1,040
24	Nellikele	1,800
25	Sandunpura	1,200
26	Z 2	1,000
27	Z 3	2,000
	Total	**34,220**

	Kandy District	
28	Pallewatta 1	2,000
29	Pallewatta 2	1,000
30	Pallewatta 3	1,000
31	Pallewatta 4, 6	1,600
32	Pallewatta 5	500
33	Kolongoda	1,040
34	Hasalaka	600
35	Morayaya 1	1,040
36	Morayaya 1	1,040
	Total	**9,820**
	Badulla District	
37	Mahiyanganaya 1	1,040
38	Mahiyanganaya 2	1,040
39	Medayaya 2	1,040
40	Medayaya 1	1,040
41	Giradurukotte 1	1,040
42	Giradurukotte 2	1,040
	Total	**6,240**
	North Western Region	
	Puttalam District	
43	Rajakadaluwa	1,000
44	Anamauduwa 1	1,000
45	Anamaduwa 2	1,000
	Total	**3,000**
	Kurunegala District	
46	Nikaweratiya 1	300
47	Nikaweratiya 2	800
48	Nikaweratiya 3	1,500
49	Nikaweratiya 5	1,000
50	Nikaweratiya 6	300
51	Mahawa 2	1,000
52	Mahawa 3	1,000

53	Mahawa 4	300
54	Tabbowa 1	1,000
55	Tabbowa 2	1,000
56	Galgamuwa	1,000
57	Ma Eliya 1	1,000
58	Ma Eliya 2	1,000
59	Ma Eliya 3	1,000
60	Warawewa 1	1,200
61	Warawewa 2	800
62	Galewela 1	1,000
63	Galewela 2	1,000
	Total	**16,200**
	Southern Region	
	Hambantota District	
64	Weerawila 1	1,000
65	Weerawila 2	1,000
66	Pallemalala 1	1,000
67	Pallemalala 2	600
68	Suriyawewa	1,000
69	Weeraketiya	1,000
70	Dehigahalanda 1	1,000
71	Dehigahalanda 2	1,000
72	Dehigahalanda 3	1,000
73	Ambalantota 1	750
74	Kachchigalara 1	1,000
75	Kachchigalara 2	1,000
76	Kachchigalara 3	1,000
77	Yodakandiya	2,000
	Total	**14,350**
	Moneragala District	
78	Medagama	1,000
79	Muthukandiya 1	1,000
80	Muthukandiya 2	500

81	Ethmale 1	1,000
82	Ethmale 2	300
83	Dodamwatta 1	1,000
84	Dodamwatta 2	1,000
85	Wellawaya	1,500
86	Aluthwewa	1,500
	Total	**8,800**
	Rathnapura District	
87	Kuttigala 1	1,000
88	Kuttigala 2	1,000
89	Kuttigala 3	1,000
90	Ambilipitiya	500
91	Kaltota	1,000
92	Moraketiya 1	1,000
93	Moraketiya 2	1,000
	Total	**6,500**
	Matara District	
94	Meddewatta	1,750
	Total	**1,750**
	Polonnaruwa Region	
	Polonnaruwa District	
95	Weerapura 1	1,568
96	Talpotha 1	1,358
97	Talpotha 2	1,045
98	Pansalgodella	2,000
99	Higurakgoda 1	1,045
100	Higurakgoda 2	1,045
101	Higurakgoda 3	730
102	Higurakgoda 4	1,045
103	Higurakgoda 5	1,000
104	Higurakgoda 6	1,000
105	Higurakgoda 7	1,000
106	Bakamuna	1,045

107	Kusumpokuna	1,568
108	Aralaganwila 9th Post	1,000
109	Manampitiya 1	1,045
110	Manampitiya 2	1,045
111	Wijayapura	1,045
112	Wijayabapura	1,000
113	Medirigiriya	1,358
114	Jayanthipura 1	1,045
115	Jayanthipura 2	1,045
116	Abayapura	1,000
117	Diya Beduma	1,045
118	Kaduruwela 1	730
119	Kaduruwela 2	1,045
120	Kaduruwela 3	1,045
121	Kaduruwela 4	3,000
122	Madudamana	1,045
123	ZD 1	1,750
124	Welikanda 1	1,500
125	Welikanda 2	1,500
126	Welikanda 3	1,500
127	Welikanda 4	1,500
128	Welikanda 5	1,500
129	Ambagaswewa	1,000
	Total	**43,192**
	Matale District	
130	Handungamuwa	1,045
131	Hettipola 1	1,000
132	Hettipola 2	1,000
133	Hettipola 3	1,000
	Total	**4,045**
	Anuradhapura Region	
	Anuradhapura District	
134	Thalawa 1	1,000

135	Thalawa 2	1,100
136	Thalawa 3	1,100
137	Senanayaka 2	1,000
138	Senanayaka 3	1,000
139	Senanayaka 5	2,000
140	Senanayaka 6	1,000
141	Senanayaka 7	1,000
142	Senanayaka 8	1,000
143	Tambuttegama	1,500
144	Rajanganaya	1,000
145	Bulnewa 1	1,000
146	Bulnewa 2	2,500
147	Bulnewa 3	800
148	Negama 1	1,000
149	Katiyawa	1,000
150	Kekirawa 1	1,000
151	Kekirawa 2	1,000
152	Kekirawa 3	1,000
153	Shrawastipura	1,000
154	Nochchiyagama 1	1,000
155	Nochchiyagama 2	1,000
156	Yakalla	2,000
157	Kahatagasdigiliya	1,000
158	Rabawewa	1,000
159	Kebithigollewa	700
160	Medawachchiya	2,000
161	Pemaduwa	1,000
162	Wahalkada	400
163	Horowpathana Army	2,000
164	Horowpathana	1,000
165	Horowpathana D 01	400
166	Padaviparakramapura 1	1,000

167	Padaviparakramapura 2	1,000
168	Padaviparakramapura 3	1,000
169	Padaviparakramapura 4	1,000
170	Senapura 1	1,000
171	Senapura 2	1,000
172	Halabewa	1,500
173	Padaviya	1,000
174	Kalawewa	2,000
175	Galenbidunuwewa 1	1,000
	Total	**48,000**
	Matale District	
176	Pelwehera 1	1,000
177	Pelwehera 2	1,000
178	Kandalama 1	1,000
179	Kandalama 2	775
	Total	**3,775**
	North Region	
	Vavuniya District	
180	Welipola	2,000
181	Mamaduwa	1,000
182	Weppakulama	3,000
183	Park Road	2,000
184	Nedurkanni 1	1,000
	Total	**9,000**
	Mannar District	
185	Alkadiweli	3,000
	Total	**3,000**
	Kilinochchi District	
186	Ramanadapuram	1,500
187	Kilinochchi Economic Centre	1,000
188	Kilinochchi Town	750
	Total	**3,250**

	Mullaitivu District	
189	Mullaliyaweli	800
190	Mankulam	400
191	Thunukkai	200
192	Tannirittu	600
	Total	**2,000**
	Eastern Region	
	Trincomalee District	
193	Kallaru 1	1,000
194	Kallaru 2	1,000
195	Kanthale 2	1,000
196	Kanthale 3	1,000
197	Kanthale 4	1,000
198	Swarnajayanthipura	250
199	Padavisripura	1,000
200	Gomarankadawala	1,000
201	Lovelane 1	2,000
202	Lovelane 2	2,000
203	Lovelane 3	300
204	Lovelane 4	400
205	Lovelane 5	600
206	Lovelane 6	600
207	Lovelane 8	600
208	Tabalagamuwa	2,600
209	Kiliwetti	500
210	Pankulama	250
211	Medawachchiya	250
212	Surangal	600
	Total	**17,950**
	Colombo District	
213	Meethotamulla	5,000
	Total	**5,000**
	Grand Total	**241,592**

13. Particulars relating to the Renovations effected by the Paddy Marketing Board during the Year 2014

Serial No.	District	Store/Others	Store Capacity (Mt.)	Cost incurred for the project (Rs.M.)
01	Ampara	Akkraipattuwa	1,600	26.57
02	Anuradhapura	Medawachchiya	2,000	23.45
03	Anuradhapura	Rambewa	1,000	11.16
04	Polonnaruwa	Higurakgoda	1,040	6.77
05	Polonnaruwa	Kaduruwela	2,000	22.73
06	Kandy	Pallewatta	1,040	5.34
07	Puttlam	Anamaduwa	1,000	6.76
08	Puttlam	Tabbowa	1,000	16.25
09	Trincomalee	Kanthalai -01	1,000	7.79
10	Hambantota	Kachchigalara (old)	1,000	4.53
11	Hambantota	Kachchigalara (new)	1,000	3.15
	Other			
01	Polonnaruwa	Polonnaruwa Zonal Office		13.74
02	Hambantota	Southern Zonal Office		5.20

14. Role of the Board of Directors in the year 2014

Powers of the Board of Directors have been clearly explained in section 13 of the Paddy Marketing Board act No.14 of 1971.

Under section 13, wide powers such as to acquire hold, take on lease or hire, mortgage sell or otherwise dispose of any movable or immovable property belonging to the Board, to exercise the exclusive right of purchase, sale, supply, distribution, hulling, milling or processing of paddy and rice to implement all activities relating to carrying out of the business of the Paddy Marketing Board, to make rules in relation to officers of the Board to implement powers with regard to the appointment, promotion and disciplinary action of the officers, maintaining of stores and to carry out research relating to purchase and sale of paddy and enter into contracts with other parties on behalf of the Boards.

Meetings of the Board of Directors in the year 2014

09 meetings of the Board of Directors were conducted during the year of 2014. A number of important decisions took in respect of stock verification, sale of paddy unsuitable for human consumption, issue of paddy to the Food Commissioners Department, recovery of money due from the Co-operative wholesale establishment and regularization of the Internal Audit plan. Further steps have been taken to recruit an Internal Auditor, making contribution to the Employee's Provident Fund online. In the year 2014 Mrs. Ruwanthika Gunawardhana acted as a Secretary of the Board of Directors.

All the members of the Board of Directors extended their fullest support to make the role of the Board a success during the year 2014.

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15. Internal Auditing

I. Establishment of the Internal Audit Division

After stressing the necessity of establishing an Internal Audit Division for the Paddy Marketing Board by the reports of the Auditor General and Regulation No. 06 made at the meeting of the Committee on Public Enterprises held on 05.12.2012, the Internal Audit Division of the Paddy Marketing Board was established on 01.07.2014, After appointing an Internal Auditoand management assistant has attach to the Internel Audit division for supporting to the internal Audit.

II. Establishment of the Audit and Management Committee and the implementation of the Internal Audit Plan

The Audit and Management Committee for the Paddy Marketing Board was established in terms of Public Enterprises circular No. PED 55 of 14.12.2010. During the period from 01.07.2014 to 31.12.2014 an audit plan was prepared and implemented after getting the approval of the Board of Directors and the Auditor General. During this period three meetings of the Audit and Management Committee have been held.

III. Observations and the Recommendation of the Internal Auditor

The Internal Auditor has pointed out from time to time to the Management that a special attention should be paid to the following fields, out of the identified fields.

- Timely preparation of annual accounts.
- Timely preparation of Bank reconciliations.
- Annual verification of stocks.
- Taking the necessary steps to recover the balances due to the Paddy Marketing Board from the millers in respect of different programs.
- Clearance of uncleared balances of the accounts.
- Annual Board of survey and the updating of the fixed Assets Register.
- Establishment of a computerized Stock Control System.
- Introduction of an internal control system for purchasing, storing and issuing of paddy.
- Implementation of a formal methodology for construction and repairs.

Annual Accounts - 2014

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014	2013
ASSETS		**Rs.**	**Rs.**
Non Current Assets			
Property Plant & Equipment	3	424,657,215	411,967,721
Capital Work-in-Progress	4	164,403,048	12,782,996
Investments	5	370,364,770	347,142,306
		959,425,033	771,893,023
Current Assets			
Inventories	6	2,423,454,140	3,954,179,696
Trade and Other Receivables	7	2,309,764,951	4,279,953,264
Cash and Cash Equivalents	8	27,753,461	187,598,490
		4,760,972,552	8,421,731,450
Total Assets		**5,720,397,585**	**9,193,624,474**
EQUITY AND LIABILITIES			
Contributed Capital	9	631,484,518	631,484,518
Reserve Surplus/ (Deficit)		(5,028,376,426)	(3,919,964,822)
Total Equity		(4,396,891,908)	(3,288,480,304)
Non Current Liabilities			
Interest Bearing Loans & Borrowings	10	6,444,719,871	8,326,971,903
Provision for Defined Benefit Plans	11	2,041,740	1,427,735
Deferred Income	12	367,000,000	192,000,000
		6,813,761,612	8,520,399,638
Current Liabilities			
Trade & Other Payables	13	3,015,454,467	3,752,661,030
Interest Bearing Loans & Borrowings	10	288,073,415	209,044,109
		3,303,527,881	3,961,705,139
Total Equity and Liabilities		**5,720,397,585**	**9,193,624,474**

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

…………………………………..
Accountant

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

…………………………………… ……………………………………
Chairman Director

The accounting policies and notes on pages 35 through 57 form an integral part of the Financial Statements.

01.03.2017
Colombo.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2014

	Note	2014 Rs.	2013 Rs.
Revenue	14	1,554,507,661	7,878,868,461
Cost of Sales		(1,791,525,409)	(8,000,846,106)
Gross Profit		(237,017,748)	(121,977,645)
Other Income	15	93,604,738	114,360,563
Administrative Expenses		(103,638,540)	(71,785,055)
Selling & Distribution Expenses		(2,744,206)	(4,626,631)
Other Expenses		(538,676)	(391,000)
Finance Expenses	16	(876,642,675)	(951,818,770)
Profit/(Loss) Before Tax		(1,126,977,106)	(1,036,238,538)
Income Tax (Expense) / Reversal		-	-
Profit / (Loss) for the Period		(1,126,977,106)	(1,036,238,538)
Other Comprehensive Income			
Acturial Gain (Loss)		45,341	10,572
Total Comprehensive Income		(1,126,931,765)	(1,036,227,966)

The accounting policies and notes on pages 35 through 57 form an integral part of the Financial Statements.

STATEMENT OF CHANGE IN EQUITY
Year Ended 31 December 2014

	Contributed Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2013	631,484,518	(2,361,679,828)	(1,730,195,310)
Prior Year Adjustments	-	(522,057,028)	(522,057,028)
Profit/(Loss) for the period	-	(1,036,227,966)	(1,036,227,966)
Balance as at 31 December 2013	631,484,518	(3,919,964,822)	(3,288,480,304)
Balance as at 01 January 2014	631,484,518	(3,919,964,822)	(3,288,480,304)
Prior Year Adjustments	-	18,520,161	18,520,161
Profit/(Loss) for the period	-	(1,126,931,765)	(1,126,931,765)
Balance as at 31 December 2014	631,484,518	(5,028,376,426)	(4,396,891,908)

The accounting policies and notes on pages 35 through 57 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 December 2014

	2014 Rs.	2013 Rs.
Cash Flows From / (Used in) Operating Activities		
Profit/(Loss) Before Tax	(1,126,977,106)	(1,036,238,538)
Adjustments for		
Finance Cost	876,642,675	951,818,770
Depreciation	13,974,809	9,661,889
Interest Provided on Gratuity Balance	164,190	113,410
Provision for Gratuity	495,156	338,722
Interest income of Fixed Deposit	(23,222,464)	(33,905,971)
Prior Year Adjustment	18,520,161	(522,057,028)
Operating Profit before Working Capital Changes	(240,402,580)	(630,268,745)
(Increase)/Decrese in Work In Progress	(151,620,052)	68,124,139
(Increase)/Decrease in Inventories	1,530,725,556	(91,242,471)
(Increase)/Decrease in Trade and Other Receivables	1,970,188,314	(1,835,410,140)
Increase/(Decrease) in Trade and Other Payables	(737,206,563)	837,364,584
Cash Generated from Operations	2,371,684,674	(1,651,432,632)
Finance Cost Paid	(876,642,675)	(951,818,770)
Income Tax Paid	-	-
Gratuity Paid	-	-
Net Cash From/(Used in) Operating Activities	1,495,042,000	(2,603,251,402)
Cash Flows From / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(26,664,302)	(148,983,194)
Investment in Fixed Deposits	(23,222,464)	-
Interest income of Fixed Deposits	23,222,464	-
Net Cash Flows From/(Used in) Investing Activities	(26,664,302)	(148,983,194)
Cash Flows From/(Used in) Financing Activities		
Issue of Shares	-	-
Proceeds from Interest Bearing Loans & Borrowings	-	4,802,428,849
Repayments of Interest Bearing Loans & Borrowings	(1,882,252,032)	(2,097,142,735)
Receipt of Government Grant	175,000,000	80,000,000
Net Cash Flows From/(Used in) Financing Activities	(1,707,252,032)	2,785,286,114
Net Increase/(Decrease) in Cash and Cash Equivalents	(238,874,334)	33,051,517
Cash and Cash Equivalents at the Beginning of the year	(21,445,619)	(54,497,136)
Cash and Cash Equivalents at the End of the year	**(260,319,953)**	**(21,445,619)**

The accounting policies and notes on pages 35 through 57 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

1. CORPORATE INFORMATION

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

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

1.1 Date of Authorization for Issue

The Financial Statements for the year ended 31 December 2014 were authorized for issue in accordance with a resolution by the board of directors on 01.03.2017

1.2 Principal Activities & Nature of Operations

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

1.3 Basis of Preparation

(a) **Statement of Compliance**

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

(b) **Basis of measurement**

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

(c) **Comparative Information**

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

(d) **Financial and presentation currency**

These financial statements prepared in Sri Lanka Rupees which is the functional and presentation currency of the **PMB**.
All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

(e) **Use of Estimates and Judgments**

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

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

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

2. ASSETS AND BASIS OF THEIR VALUATION

2.1. Property, Plant and Equipment

a) Cost

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

b) Restoration Costs

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

c) Depreciation

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

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

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

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

2.2. Inventories

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

2.3. Financial assets

(a) **Initial Recognition**

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

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

(b) **Subsequent measurement**

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

Financial assets at fair value through profit or loss

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

Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

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

Held-to-maturity investments

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

PMB did not have any held-to-maturity investments during the period ended 31 December 2014.

Available-for-sale financial investments

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

(c) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

(d) **Cash and Cash Equivalents**

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

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

2.4. Financial liabilities

(a) **Initial recognition and measurement**

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

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

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

(b) **Subsequent measurement**

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

Financial liabilities at fair value through profit or loss

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

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

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

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

(c) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.- Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement. The **PMB** has classified interest bearing loans and borrowings and other borrowings as loans and borrowings.

(d) Financial guarantee contracts

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

2.5. Provisions

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

2.6. Government Grants

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

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

2.7. Defined Benefit Plan - Gratuity

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

2.8. Revenue Recognition

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

2.9. Sale of Goods

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

2.10. Interest Income

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

2.11. Rental income

Rental income is recognised on an accrual basis.

2.12. Other Income

Other income is recognised on accrual basis.

2.13. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. **PMB** will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

(ii) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

3. PROPERTY, PLANT & EQUIPMENT

3.1 Cost

	Balance as at 01.01.2014 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.12.2014 Rs.
Land & Building	413,767,451	23,811,248	-	437,578,699
Computer & Accessories	2,722,960	1,275,828	-	3,998,788
Furniture & Fittings	3,257,400	633,070	-	3,890,470
Office Equipment	1,939,414	102,312	-	2,041,726
Other Equipment	100,320	841,844	-	942,164
Scales	219,223	-	-	219,223
Moisture Meters	4,704,600	-	-	4,704,600
Motor Vehicles	3,322,135	-	-	3,322,135
	430,033,504	26,664,302	-	456,697,806

3.2 Depreciation

	Balance as at 01.01.2014 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.12.2014 Rs.
Land & Building	9,857,195	10,493,007	25,750	20,324,452
Computer & Accessories	972,430	717,159	-	1,689,590
Furniture & Fittings	1,415,271	691,226	-	2,106,498
Office Equipment	542,936	399,887	-	942,823
Other Equipment	26,752	94,315	-	121,067
Scales	69,951	43,845	-	113,795
Moisture Meters	2,923,047	940,920	-	3,863,967
Motor Vehicles	2,258,200	620,200	-	2,878,400
	18,065,783	14,000,559	25,750	32,040,591

3.3 Net Book Value

	Balance as at 31.12.2014 Rs.	Balance as at 31.12.2013 Rs.
Land & Building	417,254,248	403,910,256
Computer & Accessories	2,309,198	1,750,530
Furniture & Fittings	1,783,973	1,842,129
Office Equipment	1,098,903	1,396,477
Other Equipment	821,097	73,568
Scales	105,428	149,273
Moisture Meters	840,633	1,781,553
Motor Vehicles	443,735	1,063,935
	424,657,215	**411,967,721**

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

4. WORK IN PROCESS

	2014 Rs.	2013 Rs.
Opening Balance	12,782,996	80,907,135
Transferred to Land & Building Account	(23,811,248)	(145,990,267)
Advance Given for the Period	175,431,300	77,866,128
	164,403,048	12,782,996

5. INVESTMENTS

	2014 Rs.	2013 Rs.
Fixed Deposit - Bank of Ceylon	370,364,770	347,142,306
	370,364,770	347,142,306

6. INVENTORIES

	2014 Rs.	2013 Rs.
Paddy Stock- Nadu	1,692,217,233	2,994,534,129
Paddy Stock- Samba	673,332,530	901,872,520
Goods in Transit	54,385,222	54,385,222
Soya Been Stock	3,302,853	3,302,853
Rice Stock	84,972	84,972
Inventory Items	131,330	-
	2,423,454,140	3,954,179,696

7. TRADE AND OTHER RECEIVABLES

	2014 Rs.	2013 Rs.
Trade Debtors (7.1)	2,271,997,405	4,237,195,633
Less - Provision for Impairment	-	-
	2,271,997,405	4,237,195,633
Sundry Debtors		
Loans and Advances (7.2)	27,841,397	33,498,658
Other Receivables (7.3)	9,906,148	9,238,973
Securities and Deposits (7.4)	20,000	20,000
	2,309,764,951	4,279,953,264

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

7.1 Trade Debtors	2014	2013
	Rs.	Rs.
CWE	462,589,308	1,404,922,600
Ministry for Paddy Sales	332,688,410	1,385,027,500
Food Department	425,951,745	440,545,635
Lanka Sathosa	77,526,708	79,928,013
Ministry of Rice Export	288,064,664	348,537,877
S.L. Air Force	4,307,000	4,307,000
S.L. Army	18,209,608	113,209,608
Receivable from Food Department	10,591,838	10,591,838
Receivable from Millers	23,388,499	26,372,720
Receivable from Ampara D/S - WFP	197,912,629	
Receivable from Ham. D/S - WFP	18,351,743	
Rice millers for Export	219,848,491	231,186,080
Rice Millers (for paddy sales of Credit Basis)	68,993,349	68,993,349
Purchase Control Account	49,743,530	49,743,530
Unidentified Paddy Purchases	73,829,883	73,829,883
	2,271,997,405	4,237,195,633

7.2 Loans and Advances

Advances	**2014**	**2013**
	Rs.	**Rs.**
Administrative Officer	-	2,000
Advances- Walpita	-	22,600
Ampara Region	50,500	191,707
Ampara Region - petty cash	30,077	77
Anuradhapura Region	261,549	200,000
Auditor General	-	1,400,000
Co. Wholesale Establishment	-	3,000,000
Commi. Agrarian - Kurunegala	274,271	1,600,000
Commi. Agrarian - Ampara	-	1,200,000
Commissioner of Co-Operative	9,000,000	9,000,000
Contract Allowance	1,500	500
DGM (Op) - PMB	20,000	-
Eastern Region	244,274	-
Festival Advance	289,200	259,000
G. Agent- Ampara	200,000	200,000
G.L.T.D. Kulathunga	16,542	-
Internal Auditor - PMB	40,000	-
Lanka Sathosa Limited	1,000,000	1,000,000
Mr. Peries (Government Audit)	20,000	20,000
N. Ekanayaka	825,000	675,000
North West Region	10,549	549
North Region	94,000	-
P.A.V. Dammika	11,000	-
Polonnaruwa Region	653,500	121,500
R.P.M. System "B"	-	795,578
Randeni	-	89,000
Road Development Authority	797,161	2,421,271
Ruwanthika	-	71,628
S. State Trading Corporation	5,450,000	3,000,000
South Region	535,450	-
Petty cash - Trinco	51,305	21,305
- Polonnaruwa	5,842	-
- Anuradhapura	30,000	-
- Head office	21,744	-
- North West	30,000	-
- North	30,000	-

Loans		
Bike Loan	3,725,112	5,032,682
Distress Loan	4,122,821	3,174,260
	27,841,397	33,498,658

7.3 Other Receivables

	2014	2013
	Rs.	Rs.
Develo. Officer's salary Reimbursement A/C	2,042,030	1,263,930
WHT Receivables	2,682,686	2,682,686
E.T.F. Surchages	9,426	9,426
Debtors - BOC North West	172,880	172,880
- BOC North	4,400	60,225
- BOC Polonnaruwa	470	54,770
- BOC Ampara	2,788,030	2,788,030
- BOC Anuradhapura	477,897	478,697
- People's Bank	1,691,330	1,691,330
Debtor - G.M.A. Manike	37,000	37,000
	9,906,148	9,238,973

7.4 Securities and Deposits

	2014	2013
	Rs.	Rs.
Housing Security Deposit	20,000	20,000
	20,000	20,000

8. CASH AND CASH EQUIVALENTS

	2014 Rs.	2013 Rs.
Favourable Cash & Short Term Deposits		
Cash and Bank Balances	27,753,461	187,598,490
	27,753,461	187,598,490

9. CAPITAL AND RESERVE

Contributed Capital	2014 Rs.	2013 Rs.
Contributed Capital	631,484,518	631,484,518
	631,484,518	631,484,518

10 INTEREST BEARING LOANS AND BORROWINGS

	2014 Non. Current Rs.	2014 Rs. Current Rs.	2014 Total Rs.	2013 Non- Current Rs.	2013 Rs. Current Rs.	2013 Total Rs.
Bank Loans (10.1)	-	6,444,719,871	6,444,719,871	-	8,326,971,903	8,326,971,903
Bank Overdraft	-	288,073,415	288,073,415	-	209,044,109	209,044,109
	-	6,732,793,286	6,732,793,286	-	8,536,016,012	8,536,016,012

10.1 Bank Loans

Bank Loans	Interest Rate	As at 01.01.2014 Rs.	Loans Obtained Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31.12.2014 Rs.
Bank of Ceylon		4,115,894,129	-	986,113,036	-	3,129,781,093
National Savings Bank		1,142,958,904	-	142,958,904	-	1,000,000,000
People's Bank		2,651,992,611	-	337,053,833	-	2,314,938,778
Regional Develop. Bank		416,126,259	-	416,126,259	-	-
		8,326,971,903	-	1882,252,032	-	6,444,719,871

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

11. DEFINED BENEFIT LIABILITY

	2014	2013
	Rs.	**Rs.**
Balance at the beginning of the year	1,427,735	986,174
Provision for the year	495,156	338,722
Interest for the year	164,190	113,410
Actuarial Loss	(45,341)	(10,572)
Payment Made during the year		-
Balance at the end of year	2,041,740	1,427,735

12. DEFERRED INCOME

	2014	2013
	Rs.	**Rs.**
Balance at the beginning of the year	192,000,000	112,000,000
Government Grant for Capital Expenditure During the Year	175,000,000	80,000,000
Charge to Income Statement	-	-
Balance at the end of year	367,000,000	192,000,000

This represnts the government Grant offered for the company for improvements, contructions of stores & computerisation.

13. TRADE AND OTHER PAYABLES

	2014	2013
	Rs.	**Rs.**
Trade Payables (13.1)	248,160,892	557,077,734
Sundry Creditors (13.2)	2,287,001,461	2,739,395,226
Other Payables (13.3)	455,788,429	390,125,090
Accrued Expenses	24,503,686	66,062,980
	3,015,454,467	3,752,661,030

13.1 Trade Payables

	2014	2013
	Rs.	**Rs.**
Lanka Sathosa Loan	200,000,000	200,000,000
Rice millers for Export	8,160,892	67,077,734
Payable to GA - Ampara	10,000,000	10,000,000
- Hambantota	-	250,000,000
- Trincomalee	30,000,000	30,000,000
	248,160,892	557,077,734

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

13.2	Sundry Creditors	2014	2013
		Rs.	Rs.
	Co-operative Development Fund	-	454,000,000
	Payable to Treasury	2,250,000,000	2,250,000,000
	Sundry Creditors	37,001,461	35,395,226
		2,287,001,461	2,739,395,226

13.3	Other Payables	2014	2013
		Rs.	Rs.
	Provisions (13.3.1)	452,838,142	387,218,311
	Refundable Deposits (13.3.2)	1,241,475	1,216,475
	Unclaim Salaries	38,031	38,031
	E.P.F. Payable A/C	11,076	4,584
	E.T.F. Payable A/C	1,573	599
	Bank Errors	308,885	308,885
	Payable To Mr. S.G. Jemis	116	116
	Payable To C.T.C. Rice Mill	1,338,089	1,338,089
	Salary Control	11,040	-
		455,788,429	390,125,090

13.3.1	Provisions	2014	2013
		Rs.	Rs.
	Provision for Driage	433,473,589	362,507,096
	Provision for Loan Interest Charges	-	5,356,046
	Provision for Tunover Tax	19,355,269	19,355,269
	Salary Abetments	9,284	(100)
		452,838,142	387,218,311

13.3.2	Refundable Deposits	2014	2013
		Rs.	Rs.
	M.M. Refundable Deposits	372,925	372,925
	Other Deposits- Refundable Rent Deposit	250,000	250,000
	Refundable Tender Deposit	378,550	353,550
	Security Deposit	240,000	240,000
		1,241,475	1,216,475

14. REVENUE

	2014	2013
	Rs.	Rs.
Revenue	1,554,507,661	7,878,868,461
Total	1,554,507,661	7,878,868,461

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2014

15. OTHER INCOME

	2014	2013
	Rs.	Rs.
Distress Loan Interest	147,325	129,237
Fixed Deposit Interest Income	23,222,464	33,905,971
Insuarance claim	241,862	-
Non Refundable Tender Income	-	4,500
Other Income	20,560	1,490,921
Polysack Bag Sales	-	969,781
Paddy Mill's Registration Income	4,000	-
Rent Income	3,101,400	3,773,600
Savings Account Interest Income	359,127	199,814
Tender Deposit Income	8,000	1,500
Treasury Grants	66,500,000	40,000,000
Over provision for paddy milling charges	-	33,885,240
	93,604,738	114,360,563

16. FINANCE EXPENSES

	2014	2013
	Rs.	Rs.
OD Charges	481,774	35,318,805
Co-operative development fund Loan Interest	53,898,893	-
Farmers T.F. Loan Interest	-	2,612,669
Loan Interest -BOC	378,524,779	434,409,529
Loan Interest -NSB	148,786,903	169,750,056
Loan Interest -PB	274,007,586	255,654,187
Loan Interest -RDB	20,942,741	53,008,524
Loan Expenses	-	1,065,000
	876,642,675	951,818,770

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

Components of Cash and Short Term Deposits	2014	2013
	Rs.	Rs.
17.1 Favourable Cash & Short Term Deposits		
Cash and Bank Balances	27,753,461	187,598,490
	27,753,461	187,598,490
17.2 Unfavourable Cash & Short Term Deposits		
Bank Overdraft	(288,073,415)	(209,044,109)
Total Cash and Short Term Deposits For the Purpose of Cash Flow Statement	(260,319,954)	(21,445,619)

18. COMMITMENTS AND CONTINGENCIES

-

19. ASSETS PLEDGED

No assets have been pledged as security for liabilities.

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2014

		Year Ended 31.12.2014 Rs.	Year Ended 31.12.2013 Rs.
Revenue	I	1,554,507,661	7,878,868,461
Cost of Sales	II	(1,791,525,409)	(8,000,846,106)
Gross Profit		(237,017,748)	(121,977,645)
Add: Other Income	III	93,604,738	114,360,563
Less : Expenses			
Administrative Expenses	IV	(103,638,540)	(71,785,055)
Selling & Distribution Expenses	V	(2,744,206)	(4,626,631)
Finance & Other Expenses	VI	(877,181,351)	(952,209,770)
		(1,126,977,106)	(1,036,238,538)

STATEMENT I	**2014 Rs.**	**2013 Rs.**
Revenue		
Sales - Paddy	1,524,308,523	7,678,510,540
- Paddy (Mudy)	4,444,200	16,450,000
- Broken Rice	805,000	21,050,000
- Rice	24,949,938	12,419,329
Broken Rice Sales (Realating export programme)	-	70,795,292
Rice sales (to lanka sathosa from export programme)	-	79,643,299
Rice Exports	-	-
	1,554,507,661	7,878,868,461

STATEMENT II	**2014 Rs.**	**2013 Rs.**
Cost of Sales		
Cost of Sales-Paddy	1,679,519,857	7,664,022,049
Direct Overhead on for Paddy Purchasing	109,908,524	334,454,779
Direct Overhead on for Paddy Issuing	2,058,330	811,245
Direct Overhead on for Paddy Exports	38,698	1,558,033
	1,791,525,409	8,000,846,106

Cost of Sales		
Opening Stock	3,896,406,649	3,805,164,175
Paddy Purchases	148,662,971	7,755,264,523
(-) Closing Stock	(2,365,549,763)	(3,896,406,649)
	1,679,519,857	7,664,022,049

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2014

Direct Overhead

Direct Overhead on Paddy Purchasing		
Advertising Expenses	222,612	8,600,392
Administration allowance	53,000	-
Bank Charges	-	12,449
Commission & transport	-	978,100
Consumable Items- Stores	60,447	1,994,938
Direct Paddy Purchasing Expenses	-	2,760
Driage - Paddy	70,966,493	65,200,777
Fuel Charges	104,998	153,400
Fumigation charges	58,484	-
Labour Cost	1,291,272	7,111,915
M/M & Scale Repair Charges	763,992	1,181,044
Nattami Charges	1,913,638	43,007,681
Other Expenses	-	493,122
Paddy Insurance Charges	-	2,707,684
Paddy Stock Maintenance Charges	248,353	1,201,754
Paddy Stock Verification Expenses	3,116,453	1,172,931
Polysacks Bag Expenses	23,034,816	150,707,466
Printing & Stationery	50,325	299,782
Repairs and Maintenance- Stores	-	55,030
Security Charges - Stores	1,051,250	2,280,183
Store Rent Expenses	235,000	152,000
Stores Maintanance Expences	2,290,555	961,754
Transport Charges	4,446,837	46,164,518
Weighting Charges	-	15,100
	109,908,524	334,454,779
Direct Overhead on Paddy Issuing		
Consumable Items	3,578	-
Labour charges	1,452,850	85,350
Nattami charges	282,082	58,630
Paddy Issue Expenses	262,656	662,910
Printing & Stationery	1,299	-
Postage	100	-
Other expenses	2,215	4,355
Transport Charges	53,550	-
	2,058,330	811,245
Direct Overhead on Rice sale		
Nattami Charges	31,548	640,602
Labour Charges	7,150	50,240
Consumable Items	-	5,160
Printing Charges	-	555
Other Expenes	-	15,110
Fumigating Charges	-	846,366
	38,698	1,558,033

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2014

STATEMENT III	2014	2013
	Rs.	Rs.
Other Income		
Distress Loan Interest	147,325	129,237
Fixed Deposit Interest Income	23,222,464	33,905,971
Insuarance claime	241,862	-
Non Refundable Tender Income	-	4,500
Other Income	20,560	1,490,921
Polysack Bag Sales	-	969,781
Paddy Mill's Registration Income	4,000	-
Rent Income	3,101,400	3,773,600
Savings Account Interest Income	359,127	199,814
Tender Income	8,000	1,500
Treasury Grants	66,500,000	40,000,000
Over provision for paddy milling charges	-	33,885,240
	93,604,738	114,360,563

STATEMENT IV	2014	2013
	Rs.	Rs.
Administrative Expenses		
Accountancy & Professional Fees	-	100,000
Audit Fee	75,000	75,000
Audit & Mana. Comitee Member Fees	30,000	-
Accomadation charges	534,398	17,000
Bank Charges	66,385	182,966
Books & Periodicals	-	2,390
Buildings & Quarters Rent Expenses	5,850	29,250
Casual Labour Charges	-	543,900
Chairman Allowance	720,000	720,000
Cheque Book Charges	-	12,750
Compensation expenses	50,000	-
Consultancy Fees	284,500	117,500
Consumable Items	345,889	132,196
Cost of Living	16,314,060	9,221,520
Debit Tax	-	0
Depreciation	14,000,559	9,661,889
Director Fees	288,000	222,000
Donations	-	151,000
Electricity Expenses	1,096,721	998,626
EPF Expenses	6,688,592	4,207,366
ETF Expenses	1,672,148	1,051,842
Fuel Charges	1,742,037	2,596,684
Gratuity Expenses	495,156	338,722
Hotel & Accomadation Fees	-	126,776
Incentives & Casual Wages	-	199,055
Interest on Gratuity	164,190	113,410
Janitorial Expenses	863,500	772,200
Labour Charges	485,710	353,282
Legal Expenses	306,250	74,191
Medical Report Charges	4,500	500

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2014

Municipal Tax	-	486,595
News Papers	91,450	76,045
Other Allowances	8,589,965	5,197,503
Other Expenses	624,386	254,342
Overtime	1,528,568	1,565,908
Pension Fund Expenses	198,550	69,245
Postal Expenses	126,851	107,914
Printing & Stationary	2,521,970	1,437,803
Professional charges	38,000	-
Refreshment Charges	375,174	484,676
Repair & Maintenance	655,663	402,306
Rent, Assessment & Taxes	124,503	-
Salaries	34,188,633	22,855,583
Security Charges	2,432,143	1,974,744
Staff training & related expenses	731,317	499,972
Staff Welfare Expenses	291,718	178,188
Survey Charges	168,360	32,157
Telephone Expenses	1,311,173	876,181
Translate Fees	32,288	6,068
Transport Charges	223,740	439,240
Vehicle and Other Ass. Revenue Licence	44,380	68,885
Vehicle Insurance	225,664	284,502
Vehicle Maintenance	2,250,295	1,902,702
Water Expenses	630,306	562,482
	103,638,540	71,785,055

STATEMENT V	**2014**	**2013**
	Rs.	**Rs.**
Selling & Distribution Expenses		
Advertisement & Publicity	398,462	1,334,478
Travelling & Subsistence	270,277	482,820
Vehicle Hire Charges	2,075,467	2,809,333
	2,744,206	4,626,631

STATEMENT VI	**2014**	**2013**
	Rs.	**Rs.**
Finance & Other Expenses		
Dayata Kirula Expenses	538,676	391,000
Co-operative development fund Loan Interest	53,898,893	-
Farmers T.F. Loan Interest	-	2,612,669
Loan Expenses	-	1,065,000
Loan Interest -BOC	378,524,779	434,409,529
Loan Interest -NSB	148,786,903	169,750,056
Loan Interest -PB	274,007,586	255,654,187
Loan Interest -RDB	20,942,741	53,008,524
OD Charges	481,774	35,318,805
	877,181,351	952,209,770

Auditor General's Report - 2014

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. TCM/D/PMB/1/14   ඔබේ අංකය / உமது இல. / Your No.   දිනය / திகதி / Date 31 October 2017

The Chairman,

Paddy Marketing Board.

Report of the Auditor General on the Financial Statements of the Paddy Marketing Board for the year ended 31 December 2014 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Paddy Marketing Board for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 30 of the Paddy Marketing Board Act, No. 14 of 1971. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act, was issued to the Chairman of the Board on 23 August, 2017.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

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1.4 **Basis for Disclaimer of Opinion**

As a result of the matters described in paragraphs 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**

As the stocks of paddy purchased by the Board had constantly been marketed at prices less than the market price and the cost, action had been taken to obtain loans annually from the Treasury and a state bank in order to fund the purchase of paddy in the next season, and settle the losses sustained. By 20 June 2017, a sum of Rs. 18,645.3 million together with an interest thereon amounting to Rs. 420.8 million remained payable in respect of the loans and advances obtained from 03 state banks for purchasing paddy and operating expenses during the period 2009-2014. As such, it could not be ruled out that there had been no effect on the risk affecting the going concern of the Board.

2.2.2 **Disclosure of Transactions with the Connected Parties**

Payments totalling Rs. 298,889,804 had been made to the C.W.E. Construction and Engineering (Private) Limited in the year under review by awarding the constructions of the Board to that institution for which the Chairman of the Paddy Marketing Board had served as a founder member of the Board of Directors. Nevertheless, those transactions had not been disclosed in the financial statements.

2.2.3 Sri Lanka Accounting Standards

Sri Lanka Accounting Standard 07

Due to the following observations, the tallying of the cash flow statement was questionable in audit.

(a.) Although the cash flows in respect of Property, Plant and Equipment amounted to Rs. 2,853,054 in the year under review, it was shown as Rs. 26,664,302 under investment activities of the cash flow statement.

(b.) Prior year adjustments amounting to Rs. 18,520,161 shown in the statement of changes in equity, had been adjusted to the operating profit in the cash flow statement.

2.2.4 Accounting Deficiencies

The following observations are made.

(a.) The sum totalling Rs. 8,286,422 paid for the construction of stores complex in Meethotamulla, of which the construction had been complete, and renovation of stores in Wellawaya and erecting the fence of the land, had been shown in the Work in Progress Account instead of being capitalized in the Lands and Buildings Account. As such, depreciations on the lands and buildings had also been understated by a sum of Rs. 207,160.

(b.) Furniture and equipment valued at Rs. 4,849,303 purchased in the year under review had been brought into the Work in Progress Account instead of being shown in the relevant account. As such, the depreciation on furniture and equipment had been understated by a sum of Rs. 969,860.

(c.) When making payments for the construction of buildings, sums of Rs. 5,965,656, and Rs. 5,540,196 had been deducted as retention money in the years 2013 and 2014 respectively. However, those sums had not been adjusted in the accounts.

(d.) The value of the stock of paddy had not been physically verified as at 31 December of the year under review; instead, the book balance of Rs. 2,365,549,763 had been shown in the statement of financial position.

(e.) The stock in transit valued at Rs. 54,385,222, the stock of soybean valued at Rs. 3,302,853, and the stock of rice valued at Rs. 84,972 being brought forward in the statement of financial position since the year 2012, had not existed physically. Hence, the stock balance had been overstated by a total of Rs. 57,773,047.

2.2.5 Lack of Evidence for Audit

As the evidence shown against the following Items of Accounts had not been made available, they could not be satisfactorily vouched or accepted in audit.

Item of Account	Value Rs.	Evidence not Made Available
Unidentified Purchase of Paddy	73,829,883	Detailed Information, Verifications.
Purchase Control Account	49,743,530	
Sale of Rice Millers on Credit	68,993,349	

2.2.6 Accounts Receivable and Payable

The following observations are made.

(a.) The debtor balance of Rs. 2,271,997,405 as at 31 December 2014 included a sum of Rs. 60,335,368 relating to a period of over 05 years, a sum of Rs. 540,850,201 relating to a period of 2-4 years, a sum of Rs. 1,454,547,464 relating to a period of 1-2 years and a sum of Rs. 216,264,372 relating to a period of less than 6 months. Action had not been taken even up to 30 June 2017 to settle those balances.

(b.) Following instructions of the Ministry of Co-operatives and Internal Trade, the Board had issued 12,019,045 Kg of Nadu paddy worth Rs. 469.34 million in the year under review and the preceding year to the paddy mills for exporting. Invoices on sales had not been prepared under the name of the Ministry relating to the said issuance, and only a sum of Rs. 169.46 million had been received from the Ministry in respect of the said paddy. As such, a sum of Rs. 299.88 million had remained receivable to the Board from the Ministry for the supply of paddy for export.

(c.) In terms of the letter No. DFD/Agri/RiceExp, of the Department of Development Finance, dated 06 February 2014, the Board had issued 5,028,063 Kg of Nadu paddy and 468,726 Kg of Samba paddy worth Rs. 216.26 million to the District Secretaries of Ampara and Hambanthota in the year under review for donating rice under the World Food Programme. The said sum had not been obtained from the Department of Development Finance even up to 31 July 2017.

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

The following non-compliance were observed.

	Reference to Laws, Rules, and Regulations, etc.	Non-compliance
(a.)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(i)	Financial Regulation 188 (2)	Action had not been taken in terms of Financial Regulations on non-realized deposits valued at Rs. 233,300 that had continued to exist since the year 2012.
(ii)	Financial Regulation 395 (c)	The delay in preparing the bank reconciliations for 08 bank accounts of the Board for December 2016, had been 06 months. Bank reconciliation statements for one bank account, had not been prepared since March 2015.
(b.)	Procurement Guidelines-2006	
(i)	Section 5.4.4	Mobilization advances subject to a maximum of 20 per cent of the contract value can be provided by obtaining an advance payment guarantee. However, the Board had given advances totalling Rs. 49,754,113 or up to 30 per cent of the contract value without obtaining any advance payment guarantee in respect of 14 construction contracts executed in the year under review.
(ii)	Section 5.4.8	The relevant contractors must furnish a performance bond equivalent to 5 per cent of the contract value. However, the Board had not taken action to obtain performance bonds in respect of the contracts mentioned under (i) above.

3. **Financial Review**

3.1 **Financial Results**

According to the financial statements presented, the operating loss of the Board for the year under review amounted to Rs. 1,126,931,765 as compared with the corresponding loss of Rs. 1,036,227,966 for the preceding year, thus indicating an increase of Rs. 90,703,799 in the loss for the year under review. The increase in the net loss by a sum of Rs. 115,040,103 as compared with the preceding year, had mainly attributed to the said increase in the loss.

An analysis on the financial results for the year under review and 03 preceding years revealed that the financial result for the year 2012 had deteriorated by 857 per cent as compared with that for the year 2011. The financial result for the year 2013 had improved by 48 per cent as compared with the year 2012, whereas the financial result had deteriorated in the year 2014 as compared with the year 2013. However, when the employee remuneration and depreciation on non-current assets had been adjusted to the financial result, the minus contribution of the Board in the year 2013 amounting to Rs. 1,003,710,494, had increased by 07 per cent in the year 2014 up to a minus contribution of Rs. 1,078,742,573.

4. **Operating Review**

4.1 **Management Activities**

Action had not been taken to identify and settle a sum of Rs. 49,177,485 continued to exist since the year 2012 with respect to 04 bank accounts of the Board.

4.2 **Operating Activities**

In terms of the Paddy Marketing Board Circular, No. PMB/MAHA/SARF/2008-09, dated 02 October 2009, it is necessary to verify that monies have been credited to the bank account before issuing the receipts and publishing the notices on selling paddy. However, due to failure in doing so, an instance was observed in which paddy worth Rs. 9,600,000 had been issued twice by taking into account the original and the copy of the same cash deposit slip.

4.3 Contract Procedure

The following observations are made.

a) Seventeen contracts valued at Rs. 258.19 million had been awarded to a private institution affiliated to the Co-operative Wholesale Establishment in the year under review in contrast with the provisions of the Procurement Guidelines, based on a letter issued by the Minister of Co-operatives and Internal Trade on 06 September 2010 requesting that renovations and new constructions of the buildings belonging to the Ministry and the institutions thereunder, be assigned to the construction division affiliated to the Co-operative Wholesale Establishment functioning under a chief engineer.
The following observations are made in this connection.

(i) This company had been established on 18 May 2012 by appointing the Chairman of the Board, the Chairman of the Co-operative Wholesale Establishment, and an Additional Secretary to the Ministry of Co-operatives and Internal Trade as the directors of the said affiliated company.

(ii) As the said affiliated company lacked the officers with expertise in construction technology, the company had awarded subcontracts for the said constructions to the parties selected without transparency.

(iii) The following matters were observed in the audit examination conducted on the said constructions.

- The cost estimate valued at Rs. 24,184,502 relating to the contract for renovating the paddy store in Akkarapattu had been prepared with the consent of the contractor. Furthermore, a sum of Rs. 1,345,328 had been paid in respect of the variations of quantities ranging from 150 per cent to 276 per cent as per the Bill of Quantity, whilst a sum of Rs. 559,880 had been paid in 05 instances for additional works.
- The consultancy fee of Rs. 600,479 relating to the contract for renovating the paddy store in Kaduruwela costing Rs. 23,074,094 had been paid to the CWE Construction and Engineering Private Limited Company. That sum had been paid for the preparation of

estimates, Bills of quantity and structural plans of the contract, and supervising the contract, but the estimates and the Bills of Quantity prepared, had not been certified by any Civil Engineer. Furthermore, a sum of Rs. 1,337,400 had been paid for the variances ranging between 100 - 159 per cent as per the estimate.

b) In addition to the 17 construction contracts mentioned in paragraph (a) above, the contract for the construction of paddy store in Kilinochchi, valued at Rs. 41,140,418 had been awarded to the private company affiliated to the Co-operative Wholesale Establishment by deviating from the Procurement Procedure. The following matters were observed in this connection.

(i) The activities such as, construction of an office building, construction of roads, erecting chain link fences, construction of water tanks, and landscaping could have been identified during the preparation of estimates for the contract of constructing the store. However, those activities had been identified to be additional activities of the contract worth Rs. 8,252,330, and an overprice had been paid thereon.

(ii) The Board had employed an Engineering Consultant on part time basis for supervising the constructions and other related activities. Despite that, the CWE Construction and Engineering Private Limited Company had also been paid a sum of Rs. 2,088,486 for providing consultancy services for this contract. Furthermore, the initial estimates and BOQs of this contract had been prepared by the company that executed the contract. Although a sum of Rs. 5,000 had been paid to the consultant appointed by the Paddy Marketing Board to inspect that estimate, no one had certified those estimates.

(iii) No agreement had been entered into with the contractor to make payments in respect of the remaining stocks at the construction site, but without examining the stock register provided by the contractor, at the construction site, and without inspecting the bills relating to the purchase of those items by the contractor, a sum of Rs. 12,904,400 had been paid for the materials remaining at the construction site in 02 instances where the contractor had not requested for monies.

5. **Accountability and Good Governance**

5.1 **Presentation of Financial Statements**

In terms of Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the financial statements should be furnished for audit within a period of 60 days since the lapse of the financial year. However, financial statements for the year 2014 had been furnished on 02 March 2017.

6. **Systems and Controls**

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

	Area of Systems and Controls	Observation
(a.)	Control of Vehicles	Failure to maintain the running charts, and log books in an updated manner.
(b.)	Awarding and Execution of Contracts	Deviation from the Procurement procedure.
(c.)	Stores Administration	(i) Failure to store paddy following proper standards and rectify the deficiencies of the stores. (ii) Failure to issue instructions on stores control to the officers in charge of the stores.
(d.)	Bank Reconciliations	Delays in preparing bank reconciliation statements.
(e.)	Process of Selling Paddy	Failure to prepare the sales invoices.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe

Auditor General

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