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நெல் சந்தைப்படுத்தல் சபைச
PADDY MARKETING BOARD

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ஆண்டறிக்கை
ANNUAL REPORT

2015

The Report to be submitted to the Honorable Minister of Agriculture, Rural Economic Affairs, Irrigation and Fisheries and Aquatic Resources Development related to the implementation and discharge of powers, liabilities, functions, policies and programmes of the Paddy Marketing Board for the year ended 31 December 2015, under the Section 31(1) of the Paddy Marketing Board Act No. 14 of 1971

Paddy Marketing Board

Annual Report 2015

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Vision

To function as the leading state middleman in purchasing, storing, processing and marketing of paddy and rice

Mission

Successful accomplishment of the process of purchasing, storing, processing and marketing of paddy and rice through a Staff perfected with Knowledge and competency for satisfying both parties, the producer and the consumer

2. The Board of Directors and the Senior Management in the Year 2015

2.1 The Board of Directors of the Paddy Marketing Board in the Year 2015 was comprised of the following members.

1. Mr. M.B. Dissanayake	- Chairman, Paddy Marketing Board
2. Mr. M.A. Sunil weerasinghe (56th Board of Directors with Effect from 26.02.2015)	-Commissioner General of Agrarian Development , Department of Agrarian Services
3. Mrs. Nimalka Dias (56th Board of Directors with effect from 26.02.2015)	- Food Commissioner, Food Commissioner's Department
4. Mr. Upul Shantha de Alwis (56th Board of Directors with effect from 26.02.2015)	- Commissioner of Cooperative Development, Department of Cooperative Development
5. Mr. Ashoka Muthumala (56th Board of Directors with effect from 26.02.2015)	- Member of the Board of Directors
6. Mr. Yasalal Wijeweera	- Member of the Board of Directors
7. Mrs. Geetha Wimalaweera (57th Board of Directors with effect from 26.02.2015)	- Additional Director General Department of National Budget
8. Dhammika Rajapakse (60th Board of Directors with effect from 15.07.2015)	- Commissioner of Cooperative Development, Department of Cooperative Development
9. Mr. D. Jeewanadan (63rd Board of Directors with effect from 05.11.2015)	- Commissioner of Cooperative Development, Department of Cooperative Development
10. Mr. T.B. Nawarathne (64th Board of Directors with effect from 30.12.2015)	- Member of the Board of Directors

09 meetings of the Board of Directors were conducted during the year 2015 and Mrs. Ruwanthika Gunawardene, Legal Officer functioned as the Secretary to the Board of Directors during the year 2015 as well.

2.2 Senior Management of the Paddy Marketing Board in the Year 2015

Mr. S. M. Saman Palitha Bandara
Deputy General Manager (Operations)

Mr. R. C. Rathnayake
Deputy General Manager (Finance)

Mr. M.K.W.S. de Silva
Accountant

Mrs. R.M. Ruwanthika Gunawardene
Legal Officer

Mr. A.M.U.N. Atapattu
Internal Auditor

Mr. R.M.A. Rathnayake
Regional Manager, Ampara

Mr. Nimal Ekanayake
Regional Manager, Polonnaruwa

Mr. Suranga Senanayake
Regional Manager, Northern

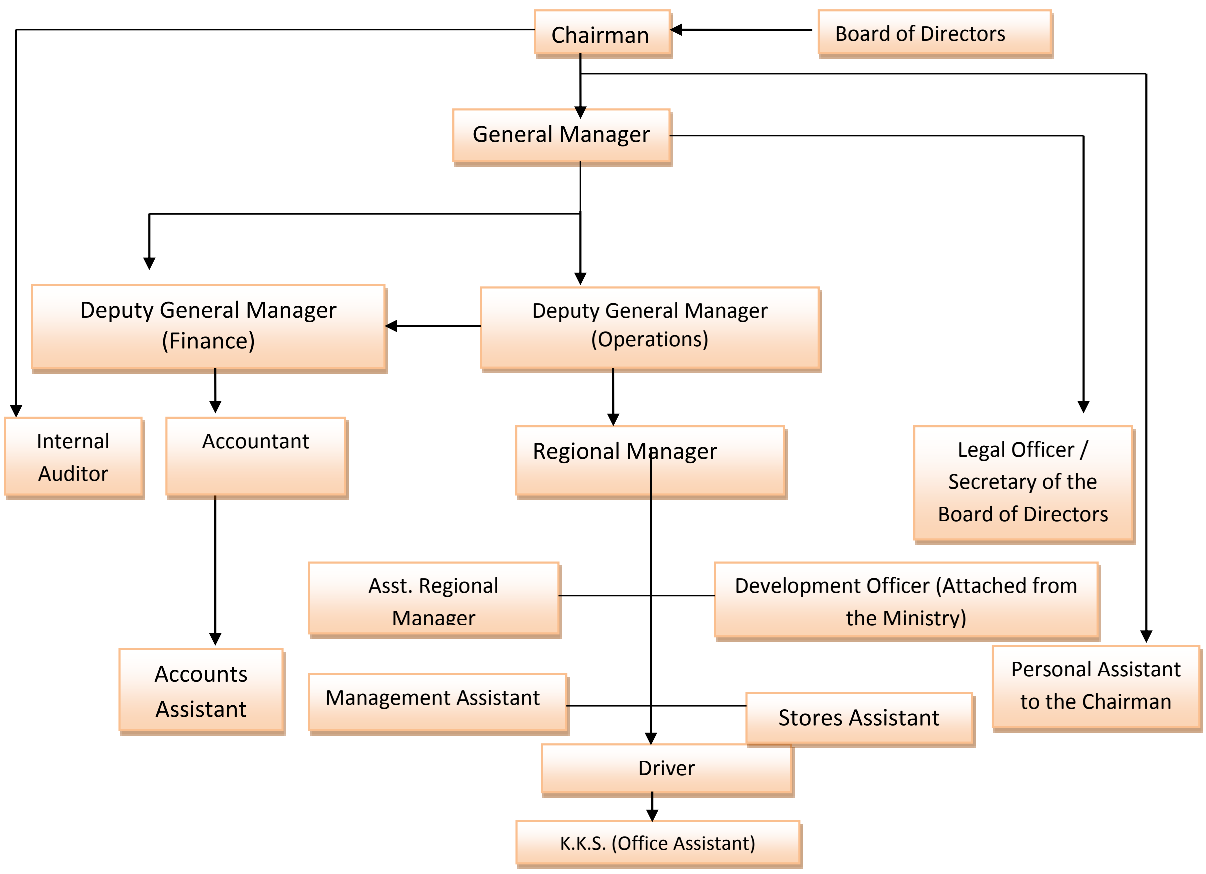
Mr. Ajith Shantha Kumara
Regional Manager, Anuradhapura

Mr. Ranawaka Weerasekera
Regional Manager, Eastern

Mr. N.G.C.K. Nissanka
Regional Manager, North Western

Mr. W.O. Thilekarathne
Regional Manager (Acting), Southern

3. Organizational Chart in the Year 2015



4. Review of the Chairman

The major role of the Paddy Marketing Board established under the Paddy Marketing Board Act No. 14 of 1971 is mentioned below.

1. To conduct a business of purchasing, marketing, supplying and distributing of paddy and grains.
2. To conduct a business of milling, hulling and processing of paddy and grains.
3. To conduct any other business affairs that may be incidental or helpful in the achievement of objectives referred to in Paragraphs (1) and (2) above.
4. To execute all the functions that the Board may deemed necessary for the proper conduct of the business affairs of the Board.

The Paddy Marketing Board which was re-established in compliance with a decision taken by the Cabinet on 15th July 2007 resumed its actual contribution towards purchasing, storing and marketing of paddy.

Accordingly, the annual production of paddy in the year 2015 was 4,819,395 metric tons according to the data collected by the Department of Census and Statistics and the quantity of paddy purchased by the Paddy Marketing Board in Maha Season of 2014/15 and Yala Season of 2015 was recorded as 323,636.283 metric tons. The amount spent on purchasing that quantity of paddy was approximately Rs.14,780,311.45.

The Paddy Marketing Board maintained stable prices for paddy at the open market and contributing in the supply of grain stocks to the consumer at a justifiable price through the intermediation in the process of purchasing and marketing of paddy this year.

The Paddy Marketing Board had used 353 stores owned by the Board for storing paddy in the year 2015 and further, the Paddy Marketing Board had taken action in the year 2015 to carry out renovations in 35 stores and the other buildings by spending Rs. 26,588,725.71 for zonal offices.

The amount of loan obtained from the General Treasury, Bank of Ceylon, Peoples' Bank and National Savings Bank was Rs. 15,249 Million and arrangements were made during the year 2015 to settle Rs. 703.60 Million out of the total amount of loan.

Action was taken to maintain a buffer stock using the remaining paddy stocks owned by the Paddy Marketing Board in the year 2015.

Further, it was possible to render a yeoman service to the farmers as well as to the consumers this year by re-obtaining the warehouses of the Paddy Marketing Board which are considered as a resource of the Government and possessed by other institutions.

At the inception, regional co-operative institutions were established to function as the agents of the Paddy Marketing Board. However, private agents and the Farmers' Organizations were gradually appointed as the buying agents of the Paddy Marketing Board in addition to the regional co-operatives. The Paddy Marketing Board made arrangements to avoid certain shortcomings found in the representative system and to get closer to farmers and to directly purchase paddy from the farmers to facilitate farmers to market their product more successfully. Accordingly, the farmers directly supply their paddy together with the information report certified by the Agriculture Research and Production Assistant (A.R.P.A) in the relevant areas, to the warehouses of the Board. The maximum quantity of paddy recommended by the Agriculture Research and Production Assistant (A.R.P.A) for a farmer was 2,000 kilograms in the year 2015.

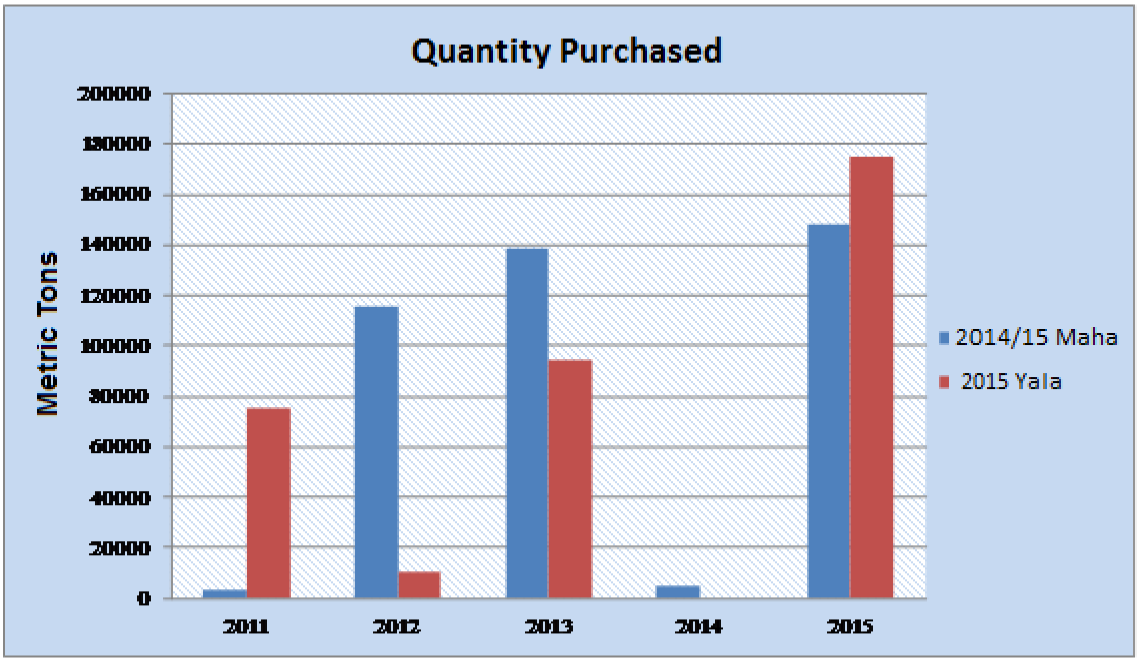
The Standards used for the purchase of paddy in the year 2015 were as follows.

1. Moisture (Maximum) **: -** 14%
2. Impunities (Maximum) **: -** 1%
3. Mixture of other varieties (Maximum) **: -** 6%
4. Immature Seeds (chaff) (Maximum as per the scale) **: -** 9%
5. Free from discolourated seeds
6. Free from gravel, sand and dirt
7. Free from seeds infected by insects, insect eggs & other damages
8. Free from seeds damaged by fungus attacks.

The Guaranteed Price of paddy remained in the year 2014 as Rs. 35 for Samba and Keeri Samba and Rs. 32 for Nadu was revised as an election promise given by the Government in the year 2015. Accordingly, it was decided by the decision of the Cabinet bearing No. 15/0097/608/002-1 to purchase one Kilogram of Samba and Keeri Samba prepared according to the proper standards for Rs. 50.00 and one Kilogram of Nadu prepared according to the proper standards for Rs. 45.00. The major reason was the surplus production of paddy in the country due to the better climatic conditions prevailed at the period. Likely, the Paddy Marketing Board could pay a reasonable price to the farmers for their paddy as the price of one Kilogram of Nadu and Samba in the market was less than the Price offered by the Paddy Marketing Board.

The stocks of paddy purchased by the Paddy Marketing Board during the immediate 05 previous years are as follows.

Season	Quantity of Paddy Purchased (MT)				
	2011	2012	2013	2014	2015
Maha	3,470	115,786	138,650	4,576	148,369
Yala	75,172	10,476	94,376	-	175,266
Total	**78,642**	**126,262**	**233,026**	**4,576**	**323,635**



Obstacles and Challenges

The lack of facilities available for the farmers to dry and transport their paddy, sale of paddy stocks of the farmers to the millers at low prices with the objective of empty the warehouses, maintenance of certain warehouses below the proper standard, dearth of skilled officers can be indicated as obstacles and challenges faced by the Paddy Marketing Board during this year.

At present, the Paddy Marketing Board has taken steps to obtain the views of the Farmer Organizations and the millers through consulting such organizations and the millers in the preparation of future plans. In addition, the Paddy Marketing Board is willing to accomplish the following future plans majorly.

1. Recruitment of new officers

Structural changes are being gradually carried out after the re-establishment of the Paddy Marketing Board in the year 2008. Accordingly, arrangements have been made to recruit a staff (Including a Systems Administrator) for the establishment of an Information Technology Division and a staff required for the formalization of the Accounts Division and to expend the Audit Division.

2. Construction of Regional Offices and Warehouse Offices

Warehouses are being modified to the appropriate condition to store paddy stocks by giving prominence according to the regional requirement as limited provisions are allocated by the General Treasury for the modification of the existing warehouses of the Paddy Marketing Board and to construct new warehouses. Likely, plans are being made to construct new Paddy warehouses in places where farmers can conveniently sell their paddy.

3. Construction of farm houses

Construction of farm houses required to dry paddy stocks which was a big request made by farmers is one of the Programmes included in the Plans of the Paddy Marketing Board for the year 2019 and accordingly, it is expected to construct farm houses in the spacious and selected warehouse premises covering all the Regions. Farmers who arrive at the Paddy Marketing Board to sell their paddy stocks can dry their paddy stocks within the ware house premises to the required level and sell their paddy stocks without much difficulty in case a problem creates in selling paddy due to incomplete drying of their paddy stocks.

4. Installation of Drier Machines

In the purchase of Paddy stocks by the Paddy Marketing Board, the Board does not buy paddy stocks which do not conform to the specified standards and specifications. There are instances where farmers who arrive at the Paddy Marketing Board to sell their paddy stocks face difficulties since one of the major specifications considered here is the moisture content of such paddy stocks should be less than 14%. If it is found that paddy stocks brought to the warehouses of the Paddy Marketing Board by farmers have more than 14% of moisture, the farmers have to take back such paddy stocks as the Board rejects and refrain from buying such paddy stocks. As a solution to that issue, it had been planned to install paddy drier machines.

5. Paying money to paddy purchased from farmers by using a Direct Fund Transfer System

Making necessary arrangements to pay farmers the amount related to the paddy stock bought from them by introducing an electric money transfer system for avoiding difficulties in the payment of money for paddy purchases by the PMB and for making this payment methodology systematic and efficient is included in the future plans of the Paddy Marketing Board (PMB). It has been planned by the PMB to create a direct fund transfer system by obtaining bank account numbers of each farmer and crediting money to such accounts by the Paddy Marketing Board.

6. Storing paddy stocks by adopting Scientific Methods

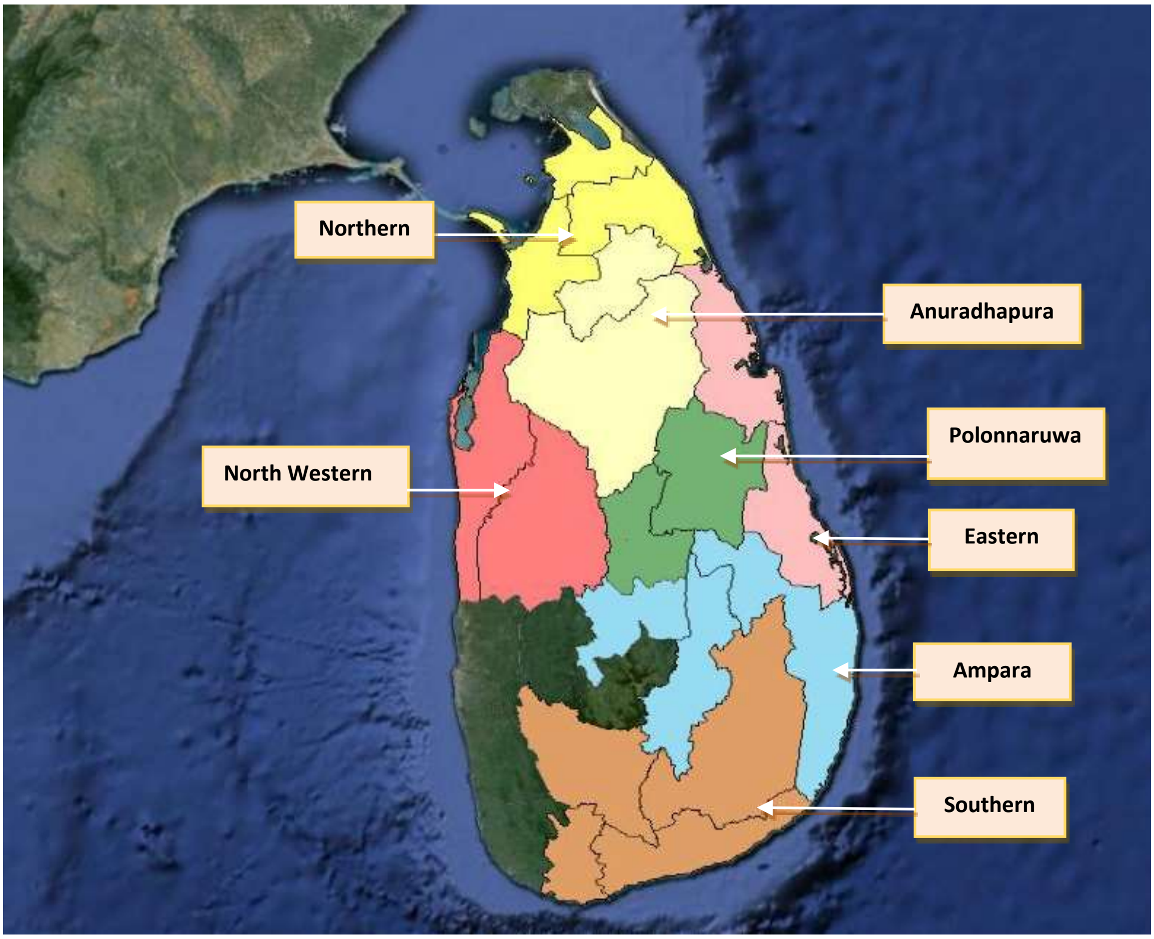
The system of Stacking has been adopted as a paddy stock pilot project in order to minimize damages to the stocks in storing paddy stocks according to the scientific methods as approximately 3% of damages may occur in storing paddy stocks and to conduct activities pertaining to annual verification of stocks. It is expected to gradually adopt the system of stacking for all the warehouses in the future. Thereby, it is scheduled to minimize the overall stock damage through adopting scientific methods.

Management of Stocks

The Paddy Marketing Board does not merely operate as a commercial establishment with the intention of maximizing its profit and it operates by giving priority to the objectives of protecting the farmers, maintaining a higher fixed price for their paddy, ensuring food security and establishing a concessionary price for the consumers. However, the attention of the Board has been drawn on the modification and regularization of the warehouses by maintaining an updated data system by networking all the details on the paddy stocks through the computer system and introduction of a methodology of issuing the future paddy stocks according to a planned business schedule and thereby allowing the Government to minimize cost.

Chairman
Paddy Marketing Board

5. Extention of the Regional Offices of the Paddy Marketting Board



5.1 Addresses of the Regional Offices

01. Regional Manager

    Paddy Marketing BoardRegional Office-North,

    Karandapokku Junction,

    Kilinochchi.

02. Regional Manager

    Paddy Marketing Board

    Regional Office-Polonnaruwa,

    Kaduruwela,

    Polonnaruwa.

03. Regional Manager

    Paddy Marketing Board

    Regional Office-Auradhapura,

    Town hall Place,

    2nd Lane,

    Anuradhapura.

04. Regional Manager

    Paddy Marketing Board

    North –Western Regional Office,

    Millegoda,

    Nikaweratiya.

05. Regional Manager

    Paddy Marketing Board

    Regional Office-East,

    District Secretariat Premises,

    Trincomalee.

06. Regional Manager

    Paddy Marketing Board

    Regional Office-Ampara,

    Inginiyagala Road,

    Ampara.

07. Regional Manager

    Paddy Marketing Board

    Regional Office-South,

    Dehigahalanda,

    South.

6. Introduction of Regions of the Paddy Marketing Board

6.1 Anuradhapura Region

Dambulla Divisional Secretary's Division, which belongs to the Districts of Anuradhapura and Matale comes under the purview of Anuradhapura Region. 23 Divisional Secretary's Divisions and 45 Agrarian Services Divisions come under the purview of this District. Anuradhapura Region is being irrigated by about 15 tanks with a very high capacity of water such as Kala wewa, Nuwara wewa, Nachchadoowa, Rajanganaya, Tisa Wewa, Wahalkada, Padawiya, Hurulu Wewa, Abhaya Wewa, Hakanadarawa, Mahawilachchiya, Angamu Wewa, Thuruwila, Manakkattiya and Kandalama. Approximately an extent of 372,147.08 hectares of paddy fields in this Region are used for the paddy cultivation. Approximately, 353,924 metric tons and 185,818 metric tons of harvest had been received from this Region in the Maha Season in 2014/15 and in the Yala season in 2015 respectively. In addition, a Circuit Bungalow is being maintained by covering Anuradhapura area and it is located in the Anuradhapura Old City.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Anuradhapura	Maha 2014/15	119,301.38	33,202,577
	Yala 2015	73,495.70	28,348,461
Matale	Maha 2014/15	111,200	1,114,725
	Yala 2015	68,150	2,444,699
Total		**372,147.08**	**65,110,462**

6.2 North–Western Region

The North-Western Region of the Paddy Marketing Board conducted its operations by covering 04 Districts namely, Kurunegala, Puttalam, Gampaha and Matale. The North-Western Region conducted paddy purchasing activities in 32 Paddy Purchasing Centres in the year 2015 including 24 Centres in the Kurunegala District, 04 Centres in the Puttalam District, 02 Centres in the Gampaha District and 02 Centers in the Matale District.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Kurunegala	Maha 2014/15	55,290	9,532,100
	Yala 2015	65,129	9,291,400
Puttalam	Maha 2014/15	12,406.73	7,019,750
	Yala 2015	8,204.31	5,070,250
Matale	Maha 2014/15	19,727	562,900
	Yala 2015	10,300.02	321,500
Total		**171,057.06**	**31,797,900**

6.3 Northern Region

The Northern Region of the Paddy Marketing Board is consisted of 05 Districts namely, Jaffna, Kilinochchi, Vavuniya, Mullaitivu and Mannar.

There are 13 warehouses owned by the Paddy Marketing Board and warehouses are obtained on rental basis and from external institutions without making payments based on relationships that are being maintained with such institutions according to the requirement in each season.

The Northern Region is a very dry climatic region. The paddy cultivation of this Region is majorly done using the Northeast Monsoon rains and minor portion of the paddy cultivation is done using Southwest Monsoon rains. Most of the cultivation activities in the Region are carried out in the Maha Season and cultivation activities are limited in the Yala Season due to the lack of water. Farming activities are carried out in the Maha Season in all five Districts of this Region and farming activities are carried out more or less in Yala Season also in the other 04 Districts except in Jaffna District.

Likely, irrigation schemes or irrigation methods that are being utilized for the cultivation activities in the Northern Region can be identified according to each District as mentioned below.

District	Irrigation Scheme or Method of Irrigation
Kilinochchi	Use rain water and the water of the Iranamadu tank
Vavuniya	Rain water is mainly used and cultivation activities are carried out from the water obtained from small tanks in the areas
Mannar	Cultivation activities are mainly carried out using the water of the Yodha Tank and rain water and water from cultivation wells are used in certain areas for irrigation
Mullaitivu	Rain water and water from Muttiyankattu Wewa, Kumulamurippu Wewa, Thannimurippu Wewa etc. and water from small tanks in the area are used for cultivation activities
Jaffna	Rain water is mainly used for cultivation activities

Several special programmes were conducted in the Northern Region in the year 2015. Out of such Programmes, purchasing paddy in the northern Region in the year 2015 was conducted in all five Districts successfully and warehouses owned by the Paddy Marketing Board and warehouses owned by the other institutions were utilized for the purpose. Warehouses that had been destroyed during the Civil war and many lands owned by the Paddy Marketing Board were identified and several warehouses out of the warehouses identified so were used to purchase paddy after carrying out minor repairs in such warehouses.

Relevant recommendation reports were referred to the Head Office for renovating warehouses and for the provision of essential facilities. Meetings and get-togethers of the relevant officers were organized to improve relationships among millers, Farmers, Organizations and the Paddy Marketing Board. Likely, the shortage of officers for the Northern Region could be mostly eradicated.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Vavuniya	Maha 2014/15	22,200	3,705,084
	Yala 2015	26,658	3,020,159
Mannar	Maha 2014/15	35,113	1,720,550
	Yala 2015	2,760	948,500
Mullaitivu	Maha 2014/15	32,000	1,590,785
	Yala 2015	12,500	1,959,512
Kilinochchi	Maha 2014/15	55,000	3,500,091
	Yala 2015	10,964	3,068,033
Jaffna	Maha 2014/15	24,350.50	807,732
	Yala 2015	-	-
Total		**221,275.50**	**20,320,446**

6.4 Ampara Region

Ampara Region is consisted of 03 Districts namely, Ampara, Kandy and Badulla. Ampara District which is irrigated through Senanayake Samudhraya has become the area of producing the overall highest quantity of paddy in Sri Lanka. 37 agrarian service divisions were covered under the Ampara, Kandy and Badulla Districts by the Ampara Region. Even though the Ampara Region buys more quantity of paddy in comparison to the other Regions, the demand for paddy in the market in the Ampara Region is less when compared with the demand in the other Regions as there are no large scale millers. As a result, Stocks of paddy have to be stored in warehouses for a comparatively longer period of time and therefore, the PMB had to face various difficulties in the issue of paddy stocks. The expected harvest in the Maha Season in the year 2014/15 and the expected harvest in the Yala season in the year 2015 were about 492,181 Metric tons and 442,494 Metric tons respectively.

Purchasing Paddy in the Maha Season 2014/15 through the Agents, obtaining warehouses owned by the other institutions for purchasing paddy as the space in the warehouses during the Yala Season in the Region was not adequate and purchasing paddy for temporary Cocoon Stores in the Yala Season of the year 2015 can be introduced as special Programmes implemented in the year 2015 in the Ampara Region.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Ampara	Maha 2014/15	82,674	25,591,724
	Yala 2015	69,450	40,528,580
Badulla	Maha 2014/15	16,521	1,591,800
	Yala 2015	16,521	2,662,350
Kandy	Maha 2014/15	5,108	439,500
	Yala 2015	4,700	1,981,450
Total		**194,974**	**72,795,404**

6.5 Southern Region

Southern Regional Office of the Paddy Marketing Board is located in Dehilanda area close to Ambalantota City in the Hambantota District and the four Districts namely, Hambantota, Monaragala, Rathnapura and Matara are controlled by this Region. Likely, this Region provides services for 115,444 farmers by covering 73 agrarian Service Centres in 46 Divisional Secretary's Divisions. For that purpose, 12 Assistant Regional Managers, 08 Developmental Officers and 02 female Management Assistants under the Regional Manager are serving in the Region.

The Southern Region is equipped with a storage capacity of 56,000 Metric tons for a one season comprised of a total of 47 warehouses which provide storage capacity of 44,900 Metric tons owned by the Paddy Marketing Board and a storage capacity of 11,100 Metric tons obtained from external parties. The expected harvest in the year 2015 was 185,819 Metric tons in the Maha Season of 2014/15 and 342,700 Metric tons in the Yala season of 2015.

In addition, a circuit Bungalow is being maintained to cover Monaragala area and it is scheduled to establish a new circuit bungalow recently in the Ratnapura area too.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Hambantota	Maha 2014/15	20,150	12,827,234
	Yala 2015	23,600	14,018,245
Monaragala	Maha 2014/15	9,680	4,060,351
	Yala 2015	36,900	4,085,060
Ratnapura	Maha 2014/15	5,700	785,273
	Yala 2015	9,455	3,322,634
Matara	Maha 2014/15	6,200	217,915
	Yala 2015	9,350	523,750
Total		**121,035**	**39,840,462**

6.6 Polonnaruwa Region

27 officers that comprise of Assistant Regional Managers, Development Officers, Management Assistants, and Stores Assistants are serving under the Regional Manager of the Polonnaruwa Regional Office of the Paddy Marketing Board. The Regional office is situated in Kanduruwela town and warehouses are installed by covering Divisional Secretary's Divisions in Polonnaruwa and Matale Districts. Accordingly, there are 57 warehouses owned by the Paddy Marketing Board. In addition, warehouses of the Mahaweli Authority and the private sector are utilized for purchasing paddy. There are 12 Agrarian Service Divisions in the Polonnaruwa District and 02 Agrarian Service Divisions namely, Hettipola and Handungamuwa of Matale District are being controlled by Polonnaruwa Region. Further, Mahaweli b, c, g and d regions are also being operated. About 80,000 hectares are under the cultivation of Paddy under the industry of agriculture. 320,000 Metric tons of paddy are harvested for one season.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Polonnaruwa, Ampara, Badulla	Maha 2014/15	65,177.16	24,832,450
	Yala 2015	61,610.78	41,700,150
Matale	Maha 2014/15	17,226.40	3,582,200
	Yala 2015	12,789.20	3,417,900
Total		**156,803.54**	**73,532,700**

6.7 Eastern Region

Eastern Regional Office of the Paddy Marketing Board was established within the premises of Trincomalee District Secretariat on 10th of June 2011. This Region covers the two Districts namely, Batticaloa and Trincomalee.

Trincomalee District is comprised of 11 Divisional Secretary's Divisions and 230 Grama Niladhari's Divisions and approximately 42,760 farmers. Likely, there are 22 Agrarian Service Centres and the land extent under cultivation is about 43,060 hectares. There are 24 warehouses to the capacity of 250 to 1,500 Metric tons owned by the Paddy Marketing Board.

Batticaloa District is comprised of 14 Divisional Secretary's Divisions and 345 Grama Niladhari's Divisions and 16 Agrarian Service Centres and the land extent under the Region is 67,000 hectares. There are approximately 44,560 farmers. All the warehouses owned by the Paddy Marketing Board within the District had been destroyed and the warehouses with a capacity of 450 Metric tons owned by the District Secretariat cover the purchases of Paddy by the Paddy Marketing Board.

Particulars regarding the extent of land under cultivation in the year 2015

District	Season	Extent of Paddy fields under Paddy cultivation (Hectares)	Quantity of Paddy Purchased (Kilograms)
Trincomalee	Maha 2014/15	46,034	7,436,400
	Yala 2015	23,720.70	5,533,900
Batticaloa	Maha 2014/15	41,824	4,253,818
	Yala 2015	24,841.60	3,020,200
Total		**136,420.30**	**20,244,318**

07. The progress in purchasing paddy

❖ **The progress in purchasing paddy in Maha Season of 2014/15 (District wise)**

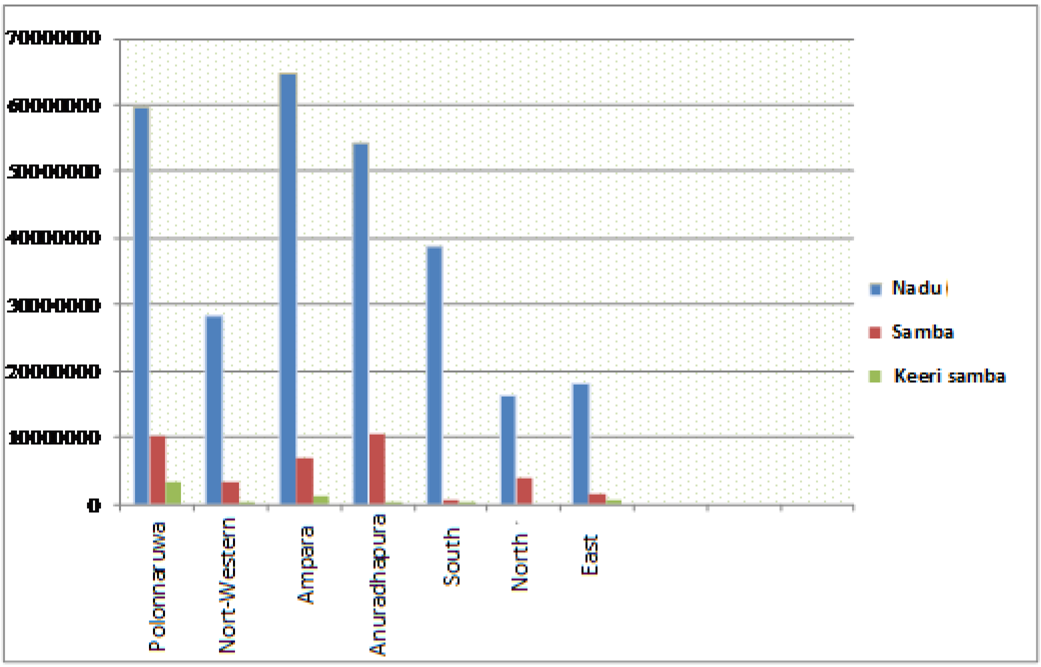
District	Nadu (Kg)	Samba (Kg)	Keeri samba (Kg)	Total	
				Quantity (Kg)	Value (Rs.)
Polonnaruwa	14,405,450	4,903,600	2,304,900	21,613,950	1,008,670,250
Ampara	23,795,931	2,986,243	1,196,450	27,978,624	1,279,951,545
Matale	3,943,077	1,073,666	243,082	5,259,825	243,275,865
Kurunegala	7,818,150	1,618,200	95,750	9,532,100	437,514,250
Puttalam	6,494,900	524,850	-	7,019,750	318,513,000
Kandy	289,800	144,700	5,000	439,500	20,526,000
Badulla	1,336,350	715,550	371,500	2,423,400	114,488,250
Anuradhapura	24,152,285.5	9,001,091	49,200	33,202,577	1,539,367,397.50
Hambantota	12,762,514	62,720	2,000	12,827,234	577,549,130
Monaragala	3,343,593	322,984	393,774	4,060,351	186,299,585
Ratnapura	731,943	52,868	462	785,273	35,603,935
Kilinochchi	2,963,685	536,406	-	3,500,091	160,186,125
Mullaitivu	1,163,779	427,006	-	1,590,785	73,720,355
Vavuniya	3,040,790	664,294	-	3,705,084	170,050,250
Mannar	461,171	1,259,379	-	1,720,550	83,721,645
Jaffna	768,949	38,783	-	807,732	36,541,855
Batticaloa	3,786,993	449,375	17,450	4,253,818	193,755,935
Trincomalee	6,053,350	773,800	609,250	7,436,400	315,618,250
Matara	215,388	2,527	-	217,915	9,818,810
Total	**117,528,099**	**25,558,042**	**5,288,818**	**148,374,959**	**6,805,172,433**

❖ The progress in purchasing paddy in Yala Season of 2015 (District wise)

District	Nadu (Kg)	Samba (Kg)	Keeri Samba (Kg)	Total	
				Quantity (Kg)	Value (Rs.)
Polonnaruwa	37,746,700	3,817,700	135,750	41,700,150	1,896,274,000
Ampara	37,162,750	3,117,830	248,000	40,528,580	1,840,615,250
Matale	5,756,034	426,065	2,000	6,184,099	280,424,780
Kurunegala	8,499,350	753,150	38,900	9,291,400	422,073,250
Puttalam	4,768,550	301,700	-	5,070,250	229,669,750
Kandy	1,707,800	263,800	9,850	1,981,450	90,533,500
Badulla	1,951,150	553,200	158,000	2,662,350	123,361,750
Anuradhapura	27,420,805	923,656	4,000	28,348,461	1,280,319,025
Matara	511,400	12,350	-	523,750	23,630,500
Hambantota	13,965,595	52,650	-	14,018,245	631,084,275
Monaragala	3,903,351	148,609	33,100	4,085,060	184,736,245
Ratnapura	3,239,654	75,580	7,400	3,322,634	149,933,430
Kilinochchi	3,015,831	52,202	-	3,068,033	138,322,495
Mullaitivu	1,940,355	19,157	-	1,959,512	88,273,825
Vavuniya	2,833,139	187,020	-	3,020,159	136,842,255
Jaffna	-	-	-	-	-
Mannar	92,950	855,550	-	948,500	46,960,250
Batticaloa	2,987,800	32,400	-	3,020,200	136,071,000
Trincomalee	5,269,200	255,100	9,600	5,533,900	250,349,000
Total	**162,772,414**	**11,847,719**	**646,600**	**175,266,733**	**7,949,474,580**

❖ **The progress of purchasing paddy in Maha Season in 2014/15 and Yala Season in 2015 according to Regions can be summarized as follows.**

Region	Nadu (Kg)	Samba (Kg)	Keeri samba (Kg)	Quantity (Kg)
Polonnaruwa	59,712,250	10,340,450	3,480,000	73,532,700
Nort-Western	28,383,350	3,279,900	134,650	31,797,900
Ampara	64,730,981	6,883,673	1,180,750	72,795,404
Anuradhapura	54,422,502	10,620,978	66,982	65,110,462
South	38,673,438	730,288	436,736	39,840,462
North	16,280,649	4,039,797	-	20,320,446
East	18,097,343	1,510,675	636,300	20,244,318
Total	**280,300,513**	**37,405,761**	**5,935,418**	**323,641,692**

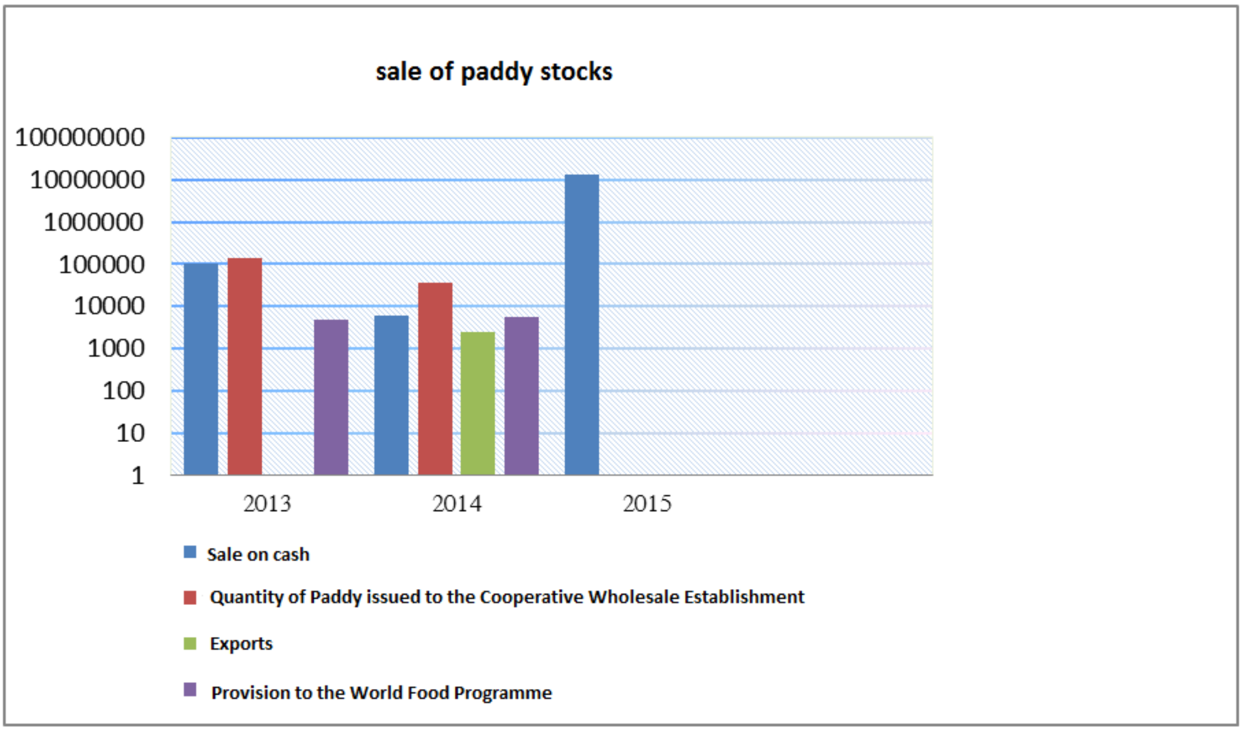


- **The Status of the paddy stocks owned by the Paddy Marketing Board as at 31.12.2015**

Particulars	Keeri Samba / Samba (kg)	Nadu (Kg)	Total (Kg)
Opening Stock as at 01.01.2015	19,238,072	52,881,789	72,119,861
Purchases			
- Maha Season 2014/15	30,846,860	117,528,099	148,374,959
- Yala Season in 2015	12,494,319	162,772,414	175,266,733
Total	**62,579,251**	**333,182,302**	**395,761,553**
Issues			
Sale of Paddy for cash	12,410,916	1,260,000	13,670,916
Closing Stock as at 31.12.2015	**50,168,335**	**331,922,302**	**382,090,637**

❖ Details of the sale of paddy stocks by the Paddy Marketing Board

Quantity of Paddy Sales (MT)	Sale on cash	Quantity of Paddy issued to the Cooperative Wholesale Establishment	Exports	Provision to the World Food Programme
2013	107,011	143,479	-	4,860
2014	6,144	37,632	2,531	5,497
2015	13,670.92	-	-	-
Total	**126,825.90**	**181,111**	**2,531**	**10,357**



08. Financial Highlights (2010-2015)

(Rs. Million)

Particulars	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue	138.95	3,500.20	3,617.88	7,878.87	1,554.51	697.18
Purchasing-Stocks of Paddy	5,172.00	2,278.20	3,636.89	7,755.26	148.66	14,794.58
Gross Profit/ (Loss)	20.81	249.64	(1,440.93)	(121.98)	(237.02)	(799.15)
Administrative, Financial and other expenditure	211.68	367.85	630.64	1,674.62	983.562	1,106.79
Net Profit/ (Loss)	(346.75)	264.13	(1,996.23)	(1,036.23)	(1,126.93)	(1,773.17)
Receipt of Provisions for the purchase of paddy						
General Treasury	1,300.00	700.00	100.00	250.00	-	6,943.00
Bank of Ceylon	2,250.00	410.40	914.80	1,150.00	-	5,128.00
People’s Bank	1,500.00	106.30	311.80	1,296.00	-	3,178.00
National Savings Bank	1,000.00	-	725.90	584.20	-	-
Regional Development Bank	400.00	-	250.00	398.90	-	-
Debtors						
Co-operative Wholesale Corporation	-	341.39	1,587.08	1,404.92	462.59	462.59
Food Department	-	611.99	470.95	440.55	425.95	425.95
Lanka C.W.E	-	90.41	49.94	79.93	77.53	77.53
Creditors						
General Treasury	1,300.00	1,900.00	2,000.00	2,250.00	2,250.00	8,489.10
Bank of Ceylon	2,250.00	2,185.20	3,100.00	4,115.89	3,129.78	8,257.78
People’s Bank	1,496.96	1,354.45	1,553.74	2,651.99	2,314.94	5,492.94

Particulars	2010	2011	2012	2013	2014	2015
National Savings Bank	267.80	47.80	725.95	1,142.96	1,000.00	1,000.00
Regional Development Bank	380.47	-	241.99	416.13	-	-
General Treasury Provisions						
For Capital expenditure	9.00	182.90	112.00	80.00	175.00	155.00
For Recurrent expenditure	24.00	25.00	35.35	40.00	66.50	67.50
Capital Expenditure Usage						
For new constructions	-	126.70	85.50	48.00	63.00	-
For stores repairs	6.30	52.30	25.10	27.00	105.00	92.00
For the purchase of fixed assets	2.68	3.90	1.40	5.00	7.00	63.00

09. Details on the Pledge loans and interests obtained by the Paddy Marketing Board for the purchase of paddy and from 2009 to 2015.

Year	Bank	Opening Loan Balance (Rs. ML.)	Loan obtained during the relevant year (Rs. ML.)	Amount settled out of the loan (Rs. ML.)	Loan balance at the end of the year (Rs. ML.)	Interest relevant to the year (Rs. ML.)
2009	General Treasury	200.0	1,060.0	950.0	310.0	-
	Bank of Ceylon	-	-	-	-	-
	Peoples' Bank	-	-	-	-	-
	National Savings Bank	-	-	-	-	-
	Regional Development Bank	-	-	-	-	-
Total		**200.0**	**1,060.0**	**950.0**	**310.0**	**-**
2010	General Treasury	310.0	1,300.0	310.0	1,300.0	-
	Bank of Ceylon	-	2,250.0	-	2,250.0	46.1
	Peoples' Bank	-	1,500.0	3.0	1,497.0	29.2
	National Savings Bank	-	1,000.0	732.2	267.8	5.3
	Regional Development Bank	-	400.0	19.6	380.4	7.4
Total		**310.0**	**6,450.0**	**1,064.8**	**5,695.2**	**88.0**
2011	General Treasury	1,300.0	700.0	100.0	1,900.0	-
	Bank of Ceylon	2,250.0	410.4	475.3	2,185.1	186.5
	Peoples' Bank	1,497.0	106.3	248.8	1,354.4	120.8
	National Savings Bank	267.8	-	220.0	47.8	-
	Regional Development Bank	380.4	-	380.4	-	0.1
Total		**5,695.2**	**1,216.7**	**1,424.5**	**5,487.4**	**307.3**
2012	General Treasury	1,900.0	100.0	-	2,000.0	-
	Bank of Ceylon	2,185.1	914.8	-	3,099.9	234.1
	Peoples' Bank	1,354.4	311.8	112.5	1,553.7	135.8

	National Savings Bank	47.8	725.9	47.8	725.9	92.8
	Regional Development Bank	-	250.0	8.0	242.0	48.5
Total		**5,487.4**	**2,302.5**	**168.3**	**7,621.6**	**511.2**
2013	General Treasury	2,000.0	250.0	-	2,250.0	-
	Bank of Ceylon	3,099.9	1,150.0	134.1	4,115.8	434.4
	Peoples' Bank	1,553.7	1,296.0	265.4	2,584.3	255.7
	National Savings Bank	725.9	584.2	167.0	1,143.0	169.7
	Regional Development Bank	242.0	398.9	224.8	416.1	53.0
Total		**7,621.6**	**3,679.1**	**791.3**	**10,509.3**	**912.8**
2014	General Treasury	2,250.0	-	-	2,250.0	-
	Bank of Ceylon	4,115.8	-	986.1	3,129.7	378.5
	Peoples' Bank	2,584.3	-	337.1	2,247.2	274.1
	National Savings Bank	1,143.0	-	143.0	1,000.0	148.8
	Regional Development Bank	416.1	-	416.1	0.0	20.9
Total		**10,509.3**	**-**	**1,882.3**	**8,626.9**	**822.3**
2015	General Treasury	2,250.0	6,943.0	703.6	8,489.4	-
	Bank of Ceylon	3,129.7	5,128.0	-	8,257.7	455.7
	Peoples' Bank	2,247.2	3,178.0	-	5,425.2	358.7
	National Savings Bank	1,000.0	-	-	1,000.0	145.6
Total		**8,627.0**	**15,249.0**	**703.6**	**23,172.4**	**960.0**

10. Guaranteed Price for paddy from 2000 - 2015

Season	Price per Kilogram (Rs.)	
	Samba	Nadu
Maha 2000/01	13.50	12.50
Yala 2001	13.50	12.50
Maha 2001/02	14.50	13.50
Yala 2002	14.50	13.50
Maha 2002/03	14.50	13.50
Yala 2003	14.50	13.50
Maha 2003/04	15.50	14.50
Yala 2004	15.50	14.50
Maha 2004/05	16.50	15.50
Yala 2005	16.50	15.50
Maha 2005/06	16.50	15.50
Yala 2006	17.50	16.50
Maha 2006/07	17.50	16.50
Yala 2007	17.50	16.50
Maha 2007/08	22.00	20.00
Yala 2008	30.00	28.00
Maha 2008/09	30.00	28.00
Yala 2009	30.00	28.00
Maha 2009/10	30.00	28.00
Yala 2010	30.00	28.00
Maha 2010/11	30.00	28.00
Yala 2011	30.00	28.00
Maha 2011/12	30.00	28.00
Yala 2012	30.00	28.00
Maha 2012/13	35.00	32.00
Yala 2013	35.00	32.00
Maha 2013/14	35.00	32.00
Yala 2014	35.00	32.00
Maha 2014/15	50.00	45.00
Yala 2015	50.00	45.00

11. Particulars regarding renovations carried out by the Paddy Marketing Board in the year 2015

Serial No.	District	No. of Warehouses	Amount Spent (Rs. Million)
01	South Region	06	4,696,502.16
02	North –Western Region	01	5,461,962.91
03	Anuradhapura Region	16	10,232,370.78
04	East Region	01	58,910.00
05	Polonnaruwa Region	10	4,755,326.61
06	North Region	01	1,383,653.25
07	Ampara Region	-	-
Total		**35**	**26,588,725.71**

12. Role of the Board of Directors of the Paddy Marketing Board in the year 2015

Section 13 of the Paddy Marketing Board Act. No.14 of 1971 clearly states the Powers of the Board of Directors of the Paddy Marketing Board.

Broad powers such as the right to acquire, take on lease or hire, mortgage, sell or otherwise dispose of any movable or immovable property, purchase, mill, hull, market or distribute paddy and grain, carrying out incidental matters as may necessary for the business affairs of the Board, fix a guaranteed price for paddy, formulation and implementation of laws, rules and regulations relevant to the administrative functions of the Board, take action to maintain warehouses and to sell paddy, conduct researches relating to processing of paddy and grain, enter into agreements with the other parties of the Paddy Marketing Board have been vested in the Board of Directors under this Section.

13. Summary of the Minutes of the meetings of the Board of Directors in the year 2015

Mrs. Ruwanthika Gunawardene, Legal Officer functioned as the Secretary of the Board of Directors in the year 2015 too. 09 Meetings of the Board of Directors were held in this year. Summary of the Minutes of the meetings of the Board of Directors is given below.

1. Purchasing paddy in the Maha Season of 2014/15 and in the Yala Season of 2015 under the direction of the District Secretaries.
2. Selling of Paddy stocks purchased in the Maha Season of 2014/15 and in the Yala Season of 2015.
3. Selling of condemned paddy stocks and condemned iron remained in the warehouses of the Paddy Marketing Board.
4. Appointment of investigating teams for the supervision of paddy purchasing activities.
5. Investigating in to the irregularities that took place in the Paddy Marketing Board and Appointment of disciplinary inquiry officers.
6. Restructuring of the operational functions of the Regions of the Paddy Marketing Board.
7. Implementation of the Audit Programme and the Audit Plan for the year 2015.
8. Vesting of Financial Powers.
9. Recruitment of new Management Assistants.
10. Vesting Financial Powers to appoint Senior Officers of the Paddy Marketing Board.
11. Obtaining additional storage facilities required for storing paddy in the Yala Season in 2015.
12. Extension of the lease period of the warehouses which are rented out and revision of Lease agreements.
13. Payment of interim allowance for officers in the Government Institutions as per the Budget allowance 2015.

14. Report of the Internal Auditor on the functioning in the Year 2015

1. Establishment of the Internal Audit Unit

The necessity in the establishment of an Internal Audit Division for the Paddy Marketing Board had been pointed out by the Directive No.06 of the Committee on Public Enterprises held on 05.12.2012 as well as by the Auditor General's Reports from time to time and subsequently, an Internal Auditor was appointed and the Internal Audit Division was newly established on 01.07.2014. One Management Assistant and one Development Officer had been attached to the Internal Audit Division in the years 2014 and 2015 respectively.

2. Establishment of the Audit and Management Committee and the Implementation of the Audit Plan.

In accordance with the Public Enterprises Circular No. PED 55 dated 14.12.2010, Internal and Management Committee was established and the Audit Plan was formulated for a period of one year from 01.01.2015 to 31.12.2015. It has been implemented subsequent to obtaining the approval of the Board of Directors and the Auditor General. Three Audit and Management Committee meetings were held during the relevant period. The number of Audit queries referred to the Management of the Paddy Marketing Board during the relevant period was 30.

3. Observations and the Recommendations of the Internal Auditor

The Internal Auditor has pointed out to the Management from time to time with Audit Reports and Audit Queries with his/her observations and recommendations that special attention had to be focused on the following fields out of the identified fields.

A summary of the observations and recommendations for which the attention of the Management was focused through the internal Audit queries and Audit Reports is mentioned below.

3.1 Operational Activities

I. Expedient installation of the proposed computer stock controlling system and introduction of internal Controlling system in relation to purchasing, storing and issuing paddy.

II.Taking a final decision on the requirement of the Farmer representative methodology implemented in the Maha Season of 2014/15 by re-evaluating the necessity and the formality of the relevant methodology.

III. Purchasing and storing Paddy.

The issues identified in relation to purchasing and storing paddy are as follows.

- purchasing of paddy stocks which are not in conformity with proper standards by certain Officers in charge of warehouses.
- Unusual exchange of paddy stocks between warehouses.
- Paddy stocks are not stacked properly in warehouses.
- Not making arrangements to minimize damages that cause to paddy stocks by improving the quality of warehouses.
- Issues pertaining to the accuracy of reports on paddy stocks sent to the Head Offices by the Regional Offices.
- Non accomplishment of the objectives through the temporary warehouses (Cocoon Stores) purchased in the year 2015 as a solution to the inadequate capacity of the existed warehouses and had to incur a financial loss due to the damage caused to the paddy stocks stored in the relevant warehouses.
- Paddy Marketing Board had to accept paddy stocks of farmers with the polysac bags brought by farmers due to the inability to supply high standard polysac bags at the proper time to the warehouses to stack paddy stocks. Thereby damages caused to paddy stocks increased (The durability of polysac bags brought by farmers was less as most probably they had been used earlier) and the PMB had to pay money for the polysac bags brought by farmers.

IV Attendance of employees and obtaining leave

- The requirement of issuing formal circular instructions pertaining to reporting for duty and obtaining leave by the field officers as the internal control on reporting for duty and obtaining leave by the field officers was weak.

V. Control of Vehicles

- proper conduct of the ownership, use and maintenance of vehicles used by the Paddy Marketing Board.
- Maintaining updated running charts.

VI. Taking expedite procedures to recover money that are to be paid to the Paddy Marketing Board from millers under the various Programmes implemented and mentioned below.

- Programme of handing over of grains to the Food Commissioner's Department
- Issuance of Paddy stocks to the C.W.E.
- Programme of providing grains to the World Food Organization.
- Programme of exporting grain
- Issuance of paddy stocks on loan basis

VII. Submission of a series of proposals to maintain the process of purchasing and issuing paddy within the limit of minimized losses.

Thereby, making arrangements to complement the financial loss, occurred to the Paddy Marketing Board through the Programmes (World Food Programme, rice exportation and issuance of paddy stocks to the C.W.E.) implemented as per the Approval of the Cabinet and the directives issued by the Cabinet Sub Committee on Cost of Living and General Treasury and the Line Ministry, from the General Treasury or the related parties.

VIII. Administration of Warehouses

- Establishment of a formal internal control methodology in relation to the warehouse administration and due issuance of instructions on the administration of warehouses to the officers in charge of warehouses (As a Warehouse Administration Manual)
- Obtaining the new technical equipment and guidance required to measure the administration of warehouses and agricultural standards from the Government institutions which function in relation to the relevant standards.
- Development of a definite scientific foundation / standard for the loss of weight in stocks which occur as a result of drying paddy stocks naturally inside warehouses.
- Establishment of various methodologies to make necessary arrangements to immediately identify fraudulent activities, omissions and under measurements on paddy stocks stored in warehouses.

IX. Making arrangements to obtain or lease in various ways the warehouses, lands and property owned by the Paddy Marketing Board and used by external parties.

X. Designing of future plans (Corporate Plan) of the paddy Marketing Board for the accomplishment of objectives stipulated in the Paddy Marketing Board Act No. 14 of 1971.

XI. The requirement of carrying out the operations of the Paddy Marketing Board in compliance with the Establishments Code, Financial Regulations, General Treasury Circulars and the other Circulars.

3.2 Financial and Accounting Activities

I. Expediting the preparation of Annual Accounts

Requirement of taking action to submit Financial Statements in terms of Public Enterprises Circular No. PED 12 and the requirement of such Financial Statements to be in compliance with the Sri Lanka Accounting Standards and the Financial Regulations.

II. To prepare and maintain the bank reconciliations in an updated manner

Adopting the following processes for the payments that cannot be identified in the Bank accounts used for the payment of money to farmers in the purchase of paddy, which is the major factor that hinders the submission of the Annual Accounts on the due date.

- Introducing the Internet Banking.
- Adopting the methodology of Fund Transfer to an account that is being maintained at the relevant bank in favors of the farmers, instead of paying money directly to farmers.
- Deciding the maximum amount that can be debited to the Bank Account used for purchasing paddy through one transaction at the same time for preventing debiting the amount paid from the bank account to more than one farmer as a bulk amount to the Bank account.
- Establishment of a methodology to prevent the payment of money to farmers for purchasing paddy in another Zone from an account assigned to pay money to farmers in the purchase of paddy for each Zone.

III. Conducting an Annual Verification of goods for the stocks of paddy.

IV. Expediting the settlement of balances of the Accounts that were not settled.

V. Conducting the annual verification of goods and updating the fixed assets registers.

VI. Taking immediate action pertaining to the delay in the purchase of polysac bags required for purchasing paddy and pertainnig to the supply of polysac bags which were not up to the standard as agreed by the supplier.

VII. Adopting to a methodology for immediate settlement of advances issued to the employees of the Paddy Marketing Board and to the other parties.

VIII. Selling of Paddy stocks

The attention should be focused on the following matters in selling stocks of paddy.

- Deciding a rational selling price
- Deciding to sell at the most appropriate opportunity. (whenever the market price is higher and in occasions when paddy is not harvested.)
- Fixing a rational price in issuing paddy/ grains to external institutions of the Government.

IX. Liabilities of the Paddy Marketing Board

- Formulation and implementation of a long-term plan to settle long-term liabilities and loans to the General Treasury and to state banks through the minimization of losses incurred by selling stocks of paddy that are purchased by the Paddy Marketing Board at a price less than the purchased price of such paddy stocks. Thereby, making arrangements to minimize unnecessary interest expenses that are currently being paid.

- Establishment of long-term objectives required for the development of the contribution provided to farmers by the Paddy Marketing Board through a long-term plan and maintenance of the institution in a way that the Paddy Marketing Board is no more an burden on expenditure side to the Government (to maintain even at a level of not incurring losses) and functioning accordingly to accomplish the objectives.

X. The requirement of charging/settling a dormant debtor balance existing continuously in accounts from the relevant institutions (Co-operative Wholesale Establishment, Line Ministry, Food Commissioner’s Department, Lanka Co-operative Wholesale Establishment and Hambantota and Ampara District Secretariats etc.).

XI. Contractual / Construction Administration

- Requirement of conforming to the Procurement Manual

15. Progress in the accomplishment of sustainable Developmental targets

When the paddy production issues to the Market, the Paddy Marketing Board purchases the yield from the paddy farmers at a Guaranteed Price. Thereby, it is expected to uplift the living standards of the farmers.

Consumers have to confront a severe difficulty owing to the increase in the price of the open market for rice and paddy for several months. Therefore, the Paddy Marketing Board issues paddy stocks to the market within the relevant periods with a view of providing opportunity for consumers to purchase rice at a reasonable price.

In addition, it is also expected to guarantee the food safety in the country by maintaining a buffer stock.

Annual Accounts - 2015

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015	2014
ASSETS		**Rs.**	**Rs.**
Non Current Assets			
Property Plant & Equipment	3	690,367,273	424,657,214
Capital Work-in-Progress	4	16,732,567	164,403,048
Investments	5	385,131,363	370,364,770
		1,092,231,203	959,425,032
Current Assets			
Inventories	6	16,506,042,630	2,423,454,140
Trade and Other Receivables	7	2,116,658,820	2,309,764,951
Cash and Cash Equivalents	8	204,224,147	27,753,461
		18,826,925,597	4,760,972,552
Total Assets		**19,919,156,801**	**5,720,397,585**
EQUITY AND LIABILITIES			
Contributed Capital	9	631,484,518	631,484,518
Reserve Surplus/ (Deficit)		(6,797,776,882)	(5,028,376,426)
Total Equity		(6,166,292,364)	(4,396,891,908)
Non Current Liabilities			
Interest Bearing Loans & Borrowings	10	14,750,719,871	6,444,719,871
Provision for Defined Benefit Plans	11	4,915,793	2,041,740
Deferred Income	12	522,000,000	367,000,000
		15,277,635,664	6,813,761,612
Current Liabilities			
Trade & Other Payables	13	10,628,973,427	3,015,454,467
Interest Bearing Loans & Borrowings	10	178,840,073	288,073,415
		10,807,813,501	3,303,527,881
Total Equity and Liabilities		**19,919,156,801**	**5,720,397,585**

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

Deputy General Manager (Finance) 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 6 through 23 form an integral part of the Financial Statements.

02.01.2018
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 Rs.	2014 Rs.
Revenue	14	697,178,896	1,554,507,661
Cost of Sales		(1,496,329,845)	(1,791,525,409)
Gross Profit		(799,150,949)	(237,017,748)
Other Income	15	134,867,120	93,604,738
Administrative Expenses		(133,464,154)	(103,572,155)
Selling & Distribution Expenses		(3,363,761)	(2,744,206)
Other Expenses		-	(538,676)
Finance Expenses	16	(969,960,666)	(876,709,059)
Profit/(Loss) Before Tax		(1,771,072,410)	(1,126,977,106)
Income Tax (Expense) / Reversal		-	-
Profit / (Loss) for the Period		(1,771,072,410)	(1,126,977,106)
Other Comprehensive Income			
Acturial Gain (Loss)		(2,098,136)	45,341
Total Comprehensive Income		(1,773,170,546)	(1,126,931,765)

The accounting policies and notes on pages 48 to 71 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Contributed Capital Rs.	Retained Earnings Rs.	Total Rs.
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)
Balance as at 01 January 2015	631,484,518	(5,028,376,426)	(4,396,891,908)
Prior Year Adjustments	-	3,770,089	3,770,089
Profit/(Loss) for the period	-	(1,773,170,546)	(1,773,170,546)
Balance as at 31 December 2015	631,484,518	(6,797,776,882)	(6,166,292,364)

The accounting policies and notes on pages 48 to 71 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year ended 31 December 2015

	Note	2015 Rs.	2014 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit/(Loss) Before Tax		(1,771,072,410)	(1,126,977,106)
Adjustments for			
Finance Cost		969,960,666	876,709,059
Depreciation		19,225,000	13,974,809
Interest Provided on Gratuity Balance		234,800	164,190
Provision for Gratuity		541,118	495,156
Interest income of Fixed Deposit		(17,766,594)	(23,222,464)
Prior Year Adjustment		3,770,089	18,520,161
Operating Profit before Working Capital Changes		(795,107,331)	(240,336,195)
(Increase)/Decrese in Work In Progress		147,670,481	(151,620,052)
(Increase)/Decrease in Inventories		(14,082,588,490)	1,530,725,556
(Increase)/Decrease in Trade and Other Receivables		193,106,130	1,970,188,314
Increase/(Decrease) in Trade and Other Payables		7,613,518,961	(737,206,563)
Cash Generated from Operations		(6,923,400,248)	2,371,751,059
Finance Cost Paid		(969,960,666)	(876,709,059)
Income Tax Paid		-	-
Gratuity Paid		-	-
Net Cash From/(Used in) Operating Activities		(7,893,360,914)	1,495,042,000
Cash Flows From / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(284,935,058)	(26,664,302)
Investment in Fixed Deposits		(14,766,594)	(23,222,464)
Interest income of Fixed Deposits		17,766,594	23,222,464
Net Cash Flows From/(Used in) Investing Activities		(281,935,058)	(26,664,302)
Cash Flows From/(Used in) Financing Activities			
Issue of Shares		-	-
Proceeds from Interest Bearing Loans & Borrowings		8,306,000,000	-
Repayments of Interest Bearing Loans & Borrowings		-	(1,882,252,032)
Receipt of Government Grant		155,000,000	175,000,000
Net Cash Flows From/(Used in) Financing Activities		8,461,000,000	(1,707,252,032)
Net Increase/(Decrease) in Cash and Cash Equivalents		285,704,027	(238,874,334)
Cash and Cash Equivalents at the Beginning of the year		(260,319,954)	(21,445,619)
Cash and Cash Equivalents at the End of the year		**25,384,074**	**(260,319,953)**

The accounting policies and notes on pages 48 to 71 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

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 then 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 2015 were authorized for issue in accordance with a resolution by the board of directors on 2017.12.28

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

(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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

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%
Cocoon Stores	20%

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 derecognized.

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 realizable value, after making due allowances for obsolete and slow moving items. Net realizable 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 recognized 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.**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized 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 amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

PMB did not have any held-to-maturity investments during the period ended 31 December 2015.

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 reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

Financial assets carried at amortized cost

For financial assets carried at amortized 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, recognized 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 recognized 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 insignificant 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized 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 recognized 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 amortized 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

(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 resultof 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 recognized on an accrual basis.

2.12. Other Income

Other income is recognized on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

3. PROPERTY, PLANT & EQUIPMENT

3.1 Cost

	Balance as at 01.01.2015	Additions	Disposals	Balance as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.
Land & Building	437,578,699	228,409,776	6,006,335	659,982,140
Computer & Accessories	3,998,788	2,449,943	-	6,448,731
Furniture & Fittings	3,890,470	10,518,550	-	14,409,020
Office Equipments	2,041,726	591,077	-	2,632,802
Other Equipments	942,164	43,999	-	986,163
Scales	219,223	3,325,049	-	3,544,273
Moisture Meters	4,704,600	6,273,000	-	10,977,600
Motor Vehicles	3,322,135	-	-	3,322,135
Cocoon Stores	-	39,330,000	-	39,330,000
	456,697,805	290,941,393	6,006,335	741,632,864

3.2 Depreciation

	Balance as at 01.01.2015	Additions	Disposals	Balance as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.
Building	20,324,452	15,020,671	275,158	35,069,964
Computer & Accessories	1,689,590	955,489	-	2,645,079
Furniture & Fittings	2,106,498	1,631,303	-	3,737,801
Office Equipments	942,823	429,140	-	1,371,963
Other Equipments	121,067	190,633	-	311,699
Scales	113,795	210,097	-	323,893
Moisture Meters	3,863,967	1,062,825	-	4,926,792
Motor Vehicles	2,878,400	-	-	2,878,400
Cocoon Stores	-	-	-	-
	32,040,591	19,500,158	275,158	51,265,591

3.3 Net Book Value

	Balance as at 31.12.2015	Balance as at 31.12.2014
	Rs.	Rs.
Land & Building	624,912,176	417,254,248
Computer & Accessories	3,803,652	2,309,198
Furniture & Fittings	10,671,219	1,783,972
Office Equipments	1,260,839	1,098,903
Other Equipments	674,464	821,097
Scales	3,220,380	105,428
Moisture Meters	6,050,808	840,633
Motor Vehicles	443,735	443,735
Cocoon Stores	39,330,000	-
	690,367,273	**424,657,214**

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2015

4. WORK IN PROCESS

	2015 Rs.	2014 Rs.
Opening Balance	164,403,048	12,782,996
Transferec to Land & Building Account	(229,201,078)	(23,811,248)
Advance Given for the Period	81,530,597	175,431,300
	16,732,567	164,403,048

5. INVESTMENTS

	2015 Rs.	2014 Rs.
Fixed Deposit - Bank of Ceylon	385,131,363	370,364,770
	385,131,363	370,364,770

6. INVENTORIES

	2015 Rs.	2014 Rs.
Paddy Stock- Nadu	14,230,775,426	1,692,217,233
Paddy Stock- Samba	2,220,222,155	673,332,530
Goods in Transit	54,385,222	54,385,222
Soya Been Stock	-	3,302,853
Rice Stock	-	84,972
Inventory Items	659,827	131,330
	16,506,042,630	2,423,454,140

7. TRADE AND OTHER RECEIVABLES

	2015 Rs.	2014 Rs.
Trade Debtors (7.1)	2,004,008,842	2,271,997,405
Less - Provision for Impairment	-	-
	2,004,008,842	2,271,997,405
Sundry Debtors		
Loans and Advances (7.2)	97,868,867	27,841,397
Other Receivables (7.3)	14,230,111	9,906,148
Securities and Deposits (7.4)	551,000	20,000
	2,116,658,820	2,309,764,951

7.1 Trade Debtors

	2015 Rs.	2014 Rs.
CWE	462,589,308	462,589,308
Ministry for Paddy Sales	332,688,410	332,688,410
Food Department	425,951,745	425,951,745
Lanka Sathosa	77,526,708	77,526,708

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2015

	2015	2014
	Rs.	Rs.
Ministry of Rice Export	273,008,128	288,064,664
S.L. Air Force	4,307,000	4,307,000
S.L. Army	-	18,209,608
Receivable from Food Department	10,591,838	10,591,838
Receivable from Millers	21,803,499	23,388,499
Receivable from Ampara D/S - WFP	2,458,086	197,912,629
Receivable from Ham. D/S - WFP	18,351,743	18,351,743
Rice millers for Export	214,503,926	219,848,491
Rice Millers (for paddy sales of Credit Basis)	45,249,804	68,993,349
Purchase Control Account	49,743,530	49,743,530
Unidentified Paddy Purchases	65,235,117	73,829,883
	2,004,008,842	2,271,997,405

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

7.2 Loans and Advances

Advances	**2015**	**2014**
	Rs.	**Rs.**
Amilajith De Silva	23,500	-
Ampara Region	13,391,589	50,500
Anuradhapura Region	13,676,368	261,549
A.S.A. Hameed	500,000	-
Arun Fancy Transport	1,000,000	-
B.S. Wathuregama	20,000	-
Commi. Agraraian - Kurunegala	274,271	274,271
Commissioner of Co-Operative	9,000,000	9,000,000
Contract Allowance	-	1,500
DGM (Op) - PMB	20,000	20,000
District Secretary Damana - for renovation	96,600	-
Eastern Region	7,865,330	244,274
G. Agent- Ampara	200,000	200,000
G.L.T.D. Kulathunga	31,942	16,542
G.L. Duminguhewa	44,750	-
Internal Auditor - PMB	-	40,000
Lanka Sathosa Limited	1,000,000	1,000,000
Land Reclamation & Dev Com.	3,320,513	-
Legal Officer - PMB	55,000	-
L.R.C. Liyanage	880	-
L.M.U.N. Kabral	15,000	-
Mr Peries (Government Audit)	20,000	20,000
N. Ekanayaka	675,000	825,000
North West Region	4,213,549	10,549
North Region	2,803,340	94,000
P.A.V. Dammika	11,310	11,000
Polonnaruwa Region	17,096,500	653,500
Road Development Authority	797,161	797,161
S. State Trading Corporation	5,450,000	5,450,000
South Region	8,474,822	535,450
T.P.G.N. Sampath	20,940	-
W.A. Kelum Jayalath	500,000	-
Petty cash - Trinco	58,097	51,305
- Polonnaruwa	5,080	5,842
- Anuradhapura	3,682	30,000
- Head office	-	21,744
- North West	3,899	30,000
- North	14,206	30,000
- Ampara	22,113	30,077
Festival Advance	193,200	289,200
Loans		
Bike Loan	2,486,482	3,725,112
Distress Loan	4,483,742	4,122,821
	97,868,867	27,841,397

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

7.3 Other Receivables

	2015	2014
	Rs.	**Rs.**
CWE Constructions & Engineering (pvt)	1,949,677	-
Develo. Officer's & others salary Reimbursement A/C	4,547,048	2,042,030
Receivable form R/M - North Region	180	-
WHT Receivables	2,682,686	2,682,686
E.T.F. Surchages	23,514	9,426
Debtors - BOC North West	172,880	172,880
- BOC North	4,400	4,400
- BOC Polonnaruwa	470	470
- BOC Ampara	2,788,030	2,788,030
- BOC Anuradhapura	332,897	477,897
- People's Bank	1,691,330	1,691,330
Debtor - G.M.A. Manike	37,000	37,000
	14,230,111	9,906,148

7.4 Securities and Deposits

	2015	2014
	Rs.	**Rs.**
Housing Security Deposit	20,000	20,000
Security Deposits	531,000	-
	551,000	20,000

8. CASH AND CASH EQUIVALENTS

	2015	2014
	Rs.	**Rs.**
Favourable Cash & Short Term Deposits		
Cash and Bank Balances	204,224,147	27,753,461
	204,224,147	27,753,461

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

9. CAPITAL AND RESERVE

Contributed Capital	2015 Rs.	2014 Rs.
Contributed Capital	631,484,518	631,484,518
	631,484,518	631,484,518

10 INTEREST BEARING LOANS AND BORROWINGS

	2015			2014		
	Rs.	Rs.	Rs.		Rs.	
	Non- Current	Current	Total	Non- Current	Current	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (10.1)	-	14,750,719,871	**14,750,719,871**	-	6,444,719,871	6,444,719,871
Bank Overdraft	-	178,840,073	**178,840,073**	-	288,073,415	288,073,415
	-	14,929,559,944	**14,929,559,944**	-	6,732,793,286	6,732,793,286

10.1 Bank Loans	As at 01.01.2015 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.12.2015 Rs.
Bank of Ceylon	3,129,781,093	5,128,000,000	-	**8,257,781,093**
National Savings Bank	1,000,000,000	-	-	**1,000,000,000**
People's Bank	2,314,938,778	3,178,000,000	-	**5,492,938,778**
	6,444,719,871	8,306,000,000	-	**14,750,719,871**

11. DEFINED BENEFIT LIABILITY

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	2,041,740	1,427,735
Provision for the year	541,118	495,156
Interest for the year	234,800	164,190
Actuarial Loss	2,098,136	(45,341)
Payment Made during the year	-	-
Balance at the end of year	4,915,793	2,041,740

12 DEFERRED INCOME

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	367,000,000	192,000,000
Government Grant for Capital Expenditure During the Year	155,000,000	175,000,000
Charge to Income Statement	-	-
Balance at the end of year	522,000,000	367,000,000

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

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

13. TRADE AND OTHER PAYABLES

	2015 Rs.	2014 Rs.
Trade Payables (13.1)	247,309,986	248,160,892
Sundry Creditors (13.2)	8,618,051,455	2,287,001,461
Other Payables (13.3)	971,291,907	455,788,429
Accrued Expenses	792,320,080	24,503,686
	10,628,973,427	3,015,454,467

13.1 Trade Payables

	2015 Rs.	2014 Rs.
Lanka Sathosa Loan	200,000,000	200,000,000
Rice millers for Export	7,309,986	8,160,892
Payable to GA - Ampara	10,000,000	10,000,000
- Trincomalee	30,000,000	30,000,000
	247,309,986	248,160,892

13.2 Sundry Creditors

	2015 Rs.	2014 Rs.
Payable to Treasury	8,489,099,994	2,250,000,000
Payable to Ministry of Food Security	92,000,000	-
Sundry Creditors	36,951,461	37,001,461
	8,618,051,455	2,287,001,461

13.3 Other Payables

	2015 Rs.	2014 Rs.
Provisions (13.3.1)	946,411,975	452,838,142
Refundable Deposits (13.3.2)	10,451,475	1,241,475
Unclaim Salaries	38,031	38,031
E.P.F. Payable A/C	1,056,734	11,076
E.T.F. Payable A/C	158,468	1,573
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
Payable to CWE	1,202,897	-
Payable to Medagama District Se.	58,648	-
Payable to PMB A/C 70639454 for error corection	9,600,000	-
Payable to PMB South Region - petty cash	30,000	-
Loan Interest payable PB 1021	468,252	-
Salary Control	168,337	11,040
	971,291,907	455,788,429

13.3.1 Provisions

	2015 Rs.	2014 Rs.
Provision for Driage	927,003,517	433,473,589
Provision for Tunover Tax	19,355,269	19,355,269
Salary Abetments	53,189	9,284
	946,411,975	452,838,142

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

13.3.2 Refundable Deposits

	2015	2014
	Rs.	**Rs.**
M.M. Refundable Deposits	372,925	372,925
Other Deposits- Refundable Rent Deposit	250,000	250,000
Refundable Tender Deposit	9,588,550	378,550
Security Deposit	240,000	240,000
	10,451,475	1,241,475

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2015

14. REVENUE

	2015 Rs.	2014 Rs.
Revenue	697,178,896	1,554,507,661
Total	697,178,896	1,554,507,661

15. OTHER INCOME

	2015 Rs.	2014 Rs.
Distress Loan Interest	167,614	147,325
Fixed Deposit Interest Income	17,766,594	23,222,464
Insuarance claim	7,700	241,862
Interest Income - Savings	391,523	359,127
Non Refundable Tender Income	445,526	8,000
Other Income	87,396	20,560
Paddy Mill's Registration Income	406,500	4,000
Rent Income	10,150,900	3,101,400
Suplier Registration Income	78,563	-
Sales of Building	1,800,000	-
Treasury Grants	67,500,000	66,500,000
Treasury Grants for Agent Comm. & Trans. Paid	36,064,804	-
	134,867,120	93,604,738

16. FINANCE EXPENSES

	2015 Rs.	2014 Rs.
OD Charges	14,769,460	481,774
Co-operative development fund Loan Interest	-	53,898,893
Bank Charges	3,813,619	66,385
Loan Interest -BOC	447,151,942	378,524,779
Loan Interest -NSB	145,568,524	148,786,903
Loan Interest -PB	358,657,121	274,007,586
Loan Interest -RDB	-	20,942,741
	969,960,666	876,709,059

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2015

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

		2015	2014
	Components of Cash and Short Term Deposits	**Rs.**	**Rs.**
17.1	**Favourable Cash & Short Term Deposits**		
	Cash and Bank Balances	204,224,147	27,753,461
		204,224,147	27,753,461
17.2	**Unfavourable Cash & Short Term Deposits**		
	Bank Overdraft	(178,840,073)	(288,073,415)
	Total Cash and Short Term Deposits For the Purpose of Cash Flow Statement	25,384,074	(260,319,954)

18. ASSETS PLEDGED

No assets have been pledged as security for liabilities.

19. 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 2015

		Year Ended 31.12.2015 Rs.	Year Ended 31.12.2014 Rs.
Revenue	I	697,178,896	1,554,507,661
Cost of Sales	II	(1,496,329,845)	(1,791,525,409)
Gross Profit		(799,150,949)	(237,017,748)
Add: Other Income	III	134,867,120	93,604,738
Less : Expenses			
Administrative Expenses	IV	(133,464,154)	(103,572,155)
Selling & Distribution Expenses	V	(3,363,761)	(2,744,206)
Finance & Other Expenses	VI	(969,960,666)	(877,247,735)
		(1,771,072,410)	(1,126,977,106)

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2015

STATEMENT I	2015 Rs.	2014 Rs.
Revenue		
Sales - Paddy	691,830,000	1,524,308,523
- Paddy (Mudy)	5,348,896	4,444,200
- Broken Rice	-	805,000
- Rice	-	24,949,938
	697,178,896	1,554,507,661

STATEMENT II	2015 Rs.	2014 Rs.
Cost of Sales		
Cost of Sales-Paddy	709,134,200	1,679,519,857
Direct Overhead on for Paddy Purchasing	783,547,253	109,908,524
Direct Overhead on for Paddy Issuing	3,648,393	2,058,330
Direct Overhead on for Paddy Exports	-	38,698
	1,496,329,845	1,791,525,409
Cost of Sales		
Opening Stock	2,365,549,763	3,896,406,649
Paddy Purchases	14,794,582,018	148,662,971
(-) Closing Stock	(16,450,997,581)	(2,365,549,763)
	709,134,200	1,679,519,857
Direct Overhead		
Direct Overhead on Paddy Purchasing		
Advertising Expenses	3,477,986	222,612
Administration allowance	-	53,000
Agent Commission & transport	41,099,497	-
Consumable Items- Stores	1,157,863	60,447
Driage 3%	493,529,927	70,966,493
Fuel Charges	165,000	104,998
Fumigation charges	-	58,484
Labour Cost	4,934,092	1,291,272
M/M & Scale Repair Charges	652,125	763,992
Nattami Charges	27,298,022	1,913,638
Other Expenses	400,378	-
Paddy Stock Maintenance Charges	1,656,313	248,353
Paddy Stock Verification Expenses	15,990	3,116,453
Paddy pur. & Issuing Investigation charges	7,645,904	-
Polysacks Bag Expenses	123,185,563	23,034,816
Postage charges	8,575	-
Printing & Stationery	3,151,385	50,325
Repairs and Maintenance	43,940	-
Scales Repair charges	611,703	-
Security Charges - Stores	6,852,250	1,051,250
Store Rent Expenses	2,666,397	235,000
Stores Maintanance Expences	3,084,417	2,290,555
Telephone expenses - Stock con. System	610,327	-
Transport Charges	59,208,910	4,446,837
Wages	1,985,688	-
Weighting Charges	105,000	-
	783,547,253	109,908,524

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2015

	2015 Rs.	2014 Rs.
Direct Overhead on Paddy Issuing		
Advertising	412,840	-
Consumable Items	15,440	3,578
Fuel charges	57,000	-
Labour charges	265,400	1,452,850
Nattami charges	2,585,604	282,082
Paddy Issue Expenses	-	262,656
Printing & Stationery	49,609	1,299
Postage	-	100
Other expenses	-	2,215
Transport Charges	-	53,550
Weighting Charges	262,500	-
	3,648,393	2,058,330
Direct Overhead on Rice sale		
Nattami Charges	-	31,548
Labour Charges	-	7,150
	-	38,698

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2015

STATEMENT III	2015 Rs.	2014 Rs.
Other Income		
Distress Loan Interest	167,614	147,325
Fixed Deposit Interest Income	17,766,594	23,222,464
Insuarance claime	7,700	241,862
Interest Income - Savings	391,523	359,127
Non Refundable Tender Income	445,526	8,000
Other Income	87,396	20,560
Paddy Mill's Registration Income	406,500	4,000
Rent Income	10,150,900	3,101,400
Suplier Registration Income	78,563	-
Sales of Building	1,800,000	-
Treasury Grants	67,500,000	66,500,000
Treasury Grants for Agent Comm. & Trans. Paid	36,064,804	
	134,867,120	93,604,738

STATEMENT IV	2015 Rs.	2014 Rs.
Administrative Expenses		
Audit Fee	150,000	75,000
Audit & Mana. Comitee Member Fees	72,500	30,000
Accomadation charges	201,210	534,398
Buildings & Quarters Rent Expenses	-	5,850
Chairman Allowance	786,000	720,000
Compensation expenses	328,360	50,000
Consultancy Fees	243,250	284,500
Consumable Items	390,062	345,889
Cost of Living	17,827,804	16,314,060
Depreciation	19,500,158	14,000,559
Director Fees	269,500	288,000
Electricity Expenses	1,249,983	1,096,721
EPF Expenses	7,280,453	6,688,592
ETF Expenses	1,820,113	1,672,148
Fuel Charges	2,772,060	1,742,037
Gratuity Expenses	626,918	495,156
Interest on Gratuity	234,800	164,190
Janitorial Expenses	1,101,670	863,500
Labour Charges	340,700	485,710
Legal Expenses	36,600	306,250
Medical Report Charges	500	4,500
News Papers	119,154	91,450
Other Allowances	28,336,705	8,589,965
Other Expenses	246,881	624,386
Overtime	1,156,200	1,528,568
Pension Fund Expenses	45,980	198,550
Postal Expenses	201,478	126,851
Printing & Stationary	2,153,145	2,521,970

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2015

	2015 Rs.	2014 Rs.
Professional charges	-	38,000
Refreshment Charges	756,726	375,174
Repair & Maintenance	1,062,071	655,663
Rent, Assessment & Taxes	236,343	124,503
Salaries	36,127,002	34,188,633
Security Charges	1,425,045	2,432,143
Staff training & related expenses	526,896	731,317
Staff Welfare Expenses	810,552	291,718
Survey Charges	-	168,360
Telephone Expenses	1,251,427	1,311,173
Translate Fees	7,785	32,288
Transport Charges	565,878	223,740
Vehicle and Other Ass. Revenue Licence	25,470	44,380
Vehicle Insurance	237,923	225,664
Vehicle Maintenance	2,282,342	2,250,295
W.N.O.P. expenses	4,180	-
Water Expenses	652,329	630,306
	133,464,154	103,572,155

DETAILED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2015

STATEMENT V	**2015**	**2014**
	Rs.	**Rs.**
Selling & Distribution Expenses		
Advertisement & Publicity	602,666	398,462
Travelling & Subsistence	243,495	270,277
Vehicle Hire Charges	2,517,600	2,075,467
	3,363,761	2,744,206

STATEMENT VI	**2015**	**2014**
	Rs.	**Rs.**
Finance & Other Expenses		
Dayata Kirula Expenses	-	538,676
Co-operative development fund Loan Interest	-	53,898,893
Bank Charges	3,813,619	66,385
Loan Interest -BOC	447,151,942	378,524,779
Loan Interest -NSB	145,568,524	148,786,903
Loan Interest -PB	358,657,121	274,007,586
Loan Interest -RDB	-	20,942,741
OD Charges	14,769,460	481,774
	969,960,666	877,247,735

Auditor General’s Report - 2015

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. TCM/D/PMB/1/15 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 26 August 2018

The Chairman

Paddy Marketing Board

Report of the Auditor General on the Financial Statements of Paddy Marketing Board for the year ended 31 December 2015 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 2015 comprising the statement of financial position as at 31 December 2015 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 sent to the Chairman of the Board on 03 July 2018 .

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) .

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

As the stocks of paddy purchased by the Board had been sold at prices less than the market price and the cost, it had resulted to borrow loans annually from the Treasury and the state banks in order to fund for the purchase of paddy in the next season, and settle the losses occurred at sales. A sum of Rs. 40,935.96 million had been obtained from 03 state banks for purchasing paddy and operating expenses from the year 2009 to the year

2015 and a balance of loan amounting to Rs. 17,965.3 million and an interest thereon amounting to Rs. 623.9 million further remained payable by 31 December 2017 . As such, it could not be ruled out that there had been no effect on the existed risk affecting the going concern of the Board.

2. 2.2 Disclosure of Transactions with the Connected Parties

Even though the payments totalling Rs. 57,409,183 had been made in the year under review to the " C.W.E. Construction and Engineering (Private) Limited" by awarding the construction activities of the Board for which the former Chairman of the Paddy Marketing Board had served as a founder member of the Board of Directors , those transactions had not been disclosed in the financial statements.

2.2.3 Sri Lanka Accounting Standards

Sri Lanka Accounting Standard 7

The value of the sales amounting Rs. 1,800,000 with regard to the buildings sold in the year under review had not been shown under the Investment Activities of the Cash Flow Statement in accordance with the Section 16 of the Standard .

2. 2.4 Accounting Deficiencies

The following observations are made.

(a) A building belonging to the Board had been sold in the year under review for a sum of Rs. 1,800,000 and even though the profit or loss of the sold building should be adjusted to the comprehensive income statement removing the cost of that and the accumulated depreciation from accounts, only the sales value amounting to Rs. 1,800,000 had been shown under the other income of the comprehensive income statement.

(b) The prior year adjustments amounting to Rs. 3,770,089 shown in the statement of changes in equity had been adjusted to the operating profit in the cash flow statement.

(c) Without the confirmation of the paddy stock in hand by conducting the physical verification as at 31 December in the year under review, the cost of Rs. 16,450,997,581 had been shown in the statement of financial position as balance stock in hand .

2. 2.5 Unexplained Differences

The balance of state bank loan shown under non- current liabilities in the financial statements as at the end of the year under review was Rs. 5,492,938,778 . But according to the confirmation letter it was Rs. 5,425,234,112 thus a difference of Rs. 67,704,666 was observed .

2. 2.6 Lack of Evidence for Audit

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

	Item of Account	Value Rs.	Evidence not Made Available
(a)	Unidentified Purchase of Paddy	65,235,117	Detailed Information, Confirmations
(b)	Purchase Control Account	49,743,530	
(c)	Sale of Rice Millers on Credit	45,249,804	
(d)	Driage Cost	493,529,927	Approval on determining the applicable ratio

(e)	Capital Contribution	631,484,518	Confirmation documents
(f)	Expenditure on Polysack Bags	123,185,563	Signed Agreement betweeen the Suppliers and the Board
(g)	Other Allowances	28,336,705	Detailed Schedule
(h)	Equipment, Building Materials and Employee Insurance, Accommodation for Security Officers, Water and Electricity		
	(i) Rambewa Paddy Stores	550,000	Confirmation documents
	(ii) Thabbowa Paddy Stores	230,000	

2. 3 Accounts Receivable and Payable

The following observations are made.

(a) Within the debtor balance amounted to Rs. 2,004,008,842 as at 31 December 2015 the balances of a sum of Rs. 10,591,838 relating to a period of over 05 years, a sum of Rs. 501,805,774 relating to a period between 3 to 5 years, a sum of Rs. 1,470,801,401 relating to a period between 1 to 3 years and a sum of Rs. 20,809,829 relating to a period of less than 1 year were included and actions had not been taken even up to 20 March 2018 to recover those balances.

(b) Within the creditor balance amounted to Rs. 8,828,409,980 as at 31 December 2015 the balances of a sum of Rs. 1,104,545,456 relating to a period of over 04 years, a sum of Rs. 600,000,000 relating to a period between 3 to 4 years, a sum of Rs. 597,309,986 relating to a period between 1 to 3 years and a sum of Rs. 6,526,554,538 relating to a period of less than 1 year were included and actions had not been taken even up to 20 March 2018 to settle those balances.

2. 4 Non- compliances with Laws, Rules, Regulations, and Management Decisions

The following non- compliances were observed.

	Reference to Laws, Rules, and Regulations, etc.	Non- compliance
(a)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 188 (2)	Actions had not been taken in terms of Financial Regulation on unrealized deposits valued at Rs. 9,865,603 that had continued to exist since the year 2009 .
(b)	Public Administration Circular No. 01/ 2002 of 25 February 2002	The name of the institution with the Government Emblem had not been printed on the vehicles belonging to the Board.

2. 5 **Transactions not supported by an Adequate Authority**

The value of the soya bean stock amounting Rs. 3,302,853 and the value of the rice stock amounting to Rs. 84,972 shown under the stock in hand in the financial statements from the year 2012 had been removed from the accounts in the year under review without proper approval.

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. 1,773,170,546 as compared with the corresponding loss of Rs. 1,126,931,765 for the preceding year, thus indicating an increase of Rs. 646,238,781 in the loss for the year under review. The decrease in the income by Rs. 857,328,765 as compared with the preceding year had mainly attributed to the above increase in the loss.

In analyzing of the financial results for the year under review and four preceding years revealed that the deterioration in financial result for the year 2012 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 by 9 per cent in the year 2014 as compared with the year 2013 and by 57 per cent in the year 2015 as compared with the year 2014 . However, when the employee remuneration and depreciation on non- current assets had been re-adjusted to the financial result, the minus contribution of the Board in the year 2014 amounting to Rs. 1,078,742,573 had deteriorated to a minus contribution amounted to Rs. 1,717,543,386 or by 59 per cent by the year 2015 .

4. Operating Review

4.1 Management Activities

The following observations are made.

(a) As a result of sufficient stores were not available to store the paddy stock purchased during the year 2015 , fifteen Cocoon Stores (temporary stores) had been purchased for Rs. 39,330,000 from the State Trading (General) Corporation. Nevertheless, because of non- identification of the number of the stores required accurately to each Zones, 04 stores handed over to Anuradhapura and Trincomalee Zones valued at Rs. 10,488,000 remained in idle.

(b) Even though the State Trading (General) Corporation had informed that a Cocoon Store could be used from 10 years to 15 years period , out of the 06 stores issued to Ampara Zone, two stores which could not be able to use without renovation had remained.

(c) Even though the advances should be settled within 07 days in order to the date of advances obtained in terms of the Internal Circular No. PMB/ F1/ 14/ 2015 of 22 April 2015 issued by the Board , out of the advances obtained from the year 2014 to 20 September 2017 amounted to Rs. 4,601,739 a sum of Rs. 745,444 had not been settled even by the 31 May 2018. Similarly, despite the advances obtained as such had not been settled, advances had been paid again to the same officers.

(d) The balance of bank overdraft obtained from a state bank as at 31 December 2015 was Rs. 178,840,073 and the interest thereon had been Rs. 14,769,460 .

4. 2 Operational Activities

The goods in transit amounted to Rs. 54,385,222 is being brought forward from the year 2012 under the paddy stock in hand in the statement of financial position and actions had not been taken to settle that value even by the year under review.

4.3 Uneconomic Transactions

The following observations are made.

(a) As a result of ordering to purchase polysack bags by the Board at the point of purchasing the paddy harvest from the farmers, the supplier who had bid the lowest price had been impossible to supply the total number of bags. Accordingly, because of purchasing remaining balance from other suppliers, an excess payment had occurred totalling Rs. 1,688,710 to the Board as a sum of Rs. 1,288,000 for 700,000 bags by Rs. 1.84 per each bag and a sum of Rs. 400,710 for 1,083,000 bags by .37 cents per each bag .

(b) As the Polysack bags were not received during the expected period, the instructions had been given to the farmers to pack the paddy in the bags belonging to them and extra payments had been made Rs. 30 per each for that purpose. Even though a sum of Rs. 5,455,710 had been paid for 181,857 bags belonging to the farmers in Anuradhapura Zone , the Internal Auditor of the Board had reported that the farmers had supplied old bags free from required standard and therefore the bags were quickly decayed and the paddy consisted in them had spread in the stores .

4.4 Contract Procedure

Renovation activities in 04 stores had been handed over to the Co- operative Wholesale Establishment without following Government Procurement Procedures based on a letter issued by the Minister of Co- operative and Internal Trade on 06 September 2010 requesting that the renovations of buildings and new constructions belonging to the Ministry of Co- operative and Internal Trade and all the other institutions thereunder be assigned to the construction division affiliated to the Co- operative Wholesale Establishment. Nevertheless, a construction division affiliated to the Co-operative Wholesale Establishment had not been established and a sum of Rs. 57,409,183 had been paid to a private company as per the instructions of the Chairman of the Corporation for these contracts.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be furnished for audit within a period of 60 days since the lapse of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/ 12, dated 02 June 2003, the financial statements for the year 2015 had been furnished on 06 February 2018.

5.2 Tabling of Annual Reports

Even though the Annual Performance Reports should be tabled in the Parliament within 150 days since the lapse of the financial year as per the letter of Director General of Public Finance No. PF/ R /2 /2 /3 /5 (4) of 10 March 2010 the Annual Performance Reports related to the year 2014 had not been tabled in the Parliament.

6. Systems and Controls

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

Area of Systems and Controls	Observation
(a) Vehicle Control	(i) Failure to maintain the running charts properly and make changes in notes . (ii) Failure to maintain a vehicle List (iii) Requests of vehicles and approvals thereon not done properly
(b) Control on Purchases	(i) purchase not done in due time period (ii) Failure to maintaine Stock Registers (iii) Not examined the standard of the polysack bags purchase by the Divisional Offices
(c) Contract Administration	Actions taken in contrary to the Procurement Procedures

(d) Stores Administration	(i) Failure to store paddy following proper standards
	(ii) Stores Records/ Registers not maintained in an updated manner

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

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Auditor General