

SRI LANKA STATE PLANTATIONS CORPORATION

ANNUAL REPORT 2011

SRI LANKA STATE PLANTATIONS CORPORATION

- **Report of the Board of Director**
- **Financial Statements**
- **The Auditor General's Report for the year ended 31st December 2011**

**Head Office
No 11,
Duke Street,
Colombo 01**

Board of Directors - 2011

Name	Designation
• Mr. Prianca de Alwis	Chairman / CEO
• Mr. K.K.S Perera	Executive Director
• Mr. M.S.M.Fernando	Working Director
• Mr. K.P.G.I.N.Bandara	Member
• Mrs. A.R.Wickramasinghe	Member / Treasury Representative
• Mr. S.Abeywickrama	Member
• Mr. W. George Lanza	Member
• Mr. Brian Evans Coonghe	Member (wef July 2011)
• Mr.MalindaGunatilleka	Member (wef July 2011)
• Mr. R.A.D.M.Rupasinghe	Member (wef July 2011)
• Mr. R. R. Liyanawela	Member (Upto June 2011)
• Mr. B. K. Ulwisihewa	Member (Upto June 2011)

MANAGEMENT TEAM 2011

Name	Designation
• Mr. Prianca de Alwis	Chairman/CEO
• Mr. R. Somaratna	General Manager
• Mr. R.M.Abeysinghe	Finance Manager
• Mrs. S.D.NayanaRanasinghe	Accountant
• Mrs. B.V.L.C.Beneragama	Asst. Manager (Administration)
• Mr. V. Kadirgamar	Asst. Manager (Plantations)
• Mr. J.P. Dahanayaka	Audit Officer
• Mrs. T.T.Morahela	Assistant Accountant
• Miss.G.D.S.C. Sudasinghe	Asst. Manager (Lands)
• Mrs. Lalani Gamaralalage	Junior Executive
• Mr. A.K.M.Jayatilake	Junior Executive
• Mrs. Anne Gunawardana	Secretary

OUR VISION

To be the best sustainable Plantation
Organization

OUR MISSION

To be a viable State Plantation Organization providing
a Best Cup of Tea and Agri -Products and
Other services, while enhancing the quality of
life of employees through sustainable
use of resources.

REPORT OF THE BOARD OF DIRECTORS - 2011

1. Introduction

Sri Lanka State Plantations Corporation was incorporated under the Act No.4 of 1958 to manage State owned estates and was established with S.L.S.P.C. few estates, under its management. With the enactment of the Land Reforms Act of 1972, all profitable Estates were taken over by the government and was vested with the two Institutions - Sri Lanka State Plantations Corporation (SLSPC) & Janatha Estates Development Board (JEDB) which were established under the amended State Agricultural Corporation Act of 1975, for better management.

By Chapter 2 of the Conversion of State Corporations and properties into private companies Act of 1992, a total of 450 Estates which were managed by the SLSPC & JEDB, were handed over on lease basis to Regional Plantation Companies, while retaining the 55 Mid-Country Estates which were running at very high losses and with very low agricultural productivity. SLSPC was entrusted with 32 estates out of the 55, and a further 11 were re - demarcated and handed over to Elkaduwa Plantations Limited thereby retaining only 16 Estates to be managed by SLSPC. In 1992, the SLSPC was closed down, retiring all staff, but recommenced its operations in 1994, by recruiting new staff.

As of today the State Plantations Corporation, comes under the purview of Ministry of State Resources & Enterprise Development, and owns 13 Estates, after several bouts of handing over to private parties and /or amalgamation of estates. During the year 2010, Nicalaoya Estate was amalgamated to Midlands State Plantation and the number of Estates that are being managed by SLSPC stands at 12, and falls under the following districts;

Matale District	Midlands & Opalgalla State Plantations.
Kandy District	Alakolla, Cottaganga, Galphelle, Harepark, Hunnasgiriya, Kallebokke, Rangalla Hagalla, Goomera, State Plantations
Galle District	Walahanduwa State Plantation.

Out of the 12 Plantations mentioned, the main income of 11 Plantations are manufacture of Mid country Tea, while Walahanduwa Plantation is a Rubber Plantation.

During the year under review 8 Board meetings were held.

2. Present Status of Estates

The Hectarage statement, detailing the land extents managed by the SLSPC is given below:

Description	Hectares
Cultivated land	6,114.05
Buildings	480.56
Timber / Forest Reserves	2,708.43
Roads	187.38
Other bear land	<u>192.82</u>
Total Extent	<u>9,683.24</u>

SLSPC Owns six Tea Factories namely; Allakolla, Galphella, Kellebokka, Midlands, and Rangalla at which CTC manufacture is being done while Goomera Factory manufacturing is done on the orthodox system.

3. Timber & Forest Reserves

SLSPC Plantations are rich with large extents of Timber & Forest Reserves that are in the harvestable state, which is valued over Rs. 3,000 Million, the details are given below;

Plantation	Extent	Trees harvestable
Allakolla	79.38	500
Cottaganga	24.14	350
Galphella	20.21	16,720
Goomera	71.50	7,100
Hagalla	84.62	11,700
Hare park	-	1,800
Hunnasgiriya	25	18,247
Kellebokka	15.00	30,824
Rangalla	68.00	10,000
Midland	227.14	14,000
Opalgalla	68.00	16,868
Woodside	6.50	6,800
Total	<u>689.49</u>	<u>134,909</u>

Plans are underway to strategically harvest and carry out reforestation in a phased out program.

4. Performance

The total production for the year under review was recorded as 2,166,037 kg Made Tea, which reflects a 1% drop over the year 2010. While maintaining an average yield of 674 kg per hectare at the end of the year, it is recorded that the highest yield was from Galphella Estate reaching 1,094 kg per hectare which is 420, kg above the average and 185 kg over last year for the same estate.

5. Treasury Grant

No Treasury Grant was available for the year and the Corporation funds were used to make Gratuity payments including the 50% surcharge.

6. Profitability

<u>Description</u>		2011	2010	<u>variance</u>	<u>%</u>
Total Production Made Tea	Kg	2,166,037	2,188,835	22.79	-1
Average NSA /kg	Rs.	243.77	247.80	4.04	-1.6
Average COP /kg	Rs.	330.46	291.11	39.35	-13.5
Loss per kg	Rs.	86.69	43.31	43.38	-100
Total Loss recorded for the year		Rs. 187,773,700	94,798,000	92,975,700	98

7. Comparative figures for past five years

Year	Total Production Kg made Tea	Ave NSA Rs	Ave. COP Rs	Profit/ Loss Rs. Per Kg	Total Pro / Loss Rs
2011	2,166,037	243.77	330.46	(86.69)	(187,773,700)
2010	2,188,835	247.80	291.11	(43.31)	(94,798,000)
2009	2,069,706	248.98	283.05	(34.07)	(70,514,900)
2008	2,721,633	206.00	218.68	(12.68)	(34,510,300)
2007	2,460,086	225.97	220.46	5.51	13,555,000

8. Cultivation, Maintenance and Fertilizer Application

During the year under review, a sum of Rs. 64.9 Million was spent on Field Development and Cultivation expenses, out of which Rs. 25.2 Million was for fertilizer, despite the adverse financial situation faced by the Corporation.

9. Performance

All efforts have been taken to reduce the cost of production and obtain higher prices for the end product. However this was not achieved due to the poor quality of the leaf we harvest the tea factories that are equipped with very old machineries, and due to not upgraded to the required standard.

10. Capital Expenditure

Even though under stressing financial conditions, the SLSPC, managed to carry out the following work which were in progress, but no new work was undertaken;

- Immature Plantations Rs. 6,493,877/- : Work in Progress Value
- Buildings - Rs. 111,765/- : Upgrading Value
- Machinery - Rs. 623,417/- : Major Repairs etc.
- Equipment - Rs. 46,729/- : New Purchases
- Vehicles - Rs. 1,048,994/- : Major Repairs etc....

11. Staff and Work Force

The excess staff had been identified, and considered for Voluntary Retirement Scheme earlier, but the liquidity crisis experienced during the year did not permit the pay off.

Considering the worker population at estates, over 600 workers have been identified to be over 60 years of age, which results poor productivity. In principle it is agreed to pay off them with their gratuity and recruit young workers, in achieving the optimum output and control cost.

A scheme is in progress to identify suitably qualified young people within the estate sector in replacing the Office / Field / Factory staff who have reached the age of 60 or more, after allowing them to be trained under the aged staff.

12 Financial Situations

Working Capital Year	2011 (Rs)	2010 (Rs)
Current Assets	280,869,504	321,860,485
Current Liabilities	<u>966,218,163</u>	<u>867,805,433</u>
	(685,348,659)	(545,944,946)
	=====	=====

A deficit in the Working Capital has increased during the year which is attributed to the increase in worker daily rate, staff salaries and the statutory payments.

Cash Flow

During the year under review, both the Bank Overdraft and negative working capital have been showing high increase due the financial crists faced by SLSPC and entire industry in Sri Lanka

13. Way Forward

Several key areas have received attention and are being looked into, improving the efficiency and reaching high productivity from the Plantations;

- Tea Replanting
- Tea Infilling
- Timber Resource Management Programme to improve the Cash Flow of the Organization.
- Develop the existing tea nurseries
- Establishing Mini-Hydro projects
- Introducing Eco-Tourism
- Development of Factories in obtaining HACCP and ISO Certification
- Replacement of the vehicles to suit the estate running, and disposing the old vehicles
- Introducing new technology to the organization.
- Human Resources to be effectively managed in harnessing the maximum efficiency.

Notwithstanding to the adverse financial results experienced by the Sri Lanka State Plantations Corporation, I was fortunate to have worked with very supportive staff, at Head Office, and Estates including the workers, and the support received from the Ministry of State Resources and Enterprise Development was invaluable in performing my duties as the Chairman.

Chairman / CEO
SLSPC

SRI LANKA STATE PLANTATIONS CORPORATION

Financial Statements - 2011

SRI LANKA STATE PLANTATIONS CORPORATION

(ESTATES & HEAD OFFICE INCORPORATED ACCOUNTS)

BALANCE SHEET AS AT 31ST DECEMBER 2011

<u>ASSETS</u>	Note	Pg. No.	2011 (Rs.)	2010 (Rs.)
Non Current Assets				
Property Plant & Equipment	11	8	644,120,161	503,844,634
Deferred Assets	1	4	42,162,674	32,671,001
Capital Working Progress	2	4	1,806,644	1,131,378
Total Non Current Assets			688,089,479	537,647,013
Investment B.C.C. Co.			15,404,568	15,404,568
Current Assets				
Fixed deposits	T.B		57,482,590	10,000,000
Inventories (Closing Stocks)	3	4	66,718,545	72,952,206
Stocks - Input & consumable	4	4	10,287,338	7,787,888
Deposits	5	5	68,780,625	93,847,267
Debtors	6	5	120,552,495	127,114,692
Receivables	7	5	32,729,199	45,768,070
Cash & Cash Equivalents	8	6	(91,085,856)	(51,039,002)
Total Current Assets			265,464,936	306,431,122
			968,958,982	859,482,703
Equity & Capital Reserves				
Financed By				
As Certified by Sec. 07 (1) Act No. of 1958			8,000,000	8,000,000
Increased under Sec.07 (2) Act No. of 1958				
Cabinet Resolution Passed on 8th August 1981			3,889,000,000	3,889,000,000
			3,897,000,000	3,897,000,000
Capital Reserve	T/B		142,051,688	142,051,688
Government Contribution	T/B		395,987,977	395,987,977
Changes In Equity account		9	(880,292,080)	(864,450,572)
			(342,252,416)	(326,410,907)
Non current Liabilities				
Regional current A/c				
Deferred Liabilities - Gratuity	9	7	324,914,776	194,762,672
Insurance Fund A/c	T.B		18,145,415	18,145,415
Non Operative balance	T.B		1,933,044	105,180,092
			344,993,235	318,088,180
Current Liabilities				
Creditors & Accrued	10	7	966,218,163	867,805,430
			968,958,982	859,482,703

The Accounting policies and Notes on page Nos 37 to 40, has been disclosed in the financial statements.

We certify that these Financial Statement has been prepared in compliance with requirement of Accounting Standard by the Sri Lanka Accounting Standard and Monitoring Board.

Prianca De Alwis - Chairman SLSPC

R.M Abeyasinghe - Finance Manager

The Board of Directors is responsible for the preparation of these financial statement. Approved and signed for and on behalf of the board of Directors of Sri Lanka State Plantation Corporation.

Prianca De Alwis
Chairman- SLSPC

Director

General Office: No . 11 Duke Street, Colombo

(AMALGAMATED ESTATES AND HEAD OFFICE ACCOUNTS)
INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2011

		Note	Page	2011	2010
			No	(Rs.)	(Rs.)
<u>REVENUE</u>					
Sales Income	Tea	13	23	493,125,426	501,491,402
	Minor Crops	14	23	4,123,220	3,941,565
	Green Leaf Proceed			54,558,617	69,644,440
	Total Income			551,807,263	575,077,407
Less - Cost of sales from Production Account				(703,258,306)	(648,677,914)
				(151,451,043)	(73,600,507)
 <u>ADD - Other Income</u>					
Other Income -	Estates & Head Office	15	13	217,991,734	156,061,689
	Savings Account Interest				1,577,450
	Total Income (Loss)			66,540,690	84,038,632
Less - Personnel Costs		16	24	26,787,175	22,959,294
	Estates & H/O-Administration Expenses	17	24/25	61,294,550	47,931,000
	Finance Charges	18	26	30,872,441	27,323,019
	Profit / (Loss) Before Income Tax			(52,413,476)	(14,174,680)

CASH FLOW STATEMENT AS AT 31.12.2011

Net Profit before extraordinary items and income tax		(52,413,476)
<u>ADJUSTMENT</u>		
Add – Depreciation	H/O	1,105,000
	Plantation	<u>18,617,504</u>
Adjusted profit from operation		(32,690,972)
Less – Other Net income Received – Walahanduwa		15,576,630
Operation profit / (Loss) before working capital changes		(48,267,602)
Add – Provision for gratuity	H/Office	2,686,334
	Plantations	18,105,993
		(27,475,275)
<u>Changes in working capital</u>		
(Increase)Decrease Inventories		6,233,661
(Increase)Decrease Inputs and Consumable		(2,499,450)
(Increase)Decrease Debtors, Deposits and receivable		44,667,711
(Increase)(Decrease)Deferred Liability – Gratuity paid to courts		(91,102,642)
(Increase)(Decrease)Trade and other payables		98,412,732
Operating profit after working capital changes		28,236,737
Cash out flow for investing activities		
Fixed Deposits		47,482,590
Equipment & Furniture Fittings (H/O & Plantations)		1,236,519
Buildings		111,765
Machinery		623,417
Deferred Assets		9,491,673
Motor vehicles		2,008,923
Planting		6,493,876
Forestry Management		161,000
Capital work in Progress		<u>673,828</u>
		68,283,592
Net Increase/ (Decrease) of the year		(40,046,854)
Cash and cash equivalents beginning of the year	(51,039,002)	
Cash and cash equivalents end of the year	<u>(91,085,856)</u>	(40,046,854)

SRI LANKA STATE PLANTATIONS CORPORATION
NOTES TO THE BALANCE SHEET 31ST DECEMBER 2010

Note - 01

PROPERTY PLANT AND EQUIPMENTS - Estates & Head Office

Head office	Cost valuation 01.01.2011	Addition	Disposal	Cost valuation as at 31.12.2011	Accumulate d Depreciatio n as at 01.01.2011	Depreciati on for the year	App ropriatio n for the year	Accumulated Depreciation as at 31.12.2011	Net book valueas at 31.12.2011
Buildings	4,959,427			4,959,427	4,959,384			4,959,384	43
Equipment's	9,996,252	1,133,690		11,129,942	8,827,922	287,750		9,115,672	2,014,270
Furniture & fittings	1,800,492	6,100		1,806,592	1,458,359	4,350		1,462,709	343,883
Improvement s to Land	2,386,505	147,613,495		150,000,000					150,000,000
Vehicles	65,155,473	959,928		66,115,401	62,755,413	796,240		63,551,653	2,563,748
Devep.Forest ry Land	1,484,340	161,000		1,645,340					1,645,340
Computer soft ware		50,000		50,000		16660		16,660	33,340
	85,782,489	149,924,213		235,706,702	78,001,078	1,105,000		79,106,078	156,600,624
Estates	Cost valuation 01.01.2011	Addition	Disposal	Cost valuation as at 31.12.2011	Accumulate d Depreciatio n as at 01.01.2011	Depreciati on for the year	App ropriatio n for the year	Accumulated Depreciation as at 31.12.2011	Net book valueas at 31.12.2011
Unimprovement to Land	1,604,663			1,604,663					1,604,663
Improvement to Land	34,660,023			34,660,023	27,290,969			27,290,969,	7,369,055
Other Vested Assets	6,672,972			6,672,972	6,672,972			6,672,972	0
Mature Plantation	214,482,500	176,678,175		391,160,675	79,869,351	5,437,597		85,306,948	305,853,727
Immature Plantation	237,864,680	6,493,876	176,678,175	67,680,381					67,680,381
Buildings	141,847,976	111,765		141,959,741	75,583,728	3,733,515,		79,317,243	62,642,498
Machinery	94,422,769	623,417		95,046,186	75,742,069	3,057,835		78,799,904	16,246,282
Furniture & fittings	4,190,470			4,190,470	4,129,722			4,129,722	60,748
Equipment's	16,304,846	46,729		16,351,575	11,188,251	387,999		11,576,250	4,775,325
Vehicles	73,700,691	1,048,995		74,749,686	47,726,966	5,735,862		53,462,828	21,286,858
	825,751,591	185,002,958	176,678,175	834,076,373	328,204,028	18,352,808		346,556,836	487,519,537
Total	911,534,080	334,927,171	176,678,175	1,069,783,075	406,205,106	19,457,808		425,662,914	644,120,161

NOTES TO THE BALANCE SHEET - 31ST DECEMBER 2011

Note – 02	2011	2010
	Rs	Rs.
<u>Deferred Assets</u>		
Fuel wood	6,190,670	4,985,608
Herbal Plants	430,353	430,353
Less – (Deposal Add with depreciation)	(273,211)	(248,212)
Timber Plants	3,383,061	2,874,628
Coconut Cultivation	2,666,110	2,621,110
Reforestation	471,762	251,176
Cinnamon Planting	1,703	
Nutmeg	40,811	40,811
Infilling	18,914,714	17,587,824
Cardamom	32,289	32,289
Nursery Development	52,192	52,192
Pepper Planting	1,979,513	1,413,118
Rubber Planting	5,286,765	583,287
Cloves Planting	290,596	3,556
Coffee Planting	1,481,191	1,372,948
Banana Planting	238,592	238,592
Lemon grass	561,193	431,718
Ginger Planting	371,238	
Mana Upkeep	43,130	
Total	42,162,674	32,671,001
 Note – 03		
Capital Work-in-Progress		
New Electricity Lines	222,532	66,882
Civil Constriction	1,584,112	1,089,496
Less – Disposal Amount add with depreciation		(25,000)
	1,806,644	1,131,378

NOTES TO THE BALANCE SHEET – 31st DECEMBER 2011

Note – 04	2011	2010
	(Rs.)	(Rs.)
<u>Inventories - (Closing Stock)</u>		
Stock - Since Realized Price (Colombo Auction)	60,153,545	45,236,756
Stock Unsold	6,565,000	27,709,928
Un-reconciled Tea stock		5,522
Total	66,718,545	72,952,206
Note – 05		
<u>Stocks</u>		
Nursery Plants	4,206,733	3,188,633
Consumables	2,062,815	4,597,252
Redundant Items	23,036	2,003
Fertilizer	3,739,947	
Sundry Crops	254,807	
Total	10,287,338	7,787,888
Note – 06		
<u>Deposits</u>		
Deposits for LT Cases		2,455,251
Security Deposits	10,000	139,983
Deposits for EPF Court Cases	67,270,625	81,752,034
Advanced Payments to the Fertilizer CO.		9,500,000
Deposit for Gratuity	1,500,000	
Total	68,780,625	93,847,268

NOTES TO THE BALANCE SHEET - 31ST DECEMBER 2011

Note – 07	2011	2010
	(Rs.)	(Rs.)
<u>Debtors</u>		
Sundry Debtors	3,047,694	3,047,694
Less: Provision for doubtful debts	(1,591,349)	(1,591,349)
Trade Debtors – HO	880,434	
Debtors for Produce`	752,520	752,520
Debtors for leased rent		29,303,638
Consumer debtors	41,071,407	41,071,407
Sundry income debtors	2,588,530	2,588,530
J.E.D.B. – Previous balance A/C	1,668,269	1,668,269
J.E.D.B. – Vehicle Usage A/C	6,432,000	
Western brokers		39,268
Social and welfare project 11	38,000	38,000
Perth Estate current A/C	16,321,251	38,533,429
Elkaduwa plantation for vehicle usage		1,127,000
Interlunation A/C	176,263	197,640
Other Debtors – Plantations	2,125,412	3,906,647
Consumer Department	33,055	
Walahanduwa C/A	17,653,477	
Regional Account	419,111	
Tree Tender Debtors	31,669,580	
Regional Office Bills in Suspense	3,698,841	
Total	120,552,495	127,114,692
 Note 8		
<u>Receivable</u>		
Check Rolls and Staffs receivable	16,490,600	4,548,427
Festival advance – HO + Estates	50,480	16,339,021
Salary Advance	2,000	
Leased rent receivable	15,780,848	15,780,848
Advanced payment A/C	152,271	209,000

NOTES TO THE BALANCE SHEET - 31ST DECEMBER 2011**Note- 8 (contd..)**

	2011	2010
	(Rs.)	(Rs.)
VAT Receivable	47,263	47,263
Bills in suspense – Estate		685,413
Book loan	57,500	3,300
Attendance bonus	89,250	89,250
Ingiriya current A/C	20,255	612,284
Forestry Mg (pre payments)		1,484,340
Asst. SuperintendentHagalla		67,019
Auction vehicles		49,905
Timber Tender Proceeds Debtors		5,852,000
Special Advance	38,732	
Total	32,729,199	45,768,070

Note – 09**Cash and Cash Equivalent**

Postage imprest Estates	5,775	4,347
Cheques in transit	7,070,327	7,087,851
Cash in hand – Estate	19,537	19,558
Cash at Bank – Estate	202,832	601,044
Bank of Ceylon Saving A/C No. 2349701	14,400	14,400
Non Executives Medical A/C No. 2327539	261,219	148,667
Bank of Ceylon HydePark A/C No. 2327549	(1,800,725)	(178,808)
Bank of Ceylon HydePark A/C No. 2327550	(51,939,410)	(27,868,543)
Peoples Bank 1 st city A/C No. 933	(45,118,812)	(30,867,519)
Savings Account – Hyde Park Branch	184,500	
Cheques in Transit – HO	14,500	
Total	(91,085,856)	(51,039,002)

SRI LANKA STATE PLANTATIONS CORPORATION
Statement of changes in Equity for the year ended 31.12.2011

Note -10

	Capital Reserve	Government Contribution	Grants	Profit/(Loss)
Balance 31.12.2011	142,051,688	395,987,977	1,571,137,549	(2,399,016,154)
Adjustment			(1,571,137,549)	1,571,137,549)
Total:	142,051,688	395,987,977		(827,878,605)
B/F Balance	142,051,688	395,987,977		(827,878,605)
Profit for the year				(52,413,476)
Head Office prior Plantation Loss				
Balance as at 31.12.2011	142,051,688	395,987,977	-	(880,292,080)

Note –11**Deferred Liabilities**

Gratuity provision estates	378,215,636	269,164,378
B/F Gratuity provision head office	8,018,411	6,170,155
Gratuity paid on Court settlement	(61,319,271)	(80,571,861)
	324,914,776	194,762,672

Note - 12**Creditors**

Sundry creditors – Estates and H/O	46,004,480	32,418,890
Brokers A/C	56,696,553	75,698,253
Tender deposits refundable	6,846,577	5,762,303
Lodgment in suspense	58,556	1,370,310
Estates current accounts	8,152,941	7,869,111

NOTES TO THE BALANCE SHEET - 31ST DECEMBER 2011**Note – 12 (contd..)**

	2011	2010
	(Rs.)	(Rs.)
J.E.D.B. current A/C	107,709,342	108,509,342
Perth Estate A/C	26,373,168	26,373,168
Bills in Suspense	967,451	
Peoples Leasing co.	204,290	514,339
Regional Office A/c.	-	40,262,039
People's Merchant Co	3,687,500	5,310,000
Fertilizer corporation	35,931,679	40,214,434
Advance Lease – Opalgalla	4,480,000	4,480,000
Poly Chemix	4,800,000	
Elkaduwa plantation	172,137	172,137
Peoples bank loan A/C 1,286,623	9,006,358	
Chilaw plantation	20,000,000	20,000,000
Central finance co.		3,225,941
Udapussallawa plantation		2,500,000
Timber advance	16,826,000	
Total	340,197,298	383,686,625
Accrued Expenditure		
Accrued Expenditure	2,655,701	2,372,897
Staff & workers payable	55,566,640	48,284,790
Audit Fees	2,551,884	2,024,850
Trade Union	1,619,348	794,635
E.P.F Payables	370,250,385	316,852,477
ESPS Payables	2,546,682	787,472
CPPS Payables	711,442	342,680
E.T.F Payables	19,932,218	9,329,007
Gratuity Payables	166,384,256	103,247,314
Welfare society	1,102	29,547
Medical payables	229,225	
Tax payables		693
Attendance bonus	2,767,773	
Cash transport insurance	728,674	
Salary deductions	75,534	52,443
Sub total	626,020,865	484,118,805
Grand total	966,218,163	867,805,430

NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31st DEC.2011

	2011	2010
	(Rs.)	(Rs)
Note - 13		
Sales Income -Tea		
Net Tea sales_ - Colombo Auction Gross	428,042,279	499,907,752
Tea sale on Estate	8,090,510	
Tea sales out of opening Stock	56,218,138	
Refuse Tea	774,499	1,583,650
Total	493,125,426	501,491,402
 Note - 14		
<u>Sales Income - Minor Crops</u>		
Cardamom Sales	2,237,000	794,821
Cloves Sales	1,916,137	3,287,649
Pepper Sales	(2,900)	111,634
Coffee Sales	(29,290)	(113,997)
Nutmeg Sales	2,272	(138,541)
Total	4,123,220	3,941,566
 Note - 15		
<u>Other Income - Estates & H/O</u>		
Tree tender proceeds	132,098,711	37,530,861
Walahanduwa Net profit	16,560,055	8,259,799
Sale of redundant Items	13,030,946	
Sundry Income	7,586,952	31,890,763
VAT over provision		1,119,931
Leased rent income	21,922,054	31,232,849
Nonrefundable tender income 2,400,000	261,874	
Registration fees received	868,200	271,400
Management income	23,353,728	16,241,819
Overstated lodgments		7,005,627
Gratuity over provision		21,716,090
Overlooking charges		145,715
Sale of VP Plants	171,089	384,963
Total	217,991,734	156,061,689

NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31st DEC.2011

	2011	2010
	(Rs.)	(Rs.)
Note - 16		
<u>Personnel Cost</u>		
Chairman Allowance	774,365	435,806
Directors Boards Member fee	309,500	432,500
Salary H/Office and R/Office	20,273,323	18,896,085
Allowances	34,371	43,125
Attendance bonus		49,350
C.P.P.S. contribution 12%	517,055	103,958
E.P.F contribution 12%	536,974	518,738
E.S.P.S. contribution 12%	816,168	764,118
E.T.F contribution 3%	491,528	482,057
Gratuity provision for the year	2,686,334	883,867
Over time	347,558	349,691
Total	26,787,175	22,959,294

	2011	2010
	(Rs.)	(Rs.)
Note – 17		
<u>Administration Costs</u>		
Advertising	323,318	370,834
Audit fees	135,490	164,535
Registration fee	687,013	40,680
Donation	390,464	422,500
Electricity	432,840	478,150
Entertainment	201,072	194,918
Ex. Staffs medical	358,711	195,863
Non ex. Staff medical	979,363	812,539
Legal expenses	2,863,941	1,749,843
Motor / V- maintenance	1,202,381	2,488,276
Office equipment maintenance	146,022	257,096
Office maintenance	38,469	177,697

NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31st DEC.2011**Note – 17 (contd..)**

	2011	2010
	(Rs.)	(Rs.)
Valuation fees	37,870	270,310
Postage & Courier	142,599	117,597
Regional Office expenses		657,775
Staff Welfare – Tea	435,045	84,167
Stamp duty	505,675	106,000
Stationary	573,768	463,386
Sundry expenses	218,313	1,100,365
Telephone charges	382,778	488,148
Travelling and subsistence	551,453	373,379
Vehicle lease rent	13,692	250,645
Water bill	24,500	83,711
Work shop and training program		3,800
Cleaning service	44,148	42,553
Depreciation	1,105,000	2,690,412
EPF – Surcharges	5,185,092	3,855,065
Office rent	2,651,100	550,000
Terrorist victims	238,000	373,727
Levy and taxes	169,999	166,878
Galphella bungalow maintenance	936,701	672,145
Motor Vehicle lease interest	462,531	1,488,798
Bank loan interest	73,481	1,544,602
VAT Charges	18,000	
Compensation	133,549	
 <u>Estates Administration Expenditure</u>		
Stationery and Communication	3,014,932	2,723,739
Audit Fees	519,600	519,600
Legal	600,093	265,034
Management Fees	23,008,395	15,890,666
Gratuity Provision	19,842,293	19,397,930
Stores Rent	2,418,088	2,430,477
Sundry Expenses	2,417,052	
Insurance	26,863	5,146
Less – General charges Over Provision	(12,215,142)	(16,037,984)
Total	61,294,550	47,931,000

NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31st DEC.2011

	2011	2010
Note - 18	(Rs)	(Rs)
<u>Finance Charges</u>		
Commissions on Cash	4,940,271	4,803,826
Debit Tax	51,188	698,683
Brokers Interest	16,587,161	15,937,120
Bank Charges & Interest	9,263,188	5,863,833
Cash caring charges	30,632	19,556
Total	30,872,440	27,323,019

SRI LANKA STATE PLANTATIONS CORPORATION
ACCOUNTING POLICIES - 2011

General

State Plantations Corporation was established under Act no 04 of 1958. The combined Financial Statements of the Corporation for the year ended 31st December 2011, includes the activities of the Head Office, Regional Director's Office - Kandy and 12 Estates managed by the Corporation.

1. Information**1.1. Principal Activities and nature of operation**

Sri Lanka State Plantations Corporation is mainly engaged in managing the plantations with growing and manufacturing of Tea, Rubber, and Minor Crops. The plantations sell the produce through the auctions in Colombo.

1.2. Financial year

Corporation's financial year ends on 31st December each year.

1.3. Registered Office

Registered Office of the State Plantation's Corporation is at No 11, Duke Street, Colombo 1

1.4. Existing No of Employees

<u>Estates</u>		<u>Head Office & Regional Office</u>	
Superintendents	12	Chairman	01
Assistant Superintendents	18	Executive Director	01
Factory & Office Staff	174	Working Director	01
Maintenance & Support Staff	100	General Manager	01
		Middle Managers (FM)	01
		Junior Managers	04
		Management Assistant	30
		Minor Grades	<u>11</u>
Sub Total	<u>304</u>		<u>50</u>

Total Existing Employees**354****1.5. No of Estate workers and population as at 31st December 2011**

Male	1,895
Female	2,685
Population	28,930

1.1. Land Extent consists as follows;

Total Cultivated Hectares Tea – VP Tea	1,058.00	
- Seedlings	<u>2,539.35</u>	3,597.35
Rubber		10.00
Total Minor Crops		1,701.32
Tea Nurseries		12.35
Fuel wood / Timber		1,313.97
Jungle / Abandoned / Other Lands		<u>3,184.24</u>
Total		<u>9,819.23</u>

2. Summary of significant Accounting policies;

2.1. The Financial statements are prepared in Sri Lankan Rupees.

2.2. The Balance Sheet, Income Statement, Statement of Cash Flow and Changes in Equity are prepared under the historical cost in conformity with generally accepted accounting principles and the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka.

No adjustment has been made for inflationary factor effecting these financial statements.

2.3. The Accounting policies have been consistently applied by the SLSPC and are consistent with those of the previous year. Previous year's figures and phrases of the SLSPC has been rearranged where necessary to confirm current year's presentation.

2.4. The materiality of events occurring after the Balance Sheet date had been considered and appropriate adjustments necessary have been made in the accounts.

2.5. Brought forward non - operative balances appearing in the accounts has been reconciled after having ascertained accuracy with the relevant account. For this purpose, plantation staff and Head Office accounting staff have got to together with a view to finalize the un reconciled credit balances.

3. FIXED ASSETS VALUATION

3.1 Fixed Assets are stated at historical cost less accumulated depreciation to date.

3.2 Depreciation provided on straightline basis, to write off cost / valuation of fixed assets over the expected useful lives of Assets. Full Depreciation charged in the year of purchase.

No depreciation has been provided on land and immature plantation. The rates applied are given below;

- Buildings 5%
- Machinery 12.5%
- Vehicles 25%
- Equipment 12.5%
- Furniture & Fittings 12.5%
- Mature Plantation 3%
- Computer software 33%
-

3.3 The value of Dematagoda land has been taken in to the land value of the current year after having based on the valuation given by the Government Valuer. The increased amount on this land value has been written down against the brought forward balance of the Deficit Account.

4. CURRENT ASSETS

4.1 Inventories

Inventories of SLSPC are consisting of production stock at since realized price at Colombo Auction. The unsold stocks have been valued on realized basis as per SLAS no 32.

4.2 Stock - Input & Consumables

Stocks in stores in Estates, are stated at the Book value as physical verifications at year end has been done and has been done and valuations done in first in first out method.

4.4. Debtors, Deposits and Recoverable

Sundry Debtors are stated at amounts after providing for bad debts. No bad debts have been written off in the current year.

4.5 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash / cheques, cash in transit, cash at bank, Savings and Current Account etc.

5. LIABILITIES AND PROVISIONS

5.1 Deferred Liabilities

Provision has been made in the accounts for retiring gratuities. It is provided for every employee who has completed the required service as mentioned in the Gratuity Act no 1982/12

5.2 Trade & Other payables

Trade & other payables, which are material and significant as at Balance Sheet date have been included in the balance sheet in the accounts. Adequate provision has been made for liabilities on accruals basis.

6. INCOME STATEMENT

6.1 Income

6.1.1. Revenue recognition

Revenue is recognized on and accruals basis. Revenue from services arrived from 1st January to 31st December 2011, financial years are recognized as the revenue of the particular year.

6.1.2. Sales Income - Tea

Total Sales income from Tea, contain Colombo Action sales, Tea sales on Estates, Consumer sales at Tea Sales Centers and refuse tea at Estates.

6.1.3. Sales Income from Minor Crops

Minor crops which are cultivated in the estates consist of Cardamom, Cloves, Pepper, and Coffee. Bulk sales tender procedure has been applied for the disposal of minor crops in order to minimizing the harvesting labour cost.

6.1.4. Income from Timber Harvesting

The sale of harvestable trees, which have been planted about 30 years ago, is being channel through tender procedures. In December 2011, the income from the tenders offered has been taken in to income for the year 2011 on accruals basis.

6.1.5. Other Income Head Office and Estates

Income from Leased Lands, plantation has been recognized on accruals basis and included under other income - from Head Office & estates.

6.2. EXPENDITURE

All expenditure incurred in the Manufacturing, Administration, Maintaining of the Assets have been charged to the revenue in arriving at the profit for the year. All accrued expenditure has been taken in to account to calculate, Net Profit / Loss for the preceding year.

AUDITOR GENERALS DEPARTMENT

My No:LS/G/SLSPC/FA/2011

Your No:

Date : 27.March 2013

Chairman
Sri Lanka State Plantation Corporation

Sri Lanka State Plantations Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka State Plantations Corporation for the year ended 31 December 2011 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka State Plantations Corporation for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement and statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 23 of the State Agricultural Industries Corporations Act, No. 11 of 1972. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Corporation on 07 August 2012.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs from 2.3.1 to 2.3.6 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 income statement, 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 paragraphs from 2.3.1 to 2.3.6 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 Restructuring of Plantations Management

The Sri Lanka State Plantations Corporation had managed 242 estates jointly with six Regional Offices up to June 1992. Two hundred and nine estates under 05 Regional Offices had been vested to 23 Estate Companies for management from June 1992 and 12 estates had been vested to private sector from July 1993 under the Conversion of Government owned Corporations or Business Undertakings into Public Companies Act, No. 23 of 1987. Out of the balance estates belonging to the Corporation, 12 estates had been amalgamated into 06 estates. Subsequently, one estate in 1999, one estate in November 2002 and two estates on lease basis in 2003 had been vested to the private sector, Land Reform Commission and private sector respectively. The Corporation had undertaken one estate among the estates vested to the private sector in the month of October 2004. Accordingly, the Sri Lanka State Plantations Corporation had continuously managed 12 estates jointly with Regional Office, Galphella up to the end of the year 2011.

2.3 Comments on Financial Statements

2.3.1. Non - compliance with Sri Lanka Accounting Standards

Reference to Sri Lanka

Accounting Standards

Particulars

(a) Sri Lanka Accounting Standards

Although provision for gratuity should be made in the year in which an employee has joined the service while making provision for gratuity, provision for gratuity had been made

only for employees who had completed 05years of service except for Head Office.

(b) Sri Lanka Accounting Standard No. 18

(i) If there was increase in the value of assets in making revaluation for assets, such increased value should be shown under equity as revaluation reserve. However, the Corporation had adjusted the value of revaluation surplus of R5.147, 613,495 for land and building at Dematagoda to the Profit and Loss Appropriation Account.

(ii) Even though the relevant entire group of assets should have been revalued in making revaluation for an item, it had not been done so.

(iii) In an instance, provision for depreciation had been made from the year of purchase whereas provision for depreciation had been made after the year of purchase in another instance. Accordingly, it was observed that the Institution had not followed the same policy while making depreciation for assets.

(c) Sri Lanka Accounting Standard No. 24

The Accounting Policies of the Institution had not disclosed with regard to the accounting procedure for accounting of Government Grants and the manner of showing the balances of those grants in the final accounts.

2.3.2. Accounting Deficiencies

The following deficiencies were observed.

(a) Provision for gratuity of the Head Office for the year under review had been computed and shown overstating by Rs.500,000.

(b) Provisions for gratuity for the year under review that computed on the basis of salary increment of the state employees amounting to Rs.82,275,798 and Rs.4,473,846 had been debited to the gratuity suspense account and provisions for gratuity account respectively instead of being debited to the Profit and Loss Account.

- (c). The debit balance of the gratuity suspense account amounting to Rs.162,847,658 and the debit balance of the provision for gratuity account amounting to Rs.8, 826,845 had been shown in the Balance Sheet as gratuity payments.
- (d) Differences amounting to Rs 384,385,791 and Rs. 92,249,239 were observed between the total opening balances of the estates and Head Office respectively while showing the gratuity in the Consolidated Balance Sheet.
- (e) Assets totaling to Rs. 22,636,795 and Liabilities totaling to Rs.5, 921.740 shown in the Trial balance of the Walahanduwa Estate had not been shown in the consolidated final accounts.
- (f) Although the closing balance of the Profit and Loss Appropriation account for the preceding year amounting to Rs. 2, 412,333,999 should have been brought forward as opening balance for the year under review, this balance had been brought forward as Rs.2, 471,366,560.
- (g) A sum of Rs. 13,030,946 had been received during the year under review from the sale of condemned vehicles, old factory and machineries. Action had not been taken to eliminate the cost of those assets and the provision for depreciation from the accounts and adjust the surplus or deficit in the accounts.
- (h) Interest amounting to Rs. 250,000 receivable for the year under review for fixed deposits deposited in the banks by the Corporation had been set off to the interest amounting to Rs.914, 006 payable for the loan obtained from the bank and shown in the accounts.
- (i) Interest amounting to Rs. 1,194,471 receivable for the year under review for fixed deposits amounting to Rs. 16,000,000 had not been brought to account whereas interest for the fixed deposits amounting to rs.35,000,000 had not been computed and brought to account.
- (j) The debit balance of the Profit and Loss Account for the year under review had been understated by Rs. 74,752,248.
- (k) Interest amounting to Rs, 2,000,000 payable as at 31st December 2011 for the loan amounting to Rs. 20 million obtained from the Chilaw Plantation Company had not been shown in the accounts.
- (l) The balances of the value of grants and the retained profit should have been shown separately in the Balance Sheet. However, total of those two values amounting to Rs. 880,292,080 had been shown as changes of equity account.

2.3.3. Un-reconciled Control Accounts

- (a) The opening balances of 11 ledger accounts relating to 11 Estates had not been reconciled with the closing balances of the preceding year and the total of the differences amounted to Rs. 30,744,571.
- (b) Debit balances of 34 dormant accounts and credit balances of 15 accounts relating to Head Office and 11 Estates totaled to Rs. 48,142,868 and 20,484,471 respectively which had remained for several years.

2.3.4 Accounts Receivable and Payable

- (a) The Debtors balances amounting to Rs.66, 725,225 had included the loan balances amounting to rs.15, 689,806 remained outstanding from 1 year to 05 years and loan balances amounting to Rs.16, 534,334, remained outstanding for more than 05 years. Debtors registers relating to those loan balances had not been maintained and confirmation of balances had also not been obtained.
- (b) Even though the financial statements disclosed a debit balance of rs.16321, 251 of the current account and a sum of Rs. 22,252,590 as fixed deposits of the Perth Estate owned by the Board of Investment of Sri Lanka, the financial statements of the institution had not disclosed such balance.
- (c) The confirmation of balances had not been obtained for creditors balances amounting to Rs. 243,990,129 and the value of creditors balances remaining from 01 year to 05 years and more than 05 years were Rs. 210,765,766 and Rs. 5,014,528 respectively.

2.3.5. Lack of Evidence for Audit

The following items of account appearing in the financial statements could not be satisfactorily vouched due to lack of evidence indicated against each item.

Item	Number of Accounts	Value	Evidence not made available
Fixed Assets	-	834,076,373	Registers of Fixed Assets maintained properly

Provision for depreciation Head Office	-	1,105,000	Schedules of computation of Depreciation – depreciation
Fixed and other	03	126,253,215	Schedules of Deposits Deposits
Debtors	12	103,894,993	Debtors schedules and Confirmation of balances.
Creditors	14	308,345,309	Creditors schedules and Confirmation of balances.

2.3.6. Non – Compliance with Laws, Rules and Regulations

The following non compliances were observed;

Reference to Laws, Rules, Regulations
And Management Decisions

Non – Compliance

(a) Acts

- (i) Section 14 of the Finance Act, No 38 of 1971 Even though a draft Annual report should be prepared at the end of each financial year and copies of that should be submitted to the Minister in charge of the subject and the Auditor General within 04 months, action had not been taken accordingly.
- ii) Employees’ Provident Fund Act, No. 15 of 1958 Even though the contribution to the Employees’ Provident Fund for a month should be remitted before the 30th of the month following, action had not been taken to remit the contributions to the Fund relating to 12 estates amounting to Rs.370, 250,385.

(iii) Payment of Gratuity Act, No. 12 of 1983 Even though the gratuity should be paid within 30 days from the date of termination of service, action had not been taken to pay a sum of Rs.166, 384,256 relating to 12 estates.

(b) Financial Regulations of the Government of Sri Lanka

(i) FR 135 and 135 (5) Action had not been taken for delegation of functions in writing among officers relating to financial control and there were instances where the officers to whom the relevant functions delegated verbally, had not placed their signatures on payment vouchers.

(ii) FR 371 (2) (a) and (c) Ad-hoc imprests had been granted to non-staff officers.

(iii) FR 372 (b) and (d) Advances exceeding Rs.20, 000 had been granted and advances not settled immediately after completion of the activities.

(iv) FR 386 Even though cheques should be drawn so as to credit of payees' account, cheques valued at Rs.100, 000 had been issued as cash cheques.

(v) FR 1645 Vehicle log book and daily running charts had not been maintained.

(vi) FR 1646 The Monthly Performance Summaries and Daily Running Charts had not been furnished to the Auditor General and not maintaining a register to include details of vehicles.

(c) Establishments Code of Sri Lanka Republic

(i) Section 10.1 (a) of Chapter VIII Worked for a period of less than 8 hours and obtained 1/20th allowance.

(ii) Section 10.3 of Chapter VIII and Public Enterprises Circular No.118 (a) dated Even though 1/20th allowance should be limited to one day per month, allowances had been paid to more than one day per month for two officers.

23 May 1997

accordingly, a sum of Rs.31, 682 had been overpaid.

(d) Circulars

(i) Public Enterprises Circular

PED 2 of 02 Feb 2003

Contrary to the Circular, a sum of Rs.

60,000 had been paid for Telephone bills of the business enterprise of a Director

(ii) Procurement Guidelines 2006

There were instances where action had been taken contrary to the Procurement Guidelines while selling valuable trees in the vicinity of the estates to the private institutions.

3. Financial Review3.1 Financial Results

According to the financial statements presented, the working of the Corporation for the year ended 31 December 2011 had resulted in a deficit of Rs.52,413,476 as compared with the corresponding deficit of Rs.14, 174,680 for the preceding year. Accordingly, the deficit for the year under review had increased by Rs.38,238,796 as compared with the preceding year. Increase of total income by 05 per cent in contrast to increase of total expenditure by 10 per cent was the reason for increase of deficit.

3.2 Analytical Financial Review(a) Financial Results

	2011 Rs.'000	2010 Rs.'000	Percentage of increase %
Income			
Made Tea	493,125	501,491	(2)
Others	<u>276,674</u>	<u>231,225</u>	20
Total Income	<u>769,799</u>	<u>732,716</u>	5
Expenditure			
Cost of Production	703,258	648,678	8
Other Expenditure	<u>118,954</u>	<u>98,213</u>	21
Total Expenditure	<u>822,212</u>	<u>746,213</u>	10

Net Loss	(52,413)	(14,175)	10
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Net Loss Ratio	(6.81)	(1.93)	
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(b) Financial Position

Non-current Assets	703,494	553,051	27
Current Assets	264,465	306,431	(13)
Current Liabilities	966,218	867,805	11
Working Capital	(701,753)	(561,374)	25
Long Term Liabilities	344, 993	318,088	8
Capital and Reserve	(342,252)	(326,411)	5
Current Ratio	1:4	1:3	
Quick Assets Ratio	1:5	1:4	

3.3 Diminution of Capital

The minus value of net assets in the year 2010 was Rs.326, 411 whereas this minus value in the year 2011 had increased up to Rs.342, 252,000.

3.4 Working Capital Management

Working capital deficit in the year 2010 amounting to Rs.561, 374 had increased up to Rs.700, 753 in the year 2011. Action had not been taken by the management to take appropriate measures to avoid this unfavorable position.

4. Operating Review

4.1. Performance

- Total tea production in the year 2011 had increased by 47,950 kilogram as compared with the year 2010. However, total production of the Institution had indicated a depression for long period.
- The average made tea yield per hectare of 12 estates of the Corporation was 688 kilograms. The standard made tea per hectare in the Matale and Kandy area should be 1,000 kilograms or more. However, only one estate of the Corporation had achieved the standard quantity.
- The contribution per kilogram of tea was not in a favorable level. The position of exceeding the cost of production per kilogram than the sales income had indicated continuously for long period.

4.2 Management Inefficiencies

The following observations are made.

(a) Cash outflows could be occurred unexpectedly in future on the basis of not taking action in terms of agreement entered into while obtaining loans.

(b) Maintenance of debtors and creditors registers was at a weak level.

(c) Establishment of targets for preparation of Budget had not been carried out with best experiences.

(d) Maintenance of reports for payment of contribution for Employees Provident Fund and Employees Trust Fund was not adequate.

(e) Provisions had not been made for surcharges arisen on employee's gratuity, Employees Provident Fund and Employees Trust Fund.

(f) Although the carbon copy of cheques amounting to Rs.150,000 and other documents prepared for granting as donation had indicated that this amount had been forwarded to the Ministry, it was not reported that the Ministry had received such a cheque.

(g) A sum of Rs.24, 631,500 had been obtained for 558 trees without the formal valuation and without following procedure for obtaining prior approval for felling trees.

(h) The extent of cultivation land which exceeded the economically fruitful life period had represented 73 per cent of the total cultivated land.

(i) The following observations are made with regard to the land administration.

(i) The Institute had not possessed particulars relating to some of estates which were leased out.

(ii) Action had not been taken to recover a sum of Rs.2, 071,000 to be recovered from the estate companies.

(iii) The extent of land leased out or controlled by the Institute had not been confirmed through the confirmation procedure.

(iv) It was revealed that a land in extent of 11,915.08 hectares was beyond the custody of the Institute and it was unable to identify its present caretaker. (v) It was reported that there were instances where a portion of properties which were leased out by the Institute had been sold by the lessee and action taken by the Institute against the above activities had not been presented for audit.

- (vi) Burnside- Ferndale Bungalow had been leased out from 1985 to 2011 without the report of the Valuer and purpose of leasing out had not been pointed out while obtaining valuation report for the year 2011. Action had not been taken even calling for open tenders.
- (vii) Saint Heyliers Factory had been leased out in 1988 for an annual rent of Rs.30,000 without obtaining valuation of the Government and it was reported that damages had occurred to the property at the end of 10 years. Even though the lease agreement was terminated in 1998, it was revalued in the year 2003. According to that valuation report, annual rental was Rs.81, 000. However, action had been taken for leasing out at lesser amount without considering it.
- (viii) An extent of 313 acres from the Hatale Estate had been released to the Land Reform Commission in the year 2002 and action had not been taken to add the balance 408 acres to the Institute and manage it properly.
- (ix) Monitoring in respect of amount of lease to be recovered from the land which was leased out for telecommunication towers and following of conditions relating to that lease agreement by the lessee had not been carried out.
- (x) Waithalawa estate had been leased out in the year 2004 for an annual lease rentals of Rs.1, 325,293 to a private party and 75 per cent of this lease amount had been utilized for settlement of liabilities of the estate. The institute had not possessed any information to decide the amount of liabilities to be settled as such.
- (xi) The Cardamom cultivation in extent of 138 hectares of the Opalgala Estate, Matale had been leased out for 10 years at the annual lease of Rs.350,000 without calling for open tenders and without obtaining Government valuation report.

(J) A motor vehicle belonging to the Institute had been given to other institution for utilization and a vehicle not belonging to the Corporation had been utilized for the activities of the Corporation. There was no written document between two institutions relating to exchange of these vehicles.

(k) Two vehicles of the Institute had been handed over for repairs contrary to the circular provisions and without obtaining the formal approval and the estimate of their repairs had exceeded Rs.4, 000,000.

(l) Credit balances of Rs.105,180,092 had existed in the dormant accounts at the beginning of the year and account balances totaling Rs. 103,247,048 had been debited during the year and as such the closing balance had become Rs.1,933,044. Instead of identifying the balance and correct in the accounts, balances of those accounts had been written off as balances of dormant accounts. Proper approval had not been obtained for these procedures.

4.3. Transactions of Contentious Nature

Action had been taken to sell the Head Office at Gregory Road contrary to the policy of disposition of Government land and without the transparency and out of a sum of Rs.243 million receivable to the Institute in terms of agreements relating to these transactions, only the receipt of money relating to Rs.11.9 had been confirmed.

4.4. Idle and Underutilized Assets

According to the audit test check, it was observed that large number of assets consisting of 02 factories relating to 04 estates,03 estate bungalows, 35 official quarters, 01 tea dryer and 03 motor vehicles had remained without utilizing.

4.5. Uneconomic Transactions

Uneconomic transactions as identified below had been implemented by the Corporation during the year under review.

	Rs.
Interest on Broker Advance	16,587,161
Donations	390,464
Surcharge on default of payment of E.P.F	5,185,092
Loan Interest	987,487
Legal Charges	2,863,941

4.6. Identified Losses

Losses based on submission of stock of tea which was not suitable for utilization, for sale amounted to Rs.7, 814,578.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though a Corporate Plan for the period 2009-2013 had been prepared, it had not been implemented.

5.2. Action Plan

Even though an Action Plan had been prepared for the year 2011, it had not been prepared on par with the Corporate Plan and Annual Budget. Further, the Institute had not introduced a methodology for checking periodically the progress of achievement of Action Plan.

5.3. Audit Committee

The Audit Committee had conducted only 03 meetings in the 2011.

5.4. Budgetary Control

Variance of expenditure had been at the range of 12.5 per cent to 15 per cent whereas variance of revenue had been at the range of 10 per cent to 62 per cent.

5.5. Tabling the Annual Reports

The Annual Reports for the years 2009 and 2010 had not been tabled.

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 corporation from time to time. Special attention is needed in respect of the following areas of control.

- (a.) Settlement of Advances and Maintenance of Registers
- (b.) Control over Vehicles
- (c.) Leasing out of Lands and Properties
- (d.) Accounting

M. Muanasinghe
A/Auditor General

Reply to the Report of the Auditor General on the Financial Accounts of the Sri Lanka State Plantations Corporation for the year ending 31st December 2011, In terms of Section 14 (2) (c) of the Finance Act No 38 of 1971

2.3.1. Non Compliance with the Sri Lanka Accounting Standards

(a) Do not agree with the audit query. Gratuity allocations for all employees of the Head Office have been made in line with the Standard 16 of the Accounting Standards of 2011.

Attachment is submitted herewith.

(b) Sri Lanka Accounting Standards No. 18

(i). Agree with the Audit query. Will be submitted after adjusting with the capital reserve account of 2012.

(ii). Agree with the audit query. The said land and the building was revalued with the intention of increasing the rent as per the rent agreement and the Institution is not in a position to spend a large sum of money due to financial crisis faced by the Institution although the entire group of assets need to be revalued as per Standard No .18.

(iii). Agree with the audit query. A uniform accounting policy is being adopted from the year 2012 onwards.

(c) Accounting Standard No .24

Will be disclosed and submitted through the accounting standards of the Institution for the year 2012.

2.3.2 Accounting Deficiencies

(a) Agree with the Audit query. Will be rectified in the year 2012.

(b) (c) The sum of Rs. 162,847,658/- and Rs. 80,571,860/- in the gratuity suspense account was the gratuity allocation made for the plantations in the year 2011 and this sum of money is correctly depicted in the 2012 after adjustments with the profit and loss account. The balance Rs. 82,275,798/= is a balance that had been remaining in the account from the time before the year 2006. Out of Rs. 8,826,844.78 remaining in the gratuity allocation account of the trial balance Rs 4,352,999/00 had been remaining from the time before 2006 and the balance Rs. 4,473,846.00 is the allocation made for gratuity payment of the Kellebokka Plantations in the year 2011. Action is taken to adjust the said amount to the profit and loss account in the year 2012.

Attachment is submitted herewith.

(d) Action will be taken to rectify and submit the gratuity allocation account in the accounts of the year 2012.

(e) Agree with the audit query. Action will be taken to enter into accounts of the year 2012

(f) Agree with the audit query. Will be rectified in the year 2012.

(g) Agree with the audit query. Sri Lanka State Plantation Corporation had to be moved to a number of premises in a number of occasions (to the Janata Estate Development Board building from the building in Gregory road in 1995; to the Peoples' Bank building in MudaligeMawatha, Fort in July 2008; to the Coconut Development Authority building located on Duke Street in July 2011) and most of the files were abandoned due to shortage of space and transport problems. As a result, some of these preliminary documents have been misplaced and it is not possible to locate documents to find out the historical value and depreciation allocations of each of the said asset. Therefore, it has not been possible to remove the corresponding costs and depreciations of the assets that were sold.

(h) Agree with the audit query. Correct accounts will be submitted in 2012.

(i) Agree with the audit query. Correct accounts will be submitted in 2012.

(j) According to the audit query, there is a discrepancy between the profit and loss account in page 09 of the final accounts declared by us and the profit and loss account in our ledger accounts. However the balance in the profit and loss account of our ledger account is the correct balance. The correct profit and loss account as per our ledger account is as follows:

Attachment is submitted herewith.

Description	Grants (Rs)	Profit and Loss(Rs)	Total (Rs)
Opening balance as per ledger account	1,571,137,549	(2,471,366,560.41)	(900,229,011)
Correct profit as per ledger account		(51,987,380.18)	(51,987,380.18)
Revalued assets as per ledger account		147,613,494.96	147,613,494.96
	1,571,137,549	(2,375,740,445.63)	(804,602,896.22)

(k) Interest due for the Rs. 20 million loan to be paid to Chilaw Plantation Corporation has not been entered into the accounts of 2011. This will be rectified and submitted in 2012.

[l] Agreed with the audit query. Action will be taken in 2012 to indicate grant values and the balance of the profit and loss account separately.

2.3.3. Non Reconciliation of Control Account

(a) Not agreed with the audit query.

The total of these values had been indicated in the trial balance prepared for the plantations account as sundry liabilities Rs. 1,050,514,528 and sundry assets Rs. 87,576,428.

Sundry Liabilities

Item	Rs.
Unions	1,619,348
CPPS	465,842
ESPS	2,419,079
EPF	363,180,815
ETF	17,282,411
Debtors	40,085,801
Workers Payable	55,566,640
Gratuity Allocations	396,321,632
Gratuity Payable	166,384,256
Attendance Bonus Payable	2,767,773
Insurance - Finance Transport	728,674
Accrued	1,186,729
EPF - Court Charges	2,505,528
Total Liabilities	1,050,514,528

Sundry Assets

Item	Rs.
Cultivation	35,312
Deposits	142,500
Capital Expenditure	277,278
Debtors	2,125,412
Stock	10,287,338
EPF Deposits	56,489,844
Receivables	16,490,600
Imprest	5,775
Cash in Hand	19,537
bank Money	202,832
Gratuity Deposits	87,576,428

Attachment submitted herewith.

(c) Do not agree with the audit query.

Sundry Assets - Rs. 87,576,428/-

Same as the total of the balances given in 2.2.3 (a) above. These balances have been indicated separately in the consolidated final accounts.

Supplementary Crops - Cinnamon Rs. 156,640/-

This has been accurately indicated in the ledger accounts but omitted when preparing final accounts for declaration.

Working Capital (debit) Rs. 5,643,568/-

This is the profit/loss account of the plantations and the balance remaining in this account is the difference between opening tea stock and the closing tea stock of the plantations. This is the balance before income from the plantation is adjusted to the expenditure and once the income from plantations is adjusted to the expenditure the profit or loss is transferred to the Head Office. Accordingly, the profit or loss of each plantation is transferred to the Head Office through current account at the end after adjusting the income of the aforesaid plantations with their expenditure therefore, no balance remains in the account once this is done. However, this balance had been entered into final accounts. Accordingly this is correct.

Attachment is submitted here with.

Deposits Rs. 142,500/-

Indicated through obtaining new electricity connection under 'Capital Development Working Progress (Note 19)'. Accordingly, it has been indicated in the final accounts.

Crops - Rs. 35,312/-

Deferred assets have been depicted in Note 18. Accordingly, it has been indicated in the final accounts.

Head Office Current Account Rs. 962,938,099

This is the current account that is used for recording transactions (credit/ debit) between plantations and Head Office. The balance in this account represents the difference in the balances of all credit and debit accounts that have been transmitted to Head Office. Therefore the consolidated final accounts do not indicate this as a single account by the name of Head Office current account.

(c) Do not agree with audit query.

Cover Crops and Pest Control

Although these have been indicated as two expenses in To date Expenditure in some months, they have been added together and indicated as a single expenditure in some months. Therefore, the amount depicted as to date expenditure (total value of the 12 months) is accurate according to the values given in final accounts.

Attachment is submitted here with.

Transport

This discrepancy has occurred when depicting the depletion of the stock of tea during transportation of tea by deducting the same from the bill payable to the transport service provider out of the value indicated in the plantations account. Since the expenditure given in the plantations account is accurate, action will be taken to make adjustments to the profit and loss account in 2012.

Sports and Welfare

The Sports and Welfare item of the plantations accounts and the expenses borne for the tea that is provided for the welfare of the office employees and labourers has been added together and depicted under the Sports and Welfare item of the final accounts. Furthermore, the expenses borne for providing tea to the office employees and labourers had been transferred to Head Office via the current account by Hagalla Plantation. Since this expense is relevant to the said plantation, it has been added to the above item number of the plantations account by the Head Office. However, the expenditure indicated is accurate as per final accounts.

Tea plucking and contracts for tea plucking

Tea Plucking indicated by no. 50 and Additional Tea Plucking indicated by no.63 has been added together and indicated as "Tea Plucking" in the expense report given in page 02 of the To date Expense Report of the plantation. However, expenditure given in the plantations account and the expenditure given in the final accounts indicate no discrepancy therefore final accounts are accurate.

Leave pay / attendance bonus

The balances given in plantations accounts and final accounts are equal. However, balances mentioned in the audit report could not be located in the plantations accounts.

PSS - Price Share Supplement

PSS Price Share Supplement has been indicated under General Expenses in the accounts of Opalgala Plantations while a part of the PSS Price Share Supplement has been indicated under Production Expenditure. When reconciling final accounts, these two expenses have been added together and indicated in the final accounts. Hence a discrepancy can be seen. The PSS Price Share Supplement expenditure given in final accounts is correct.

Boundaries & Ravines

The balances indicated in the plantations accounts and the balances indicated in the final accounts are equal. Balances mentioned in the audit report could not be found.

Vehicles of the Superintendents

The balances indicated in the plantations accounts and the balances indicated in the final accounts are equal. Balances mentioned in the audit report could not be found. The balance indicated in the final accounts is accurate.

Watchman

The column for Watchmen expenditure and the column for additional watchmen expenditure has been added together and indicated as a single expenditure in page 02 of the To date Expenditure Report of the Kellebokka Plantations. Accordingly there is no discrepancy between the expenditure given in the plantations account and the final accounts, Therefore the expenditure given in the final accounts is accurate.

Insurance

Insurance expense account had been transferred to the Head-Office at the end of the year through the plantations current account. This transfer had not been done by Kotagala Plantations, Therefore, the amount pertaining to Kotagala Plantations had been depicted in the final accounts as a result of which, a discrepancy can be observed. However, the balance given in the final accounts is correct.

Revenue - Sale of V.P. Tea

According to the final accounts, revenue from Vegetative Propagated Tea has been calculated by taking into account the profit or loss from V.P. Tea transferred to the Head Office through the current account as mentioned in the monthly reports of plantations (The profit or loss is calculated by the relevant plantation). Accordingly, the revenue from the sale of V.P. Tea as mentioned in the final accounts is correct and the 140,566 stated in the audit query could not be found in records.

Sale of Scrap Material

Money from the sale of scrap material has been received by the Head Office and acknowledgement has been sent to the plantations. Accordingly, the balance from the sale of scrap material depicted in the plantations ledger account is accurate.

Attachment is submitted herewith.

(d) Do not agreed with the audit query.

Walahanduwa Estate.

Salaries and allowances / ETF / overdue check roll salaries / vehicles of the estate superintendent / medical assistance / insurance

The full salary and other statutory payments made to Mr. WasanthaKeerthi who is employed at the Walahanduwa Estate, are made by the Head Office. The sum of money paid to him as his salary and other statutory payments are added to the expenditure of the Walahanduwa Estate when accounts pertaining to Walahanduwa Estate are prepared at the Head office. Since the Estate Superintendent of Walahanduwa worked as the acting superintendent of the Ingiriya Estate, half of the salary,

allowances and other expenses made on his behalf had been deducted from the aforesaid expenses and transferred to the accounts of the Ingiriya Estate. Therefore, the balance depicted in the final accounts is correct although the balances of the plantations accounts do not tally with the balance in the final accounts.

Insurance

Allocations made for insurance which was transferred to the Head Office through the account of the Walahanduwa Estate is greater than the expenditure stated in page two of the final accounts of Walahanduwa Estate in December. As a result, the insurance expenditure is indicated as a minus figure. This same method is adopted when adjustments are made in the final accounts of all other plantations. In those cases, the balance becomes zero as the insurance expenditure and the allocations made for insurance depict equal sums. Accordingly, the amount indicated in the final accounts is accurate.

Before the income account and expenditure account of the Walahanduwa Estate were transferred to the profit and loss account, a balance of Rs. 15,466,632 remained in the account of the regional office. Once the income account and expenditure account were transferred to the profit and loss account, the account of the regional office had a balance of Rs. 1,093,422.87. The profit of the Walahanduwa Estate (Rs. 16,560,054.59) had been added to this credit balance and the regional office account in the final accounts indicates a balance of Rs. 17,653,477. However this does not affect the final outcome.

e) Agree with the Audit Query. This is a loss in nutmeg by crops. This is a mistake made at the preparation of final joint account. Still, this has been accurately accounted according to the Ledger Account.

f) Do not agree with the Audit Query.

It is the balances before transferring Revenue-Expenditure accounts to Profit/Loss account in the year 2010 that have been presented as the balance in the Audit Report. The balances appearing in the Balance Verification in the year 2010 after transferring the balances in the Income-Revenue accounts for the estates in the year 2010 to Profit /Loss account tally with the primary balances in the year 2011. The annex presented.

g) Do not agree with the Audit Query.

The expenditure appearing at the Fixed Assets Cost Schedule presented in Estate Sector for the Final Accounts are accurate according to the Estate Ledger Accounts. It is only the cost of the assets already wearing out that contain in the schedule prepared for calculating waste. Although this discrepancy is a result of not recording its primary balance, the available balance is accurate according to Ledger Accounts.

2.3.4. Receivable and payable accounts

(a) (b) (c) agree with the Audit Query. Action will be taken in future to rectify these shortcomings.

2.3.5. Absence of evidence for the auditing

Separation of Fixed Assets/Waste - Headquarters

Since we have left behind essential documents and records in shifting from one service station to the other, no formally maintained records pertaining to these fixed assets can be found.

Deposits-Rs. 126,253.215

Fixed Deposits - Rs. 57,482,590

There is a file maintained at the Accounts Section of the Headquarters for this purpose. We will take action to forward same to the Audit Section.

Deposits - Rs. 68,770,625 (Note - 22)

It is the amount paid as Employees' Provident/Employees' Trust Funds for the employees in our estates, and the annual quarterly payments for the Gratuity Cases that is presented by the above value as deposits. This amount is temporarily presented in a deposit account up to the end of payments for the Gratuity Cases. At full settlement of payment for the relevant case, the Employees' Provident Fund/Employees' Trust Fund payable is debited to the payable gratuity account and is credited to the above mentioned deposit account. The corresponding verification documents are available in the estates.

Debtors/creditors and recoverable balances

Agree with the Audit Query. Action will be taken in due course to correct as much as possible and forward. Further, there are verification documents for certain debtors and creditors. Many documents have disappeared due to change of service station location from time to time.

2.3.6. Non-compliance to rules and regulations

(a) Acts

(i) Section 14(i) of Finance Act No: 38 of 1971

Action will be taken as per the above act in due course.

(ii) Employees Provident Fund Act No: 15 of 1958

(iii) Payment of Gratuity Act No: 12 of 1983

The Institution has failed to carry out payments as per above mentioned Act no's (ii) and (iii) and owing to the grave financial crisis it has encountered.

(b) Financial Regulations of the Government of Sri Lanka.

(i) F.R. 135, 135(5)

Agree with the Audit Query. Steps will be taken to rectify shortcomings.

(ii) F.R.371 (2) (a) (b)

As there are no staff grade officers in the institution, the Chairman, on approval by the General Manager, has taken action to pay gratuity to non-staff grade officers. Above regulations will be followed after recruitment of Staff Grade Officers.

(iii) F.R.372 (b) (d)

Agree with the Audit Query. Steps will be taken to rectify shortcomings.

(iv) F.R. 386

Agree with the Audit Query. Steps will be taken to rectify shortcomings.

(v) F.R. 1645

Agree with the Audit Query. Steps will be taken to rectify shortcomings.

(vi) FR. 1646

Agree with the Audit Query. Steps will be taken to rectify shortcomings.

(b) Establishments Code of the Republic of Sri Lanka.

(i) and (ii)

Section 10.1(a) of chapter viii /Section 10.3 of Chapter viii and Public Enterprise Circular No:118 of 23rd May 1997

In addition to the reply we presented for the calling for information by reference No: EL/G/SLSPC/2011/A 01/09 dated 12.12.2011 We also furnish the following explanation.

The maximum no: of days payable per month is 08 as per section 10.1(a) (b) of Chapter viii in the Establishments Code. Approval of the Head of the Department (Head of the Institution) has been obtained as per Section 10.3.

An annex is presented.

Although the Establishments Code reads so, according to the Internal Memo issued on 05th March 1996 by the then General Manager Mr. L.H. Madawala for the State Plantation Corporation of Sri Lanka and Janatha Estate Development Board, this allowance has been granted from 1996 up to date to the Executive Grade Officers for performance of duties on Saturday, Sunday and Public Holidays. This is a payment made based on an Internal Circular of the State Plantation Corporation of Sri Lanka and Janatha Estate Development Board. Since then, even after passage of a number of years from 1996, we have received no Audit Query up to now on this issue.

Annex forwarded (and also the Internal Memo is attached)

(d) Circulars

(i) Public Enterprise Circular No: 12 of 02nd February 2003.

Although the circular reads such, payments have been made with approval of the Board of Directors. Annex forwarded.

(ii) Code of Procurement Guidelines 2006

Agree with the Audit Query. Accordingly, action will be taken to minimize shortcomings.

2.2.7. Controversial transactions

(a) the amount of 12,215,142 recorded in the Audit Report are not Administrative Cost but should be corrected as General Purpose Cost and the amount deducted from that General Purpose Cost is the amount earmarked from the General Purpose Cost for the Capital Cost already being spent and spent for the re-cultivation purposes. This has been presented under re-cultivations. Annex forwarded.

(b) Sale of Gregory s Road Land

Agree with the Audit Query.

Although defects have been indicated, after this transaction at present, the State Plantation Corporation of Sri Lanka cannot claim the Gregorys Road land.

3. Financial reviews

3.1 financial returns

Agree with the Audit Query.

3.2 analytical financial reviews

(a) Financial outcomes

Agree with the Audit Query.

(b) Financial position

Agree with the Audit Query.

3.3 Capital Erosion

Agree with the Audit Query.

3.4 Working Capital Management

Agree with the Audit Query. Action will be taken to mend this situation.

4. Operation review

4.1 progress

(a) Agree with the Audit Query. Following factors have had a major impact on the trend of long term drop of the tea production.

The tea harvest from the seed tea being lower than the harvest received from bud tea plants. A majority of tea lands belonging to State Plantation Corporation of Sri Lanka contain these seed tea.

We have only a plantation of tea older than even 50 years.

Defects of the working capital disabling due application of fertilizer and chemicals.

A hectare of land containing less than the optimum number of tea plants.

(b) Agree with the Audit Query. The situation explained under 4.1(a) above is equally applicable here.

(c) Agree with the Audit Query. Following are the underlying reasons. Following reasons have often affected the drop of a selling price of 1kg of tea and rise of production expenses of 1kg of tea.

Reasons underlying the drop of selling price

- ❖ World market demand trends for tea
- ❖ Having no quality output from our factories due to lack of capital necessary for overcoming their defects
- ❖ Drop of selling price of tea under the influences of the brokers at the auction consequent to the advances received from them owing to the unhealthy financial position.
- ❖ Reasons underlying the rise of production price of 1kg of tea.

The rise of wages of labourers in large amounts once every 4 years under agreements and political influences is yet another direct and uncontrollable factor behind the rise of production cost.

4.2 Management inefficiencies

(a) (b) (c) (d)

Agree with the Audit Queries pertaining to the above numbers. Action will be taken in due course to overcome these shortcomings.

(e) No allocation is made for the surcharge created by non-payment of Employees' Trust Fund, employees' gratuities and Employees' Provident Fund as an accounting policy in the institution and after payment with the surcharge in corresponding years, such surcharge is settled into the Profit/Loss Account as an expense for the relevant year.

(f) Action will be taken to analyze this and forward the relevant documents.

(g) Agree with the Audit Query. Action will be taken in due course to rectify shortcomings.

(h) Agree with the Audit Query.

(i) Land Administration

(i) (ii) (iii) (v) (vi) (vii) (viii)

Agree with the Audit Queries pertaining to the above numbers.

Action will be taken to rectify and minimize the shortcomings available.

A detailed annex is forwarded.

(iv) Difficult to furnish particulars since the Audit Query is imperfect.

(x) **Waitalawa Estate**

Particulars will be furnished in due course as the Internal Audit Section has intimated that this matter has to be further inquired into.

(xi) Agree with the Audit Query. Presidential Investigation Unit conducts an investigation on this matter.

(j) Agree with the Audit Query. Chairman of the Elkaduwa Plantation Ltd. used the car No: W.P.5690 and having being appointed the Chairman of this Corporation, the Chairman decided that the Jeep is far better than the car for estate visits and used the Jeep No: 32-0600. Steps will be taken to finalize documentation Work relating to the vehicles.

(k) Agree with the Audit Query. A case is hearing in the Courts on the presumed matter of some illegal malpractices committed from reference of Jeep No: 323758 belonging to this Corporation to repairs and meanwhile the Commission to Investigate Allegations of Bribery or Corruption also conducts a separate investigation.

(l) Agree with the Audit Query. Reparatory action will be taken in due course.

4.3 Controversial Issues

4.4 Non-operable and underutilized assets

Agree with the Audit Query. Action will be taken in future to utilize these assets.

4.5 Non-economical transactions

Agree with the Audit Query.

Broker advance interest/EPF. Defaulter surcharges / loan interests

Payment of an interest consequent to the receipt of advances from tea brokers and receipt of money from banks and other institutions for the purpose of keeping the institution running at the face of its present grave financial crisis. The above stated grave financial crisis has made it difficult to pay E.P.P. duly and also surcharges have been paid for the cases over them.

Donations

These payments have to be made on social and political requirements.

Attorney Charges

Action will be taken in future to minimize expenses.

4.6 identified losses

Cannot answer as no formal resolution has yet been arrived at on the matter.

5. Accountability and good governance

5.1 corporate plan

The reason is the absence of a sound financial status in the institution for implementation of everything mentioned in the corporate plan and various issues related to such implementation.

5.2 Action plan

Agree with the Audit Query. Action will be taken in future to rectify shortcomings.

5.3 Audit and Management Committees

Agree with the Audit Query.

5.4 Budget Report Administration

Agree with the Audit Query. Action will be taken in future to minimize these defects.

5.5 Tabling Annual Reports

Agree with the Audit Query. Action Will be ken to prevent delays in future.

6. Systems and controls

(1)(2)(3)(4)(5)(6)

Agree with the Audit Queries coming under the above mentioned numbers. Action will be taken to overcome the deficiencies mentioned therein.

.....
Dr. WimalWimaladasa
Chairman/Chief Executive Officer
Sri Lanka State Plantations Corporation
28th January 2014