



STATE TIMBER CORPORATION

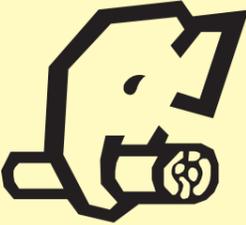


ANNUAL REPORT
2014



MINISTRY OF ENVIRONMENT AND RENEWABLE ENERGY

**ANNUAL REPORT
2014**



STATE TIMBER CORPORATION



Our Envisioned Future

Vision

To be the nation's leader in providing most trusted and best quality timber and timber based products

Mission

To Produce timber and timber based products for our customers through the knowledge and skills gained over the time and to contribute to the national and environmental demands of Sri lanka



We are
State Timber Corporation
"In every waking
moment,
Sincerity commitment
and
Innovative concepts
keep us going towards
the
Path of success"

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*Going towards
Success...*



Beginning

The State Timber Corporation is a state owned business organization which was established in 1968. It was incorporated by Hon. Minister of Lands, Irrigation and Power under the provisions of State Industrial Corporation Act No. 49 of 1957 and thereafter by the Gazette Notifications No. 178/10 of 5.2.1982 and Gazette No. 11907 of 26.6.2009. The initial capital of the Corporation was Rs. 2.5 million.

Today

The head office of State Timber Corporation is housed in “Sampathpaya”, Battaramulla and which being the core of the Corporation with its sub divisions having been located islandwide. State Timber Corporation earns its revenues primarily through manufacture and sale of timber products. STC practices sustainable forest harvesting in line with the sustainable forestry program with Forest Department.

We endeavour to produce the highest quality timber products with the best possible service. For the past 46 years, State Timber Corporation has been on top of the industry in timber and timber based manufacturing. Over those years we’ve become the accepted benchmark for Top- Class products.

“We were rewarded for various reasons because of our excellence in commitment and that will show our sustainability in all aspects”



State Timber Corporation received the Silver Award for the State Sector - Manufacturing at the National Business Excellence Awards 2014 presented by the National Chamber of Commerce.

State Timber Corporation received the Merit Award for the State Sector - Manufacturing at the National Business Excellence Awards 2013 presented by the National Chamber of Commerce.



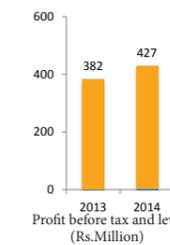
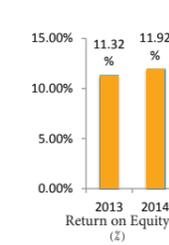
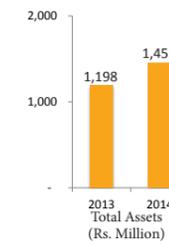
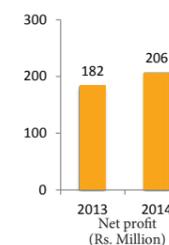
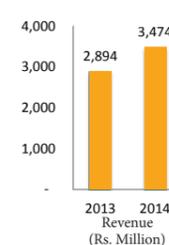
STC was won the "Gold Award" at the National Business Excellence Award consecutively in year 2009, 2010 and 2011 conducted by the National Chamber of Commerce

- Green Maco Award 2008 - Sri Lanka Journalist Association
- Maco Award For Forestry & Environmental Education - 2010 -Sri Lanka Journalist Association
- Award for the most creative exhibition stall - 2009 at "Deyata Kirula" exhibition



FINANCIAL HIGHLIGHTS

For the year ended 31st December		2014	2013	Variance %
EARNINGS HIGHLIGHTS AND RATIOS				
Revenue	Rs .000	3,473,847	2,893,749	20%
Profit before tax and levy	Rs .000	427,222	382,337	12%
Levy paid to treasury	Rs .000	25,000	50,000	-50%
Tax expenses	Rs .000	196,225	150,223	31%
Net profit for the year	Rs .000	205,998	182,114	13%
Return on equity [ROE]	%	11.92	11.32	5%
Return on assets [ROA]	%	7.55	7.94	-5%
BALANCE SHEET HIGHLIGHTS AND RATIOS				
Total assets	Rs .000	5,659,768	4,812,312	18%
Total equity	Rs .000	3,583,129	3,377,223	6%
Total debts	Rs .000	2,076,640	1,435,089	45%
Debt/ Equity	%	57.96	42.49	36%
Debt/ Total assets	%	36.69	29.82	23%
OTHER INFORMATION				
Total employees	No.	2,186	2,139	2%
Revenue per employee	Rs .000	1,589	1,353	17%
Profit per employee [before tax & levy]	Rs .000	195	179	9%



CORPORATE INFORMATION - 2014

Hon. Susil Premajyantha - Minister of Environment and Renewable Energy
 Hon. Al Haj. A R M Abdul Cader - Dy. Minister of Environment and Renewable Energy
 Dr. B.M.U.D. Basnayake - Secretary, Ministry of Environment and Renewable Energy

BOARD OF DIRECTORS - 2014

Mr. S. Amarasinghe - Chairman - State Timber Corporation
 Mr. Kosala Hettiaratchi - Working Director – State Timber Corporation
 Mr. A. K. A. Y. Tharanga - Director (Treasury Representative)
 Mr. S. A. A. Sathurusinghe - Director (Conservator General of Forest)
 Mr. W. Maurice Wijerathne - Director
 Prof. Hiran S. Amarasekara - Director
 Mrs. Mary Dickmon - Director

Mr .P.G. Kumarasinghe Sirisena

General Manager – State Timber Corporation

AUDIT & MANAGEMENT COMMITTEE

Mr. A.K.A.Y. Tharanga - Chairman
 Mr. A. Sathurusinghe - Member
 Prof. Hiran S. Amarasekara - Member

AUDITOR

Auditor General
 Auditor General's Department
 306/72
 Polduwa Road,
 Battaramulla.

REGISTERED ADDRESS & HEAD OFFICE

82, “ Sampathpaya”
 Rajamalwatta Road
 Battaramulla
 Sri Lanka.

PRINCIPAL BANKER

Bank of Ceylon

FINANCIAL CALANDER

January 1st to 31st of December

Telephone : #94112866600-5
 Facsimile : #94112866623
 Website : www.timco.lk

TEAM OF MANAGEMENT - 2014

General Manager : P.G. Kumarasinghe Sirisena
 Bsc. Mgt (SP), Master of Management (HRM), Master of Business Administration,
 Post Graduate (A&FM), MIOGAE, FMAAT
 Dip. Business management, APFA (ICA)

DEPUTY GENERAL MANAGERS

D.G.M. - HR & admin : K. Siriniwansa
 Bsc., Msc. (Forestry), Dip.(Bus. mgt),Post
 Grad. Dip. (Forest survey-Netherland),Dip.
 (Forest products research-Japan)

D.G.M. - Operation : H.P.S. Navaratna
 Bsc., M.Sc (Forestry), Pg Dip in
 forestry for Rural Mgt. (Netherland)

D.G.M. - Marketing : G. Senanayake
 BA. (Econ. /Stat.) Spld - Wood
 Industry-CSR – REMINI in Italy

D.G.M. – IT & MIS : D.U. Dayaratna
 Bsc. Msc.(Com. Sc)

D.G.M. – R.T. & D. : Dr. N. Ruwanpathirana
 Bsc. Msc. PhD. (Forestry)

D.G.M. – P & T : H.M.G.B. Herath
 NDT (Mech.) ,ECGI(UK),MIIESL,
 Post Grad.Dip. (Mech. Wood Tech.
 & Prod. Mgt. -Finland)

D.G.M. – Internal Audit : W.W.M.J. Coorey
 FCA

D.G.M. – Finance : G.D.S. Kumarasinghe
 Bsc. (Acct. Fin. Mgt.), MBA, ACA,
 ACMA

ASSISTANT GENERAL MANAGERS

A.G.M – Zone I : S.S. Panduwawala
 Bsc.,Msc. (Forestry), Post Grad.
 Dip.(Forest survey- Netherland),
 Post Grad. Dip. (Mech.Wood Tech.
 & Prod. Mgt. - Finland)

A.G.M – Mech. Engineering :D.S. Samarakoon
 MIE (SL), C. Eng, NDT (Mec)

A.G.M. – Production : T.S.C. Pushpakumara
 Bsc.Post Grad.Dip.
 (Mech.Wood Tech. & Prod.Mgt) in
 Finland

A.G.M. – Zone II : P.G.R. Samaraweera
 Bsc. Msc. (Forestry)

MANAGERS

Manager – Timber Supply : M.C. Devendra
 Bsc., Msc (Forestry)

Manager – Finance : D. Wickramasinghe
 Dip. (FA)

Manager – Finance : R.M. Rathnapala
 H.N.D.A., Post Grad. Dip. in
 Finance (India)-1st Class, Member
 A.A.T., Member U.K.A.P.

Manager – Finance	: H.A.J.M. Peiris	ICASL (L), Higher Dip. (Accountancy)
Manager – Legal and Admin	: A.G.H. Kularathne	Dip in English, Dip Forestry, Dip in Mgt., PgD LRHRM, ACPM
Manager – Production	: Dr. M. G. Mohamed Thariq	Bsc, Msc, Phd.
Manager – Human Resource	: E.A.D.S.A. Amarasinghe	
Manager – Purch: ship	: Aruna De Silva	
Manager – IT	: A.G. Maduwage	
Manager – R.T.	: C.K. Muthumala	Bsc (Agric.)Hons. Msc (Forestry)
Manager – Forest Offence	: W.I Saranga	Bsc (Hons)
Manager – Investigation	: E.G. Thilakarathna	
Manager – Saw mill	: W.B. Samantha	Bsc. (Gen), Msc. (Forestry), National Dip in Teaching
Manager – Reforestation	: A.P. Rathnasooriya	
Manager – Special Project	: A.N.W.A. Ananda	
Manager – Furniture Plant	: M.K.W. Disanayaka	B.com, Post Grad. Dip in International Affairs
	J.G. Thisara Gamage	Bsc.
Manager- Timber Grading	: Y.B.M. Ameer	Dip in Forestry

REGIONAL MANAGERS

Regional Manager – Polonnaruwa	: R. Edirisinghe	
Regional Manager – Bandarawela	: P.K. Ajith Chandana	Bsc.
Regional Manager – Colombo	: W. Keerthi Roy	
Regional Manager – Anuradapura	: U.S.M. Fernando	BA (Sp.)
Regional Manager – Ratnapura	: H.B. Rajawatta	BA
Regional Manager – Nuwara Eliya	: G. Gunawansa	BA (Sp.), Dip in Forestry
Regional Manager – Monaragala	: U.P.H. Uluwaduge	Bsc.
Regional Manager – Kandy	: E.M.S. Ekanayake	
Regional Manager – Jaffna	: S. Sri Skandaraja	
Regional Manager – Kurunegala	: A.S. Wijesundara	
Regional Manager – Matara	: D.H. Rajapaksha	Bsc., Msc.
Regional Manager – Ampara	: M.K.G. Wasantha Raj	

COMPLEX MANAGERS

Manager-Sleepers & Trans.poles Kaldemulla	: D.M. Nilmini Pushpakumara	Bsc.
Regional Manager-Keppetipola	: A. B. M. Weerasinghe	BA

DEPUTY MANAGERS

Deputy Chief Internal Auditor	: H.M.S. Madhawa	B.com (Sp)
Deputy Manager – Timber Gra. & Auc.	: T.H. Gunadasa	
Deputy Manager – Security	: Chandima Weeraman	
Deputy Manager- Designing & Qua. Assu.	: E. M. M. Fernando	
System Analyst	: W.H.A. Chandrakumara J.M.M.B. Jayasundara	Bsc

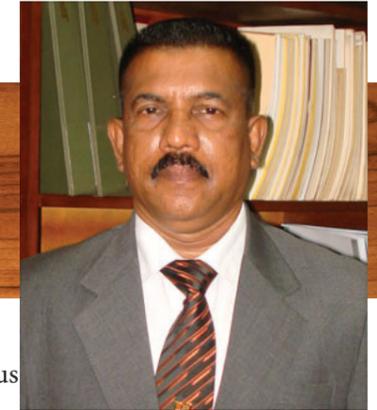
DEPUTY REGIONAL MANAGERS

Deputy Regional Manager – Anuradhapura	: K.P.C. Rathnasekara	BA
Deputy Regional Manager – Colombo	: H.P.S. Disanayake	BA
Deputy Regional Manager – Bandarawela	: U.V. Kithsiri	Dip in Forestry
Deputy Regional Manager – Matara	: R. Wijethunga : L.S. Jayasekara	Bsc. (Agri. Sp.)
Deputy Regional Manager – Ampara	: M.D. Chamila Sampath	
Deputy Regional Manager – Nuwara Eliya	: D.A. Hendavitharana M.W.U.J. Piyanandana	
Deputy Regional Manager – Ampara F.F	: A.C. Jinajudeen	
Deputy Regional Manager – Kandy	: D.G. Siril R.C.Saman Kumara	
Deputy Regional Manager – Monaragala	: Duminda Nawarathne	
Deputy Regional Manager – Kurunegala	: R.M.S.K. Rathnayake Sunil Wijitha Bandara	
Deputy Regional Manager – Jaffna	: T.P. Rameeh	
Deputy Regional Manager – Ratnapura	: H.L.Nandana H.A.Gamini Alwis	
Deputy Regional Manager – Matale	: D.L.Abenayake	
Deputy Regional Manager – Kaldemulla	: N.G.Nihal T.S.Rupasinghe	
Deputy Regional Manager – Minneriya	: S.C. Jayamanna	



"We have already started commercial reforestation program to fulfill future demand for timber and timber based products. We believe that the reforestation has the potential to preserve endangered valuable species. Further, we keep our attention on day today waste in a sustainable manner by categorizing them as paper, polythene and organic waste."

CHAIRMAN'S MESSAGE



I am pleased to present to you the Annual Report and Audited Financial Statements of the State Timber Corporation for the Financial Year ended 31 December 2014.

The national economy achieved a real GDP growth by 7.4 per cent in 2014 in comparison with the growth of 7.2 per cent in 2013. Domestic economic development activities helped to sustain economic growth in the country. The Services sector, which represents 57.6 per cent of GDP and increased by 6.5 per cent in 2014 compared to the growth of 6.4 per cent in 2013 and 32.3 per cent of the Industrial sector, performed a sectorial growth of 11.4 per cent in 2014 compared to 9.9 per cent in the previous year. Agriculture sector showed only 0.3 per cent growth compared to 4.7 per cent in the previous year.

Understanding and balancing the economic, social, political and biological factors that affect forest management is critical and challenging and it has a direct influence on the performance of the State Timber Corporation. Deforestation is a major environmental issue. The increasing demand for timber products give rise to increase denuding of forests most often illegally. However, proper forest management is essential to assure an adequate supply of timber in the future. The harvesting of trees will only have long-term benefits to society if the potential for renewal of forests is successfully evaluated, implemented and achieved. Sustainable forest harvesting should not be related to deforestation. Trees do not live forever. At some point, the older, mature trees will die and be replaced by younger, faster-growing trees. Thus, each stand of trees may be harvested to regenerate a young stand or be allowed to replace itself naturally after a disturbance.

Under these circumstances the revenue recorded for the year under review was Rs.3,474 million compared to Rs.2,894 million in 2013. The increase was well supported by the newly implemented marketing and operational strategies. Operating profit was Rs.204 million

compared to Rs.124 million in 2013 and registered a profit before tax and levy of Rs. 427 million compared to Rs. 382 million of the previous year. Profit after tax and special levy for the year was Rs.206 million compared to Rs.182 million in 2013. The State Timber Corporation contributed Rs. 1,396 million to the national economy in terms of stumpage, operating taxes and special levy. We believe our greatest asset is our human resource. During 2014 we continued to invest in our employees in the form of training and professional development, ensuring our staff has the necessary skills and competency to achieve our targets and serve our customers at the highest possible level.

State Timber Corporation is relentless in its commitment to uphold the highest standards of governance and best practices in every path of its business. Our success at the National Business Excellence Awards 2014 "Deva Jawaye Nayakathwaya" provided strength to STC to win the "Silver Award" is testimony to this commitment. We invested responsibly, sustainably, with creativity and innovation, have laid the foundation for future growth. We also built on our strong track record as a responsible corporate citizen by continuing "Thurujana Sisu Bank" tree planting program for identified schools by giving material and monetary aids, conducted lecture and distributed valuable plants such as Ebony among schools to increase the interest of the young generation on tree planting and contributed to National Tree Planting Program by providing 88,000 seedlings. We have already started commercial reforestation program to fulfill future demand for timber and timber based products. We believe that the reforestation has the potential to preserve endangered valuable species. Further, we keep our attention on day today waste in a sustainable manner by categorizing them as paper, polythene and organic waste. We actively participated in "Dayata Kirula- Kuliypitiya" to upgrade the unfavorable social opinion on timber industry.

I wish to express my sincere gratitude to the Hon. Minister of Environment and Renewable Energy, Deputy Minister of Environment and Renewable Energy, Secretary and the staff of the Ministry of Environment and Renewable Energy, and Conservator General of Forests and the staff attached to the Forest Department and all other government officials for extending their co-operation on behalf of the Board. Special thanks are also due to General Manager and all the staff members on behalf of the board for their contribution, their knowledge, skill and above all their unstinted loyalty and dedication on our voyage to success.

We do not expect 2015 to be any easier but we remain focused as always on the long term and short term challenges and will continue to deliver to the very best of our ability. We remain committed to continuing to deliver a good return to our stakeholders through the achievement of our targets.

S. Amarasinghe
Chairman,
State Timber Corporation



GENERAL MANAGER'S REVIEW

I am pleased to present you the Annual Report and the Audited Financial Statements of State Timber Corporation for the financial year ended 31st December 2014.

The State Timber Corporation is the absolute leader providing most trusted and best quality timber and timber based products in the country. State Timber Corporation has an island wide operational network extending to 12 regional offices, 54 sales centers and over 200 forest working coupes to harvest timber from the forest plantations and 03 furniture manufacturing factories including impregnation and seasoning plants and 6 showrooms.

End of year 2014, Sri Lanka reached a healthy GDP growth of 7.4 percent and it was a significant year for State Timber Corporation. The Government of Sri Lanka step up efforts to develop economic and social infrastructure across the country, which will be resulted to achieve sustained economic growth in the longer term. From a business perspective we took place several changes to operations of the State Timber Corporation to tap in to the current opportunities in the global market as to increase turnover of the STC.

Our success in 2014 was due in large part to the focused execution of strategic priorities which involved driving sustainable and profitable business through growth by geographic expansion, strategic partnerships, product differentiation and modern technology. We believe that the responsible timber harvesting supports the economic dimension of sustainable forest management, along with healthy forests and a viable forest products manufacturing sector. Sustainable forest management, as a dynamic and evolving concept, aims to maintain and enhance the economic, social and environmental value of all types of forests, for the benefit of present and future generations.

We were able to close this year with a net profit before tax and levy of Rs. 427 million whereas for the previous year we recorded a profit of Rs. 382 million showing a 12% increase. The sales figure went up from Rs. 2,894 million to Rs. 3,474 million, an increase of 20%. Profit after tax and special levy was Rs.206 million while contributing Rs. 1,396 million to the national Economy.

We are very proud to record some significant achievements during the financial year under review that demonstrate our high standard of manufacturing. We were awarded by the "Business Excellence Silver Award" of the Manufacturing State Sector at the National Business Excellence Awards- 2014, which was conducted by the National Chamber of Commerce of Sri Lanka (NCCSL) with a view to recognizing business enterprises, which have demonstrated excellence in business, whilst contributing to the economic progress of the country.

We identify and value the necessity of being environmentally caring and responsible, not just to survive, but as an investment for our future generations 88,000 seedlings were produced by Corporation managed nursery to distribute for the national tree planting program of "Dayata Sewana" and to mark the "World Environmental Day" continued "Thurujana Sisu Bank" tree planting program with identified schools to increase the interest of the young generation on tree planting. Our product

quality is still considered by customers as the best, and our aim is to be consistently so. On a positive note, general motivation of the workforce is high and we are focusing on product quality and efficiency, with a view to bring State Timber Corporation to its highest level.

I must express my appreciation to the Minister and Deputy Minister of the Environment and Renewable Energy, Secretary to the Ministry, Chairman and the Board of Directors for their continued confidence and support in the effort to nurture the interests of the Corporation and all its stakeholders. My sincere gratitude is also hereby expressed to our valued customers, whose loyalty to us as their long-term supplier of Timber and Timber based products has been unwavering throughout, making them the very foundation of our success. We will continue to do our

utmost to offer you the best and look forward to further strengthening the bonds of our partnership towards mutual progress. I am deeply honored by the steadfast support extended to me by all my colleagues - in the management team, and the staff of 2,186 committed people, whose passion, drive and dedication on an everyday basis, keep us on firm ground and propel us on the road to success.

P.G. Kumarasinghe Sirisena
General Manager
State Timber Corporation



"We are very proud to record some significant achievements during the financial year under review that demonstrate our high standard of manufacturing. We were awarded by the "Business Excellence Silver Award" of the Manufacturing State Sector at the National Business Excellence Awards- 2014, which was conducted by the National Chamber of Commerce of Sri Lanka (NCCSL) with a view to recognizing business enterprises, which have demonstrated excellence in business, whilst contributing to the economic progress of the country."

OUR FUNCTIONS

Extraction of timber from forests, conversion of such timber into sawn timber and finished products, sale of logs, sawn timber and finished products, construction of forest roads required for the above purpose.

Acquisition, construction and operation of logging units, saw mills, impregnation and preservation plants, seasoning and drying kilns and other equipment and installations.

Operation of timber and firewood sales depots.

Manufacturing and marketing of by-products of timber.

Import of timber.

Afforestation, reforestation and scientific management of forests and forest plantations.

Agricultural productions.

Export of timber related finished and semi-finished products.

Purchase of timber from private lands.

Processing of forest related products.

Import of Cane.

Identification and certification of local and imported timber species through sample testing.

Conduct training programmes related to timber industry on related subjects and issue of certificates to successful candidates and under take environmental awareness programmes to contribution towards transformation in to environmental conscious society.

Strategic planning and investing resources so as to optimize the output from the lands and buildings owned by the Corporation.

OUR BUSINESS VALUES



- We recognize that our primary responsibility is to maintain our status as a strictly environmentally friendly and a commercially viable public sector institution;
- We are committed to complying with all statutory regulations related to scientific management of forests and extraction of timber to ensure a clean and healthy environment;
- We recognize that the primary reason for our existence is to create ethical-business relationships with our customers, whilst creating value for them and for all Sri Lankans;
- We will develop our employees to achieve highest productivity levels, through skill improvement, professional development and continuous education and training;
- We will place our customers at the centre of everything we do to provide an efficient and courteous service to them;
- We will assure highest standards of personal integrity at all levels of our operations and provision of services;
- We will adhere by spirit and letter of all statutory regulations and social norms with regard to the environment and forest resources to protect and promote them as the precious national heritage of our future generations.



Mr. S. Amarasinghe
- Chairman - State Timber Corporation

Mr. Kosala Hettiaratchi
- Working Director - State Timber Corporation

Mr. A. K. A. Y. Tharanga
- Director (Treasury Representative)

Mr. S. A. A. Sathurusinghe
- Director (Conservator General of Forest)

Mr. W. Maurice Wijerathne
- Director

Prof. Hiran S. Amarasekara
- Director

Mrs. Mary Dickmon
- Director

SENIOR MANAGEMENT TEAM - 2014

First Line

P.G. Kumarasinghe Sirisena
General Manager

Second Line (Left to Right)

M.V. Karunaratne
Dy. General Manager (Operation)

K.Siriniwansa
Dy. General Manager (HR & Admin)

D.U. Dayaratne
Dy. General Manager (IT & MIS)

Third Line (Left to Right)

G. Senanayake
Dy. General Manager (Marketing)

W.W.M.J. Coorey
Dy. General Manager (Internal Audit)

Fourth Line (Left to Right)

H.M.G.B. Herath
Dy. General Manager (Production & Technical)

Dr. N. Ruwanpathirana
Dy. General Manager (R.T. & D)

G.D.S. Kumarasinghe
Dy. General Manager (Finance)

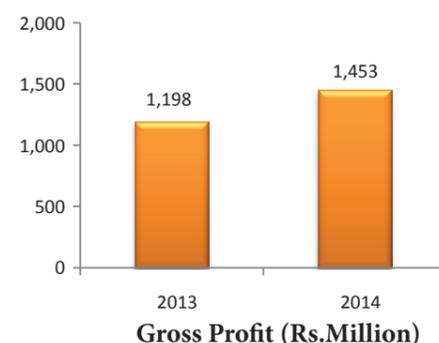


BOARD OF DIRECTORS' REVIEW FOR THE YEAR - 2014

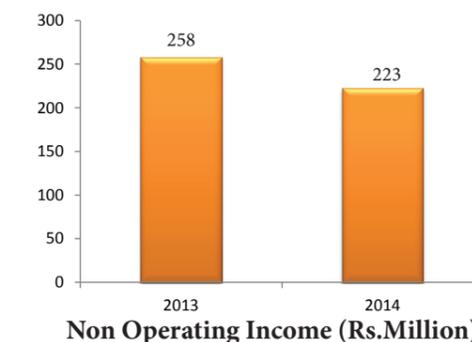
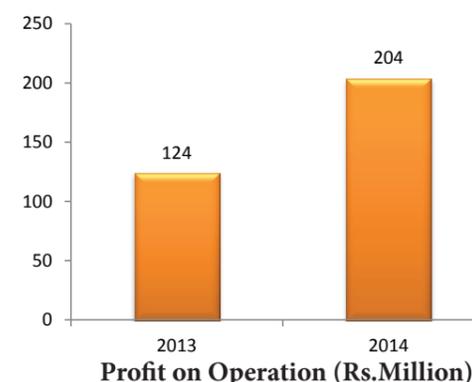
The Board of Directors of State Timber Corporation has the pleasure in presenting the Annual Report together with the Audited Financial statements of the Corporation for the year 2014.

The turnover of the Corporation during the year increased to Rs. 3,474 Million, compared to Rs. 2,894 Million in the previous year. The total turnover increased by 20% compared with the previous year. Gross Profit for the year was Rs. 1,453 Million compared to 1,198 Million in the previous year, and it was increase of 21%. However though the turnover increased, some policies of the government, economic conditions and political factors directly influenced for the increment of costs and performance of the Corporation.

Performance	2014	2013
	Rs. Mn	Rs. Mn
Turnover	3,474	2,894
Gross Profit	1,453	1,198
Other Operating Income	60	61
Profit on Operation	204	124
Non - Operating Income	223	258
Levy Imposed by Treasury	25	50
Net Profit before Tax and Levy	427	382



Net profit before tax and levy for the year under review has been increased up to Rs. 427 million by Rs. 45 Million when compared with the previous year net profit before tax and levy of Rs. 382 Million. Administration, Selling and distribution expenses for the year increased by 15% from Rs 1,135 Million to Rs 1,308 million. Selling and distribution expenses have been increased by 14% compared to last year. Administration Expenses of the corporation increased by 16% from Rs 652 Million to Rs 757 Million.

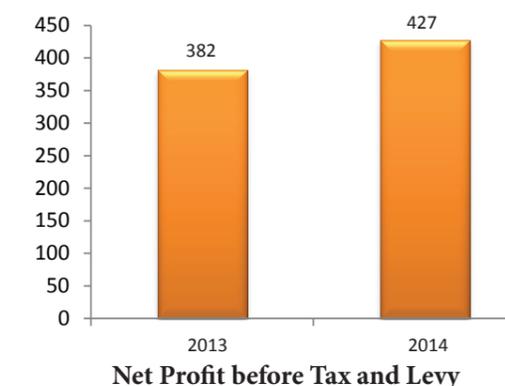
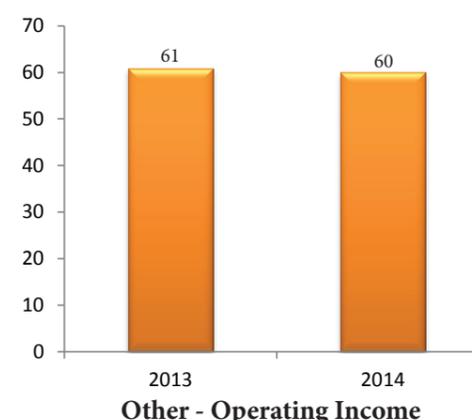


In 2014 after deducting all the administration expenses and selling and distribution expenses, Net profit after tax and levy is Rs.206 Million. It has been increased by Rs 24 Million in compare with previous year.

Return on assets and return on equity for 2014 was 8% and 12% respectively.

	ROA	ROE
2014	8%	12%
2013	8%	11%

The Corporation's contribution to the Government Revenue for the period under review was Rs. 1,396 Million compared to Rs. 1,276 million in the previous year.



Production

Extraction of Timber from State Forests

The Forest Department has released forest plantation according to forest management plan to extract timber such as Teak, Pinus, Eucalyptus etc. The forest management areas released for extraction of trees in the year 2013 & 2014 are as follows.

Species	Clear Felling (ha.)		Thinning (ha.)	
	2014	2013	2014	2013
Teak	538.0	600.0	382.3	-
Eucalyptus	20.0	26.0	98.0	352.2
Pinus	136.3	124.6	-	-
Kaya	-	-	-	-
Akashiya	9.0	27.0	6.5	-

Conversion of Logs into Sawn Timber

During the year 2014 – 4239 M³ Sawn Timber has been produced by the saw mills and 2,567 M³ has been sold out by the STC depots throughout the Island as against the 4,117 M³ productions in the year 2013.

Treatment of Transmission Poles and Sleepers

During the year under review 39,389 sleepers, 41,332 transmission poles and 38,630 elephant poles treated in the STC treatment plants. Treatment of transmission poles and elephant poles has significantly increased during the year in relation to the prior year.

Manufacturing of Furniture

STC furniture plants at Ampara, Boossa and Kaldemulla have produced Rs.260.4 Million worth furniture during the year 2014. Furniture worth Rs. 238.3 million has been sold during the year by the STC show rooms at Ratmalana, Kandy, Rathnapura, Thalalla, Ampara and Boossa. Production of furniture has increased by 23% during the year in comparison to the previous year.

Production Sales and Revenue 2013 - 2014

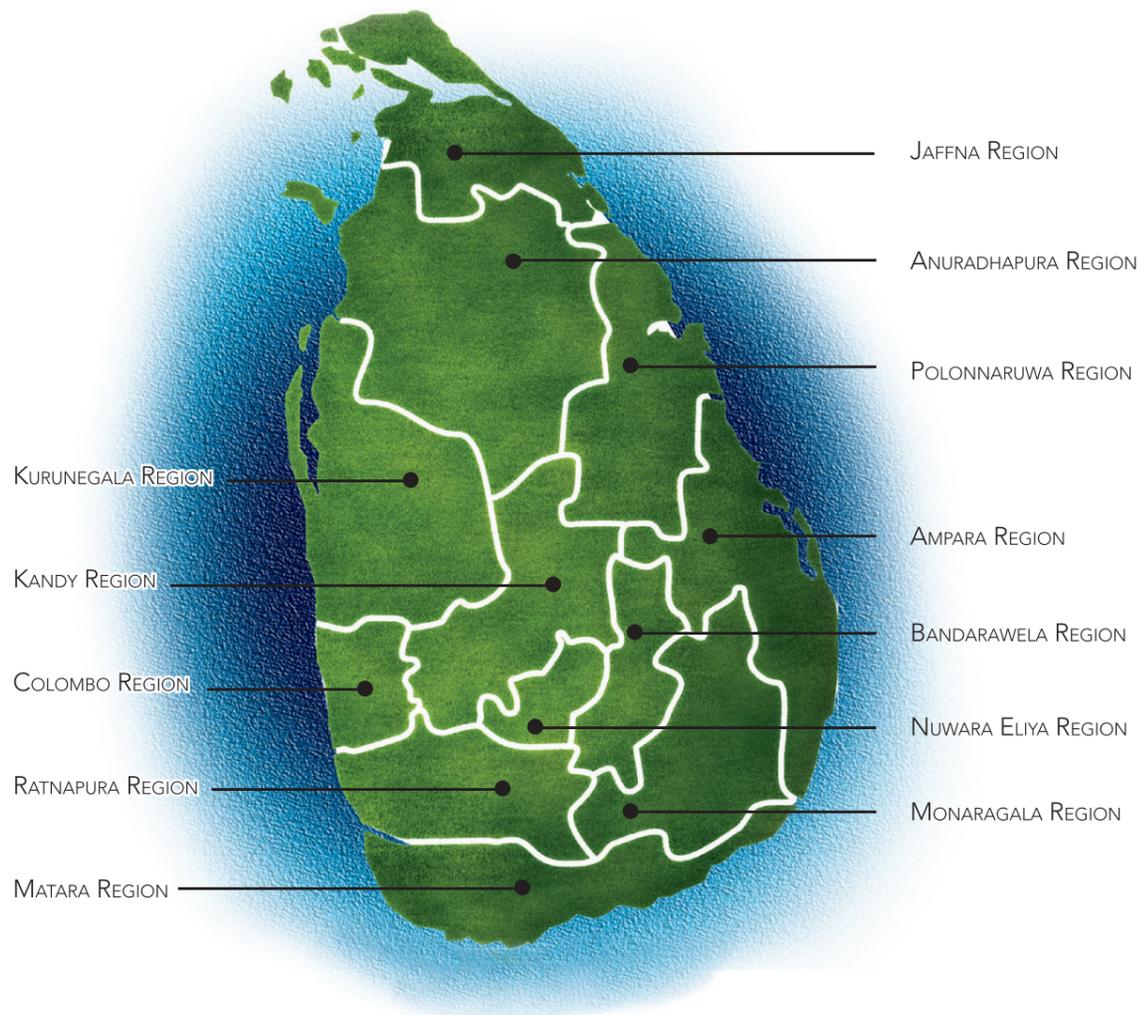
		Production		Sales Volume		Gross Turnover Rs.(Mn)	
		2014	2013	2014	2013	2014	2013
Logs	M3	131,162	106,122	118,231	96,560	2,336.8	1,958.0
Sawn Timber	M3	4,239	4,117	2,567	2,487	185.4	182.2
Sleepers	No.	39,389	73,526	64,761	64,938	568.7	527.3
Trans. Poles	No.	41,332	31,887	32,567	29,413	314.0	222.2
Elephant Poles	No.	38,630	26,475	36,088	37,827	104.5	100.2
Round Poles	No.	126,333	105,299	126,130	107,224	12.8	10.7
Fire Wood	M3	105,537	85,156	102,301	86,922	47.0	39.3
Fence Post	No.	110,254	88,685	116,635	83,927	9.8	7.6



STC Furniture Plants at Ampara, Boossa and Kaldemulla have Produced Rs. 260.4 Million worth Furniture during the year 2014. Furniture worth Rs.238.3 Million has been Sold during the year by the STC Showrooms at Ratmalana, Kandy, Rathnapura, Thalalla, Ampara and Boossa.

Our Reach

We cover all part of the country reaching the entire national population via a well-designed operational structure with 12 regional offices, 54 sales depots throughout the Island, 03 furniture manufacturing factories at Kaldemulla, Ampara & Boossa, 06 showrooms at Kandy, Ratnapura, Thalalla, Ampara, Kaldemulla and Boossa, 03 timber treatment plants at Keppetipola, Kaldemulla & Boossa, 6- saw mills at Ampara, Kandy, Boossa, Kaldemulla, Rathmalana, Thalalla, 4 - saw mills at Bandarawela, 2 - saw mills at Rathnapura, 4 - saw mills at Keppetipola, 2 - saw mills at Kurunegala.



AMPARA REGION



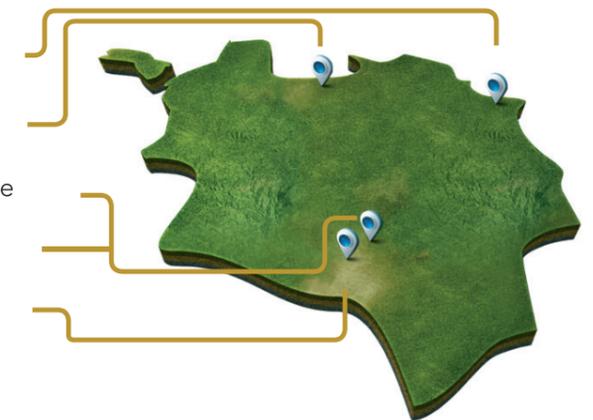
- Batticaloa Depot
- Padiyathalava Depot
- Ampara Regional Office
- Ampara Depot
- Ampara Saw Mill
- Ampara Show Room



ANURADHAPURA REGION



- Vavuniya Depot
- Medawachchiya Depot
- Anuradhapura Regional Office
- Anuradhapura Depot
- Thalawa Depot



BANDARAWELA REGION



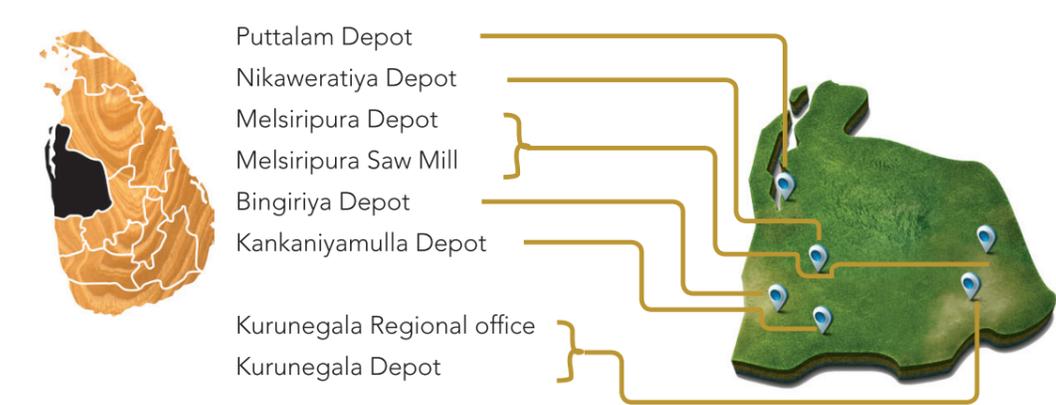
- Boralanda Depot
- Bandarawela Regional Office
- Bandarawela Saw Mill



COLOMBO REGION



KURUNEGALA REGION



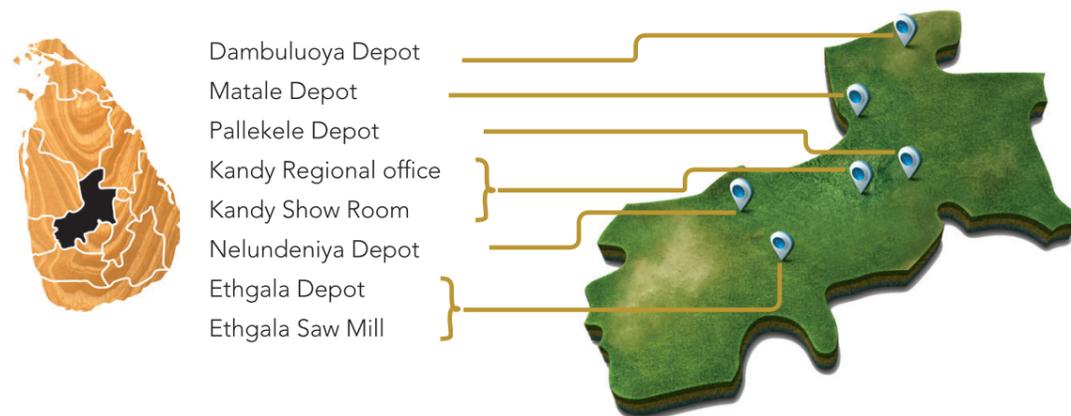
JAFFNA REGION



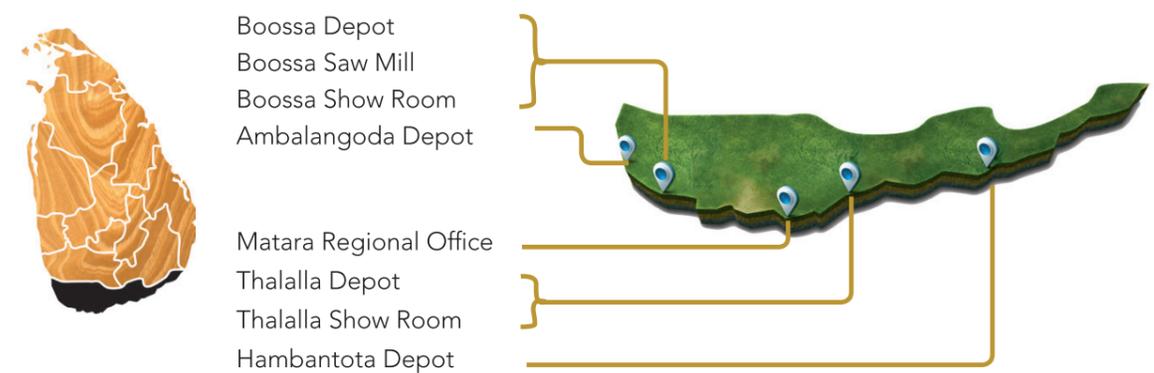
MONARAGALA REGION



KANDY REGION



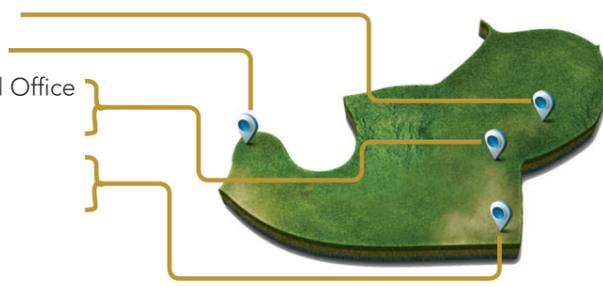
MATARA REGION



NUWARA ELIYA REGION



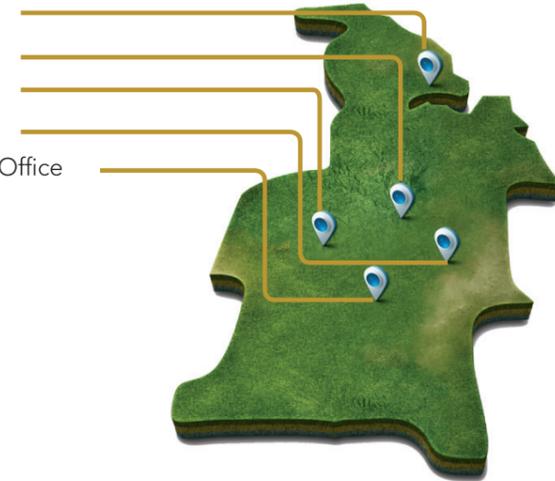
- Harasbedda Depot
- Kithulgala Depot
- Nuwara-Eliya Regional Office
- Nuwara Eliya Depot
- Keppetipola Depot
- Keppetipola Saw Mill



POLONNARUWA REGION



- Vilankulama Depot
- Minneriya Depot
- Habarana Depot
- Kaduruwela Depot
- Polonnaruwa Regional Office



RATNAPURA REGION



- Ratnapura Regional Office
- Ratnapura Show Room
- Dela Depot
- Dela Saw Mill
- Beruwela Depot
- Mathugama New Depot
- Thimbolketiya Depot



REVIEW AND MONITORING OF TARGETS AND ACHIEVEMENTS

The management had monthly regional meetings chaired by the Chairman and attended by all Regional Managers and Senior Managers of the Corporation. Monthly production targets and sales targets are monitored with the actual performance at these monthly meetings. All the bottlenecks and problems identified by the respective Regional Managers are discussed and sorted out, further various decisions and alternatives are proposed which are later evaluated and implemented. In addition, opportunities and new ideas and changes are discussed and appropriate directives are given in achieving the targets and objectives of the Corporation and to realize the required cash flow with a view to running the Corporation as a financially viable organization.

Signed on behalf of the Board of Directors.

S. Amarasinghe,
Chairman,
STATE TIMBER CORPORATION.

*We Cover all Part of the Country
reaching the entire national
population via a well - designed
operational structure*



ADUIT AND MANAGEMENT COMMITTEE REPORT - 2014

FINANCIAL AND PRODUCTION PERFORMANCE

Members of the Audit and Management Committee - 2014

Mr. A.K.A.Y. Tharanga	-	Chairman
Mr. A. Sathurusinghe	-	Member
Prof. Hiran S. Amarasekara	-	Member

During the year under review AMC meetings were held once in three months. Following recommendations were made to the Board of Directors for their approval.

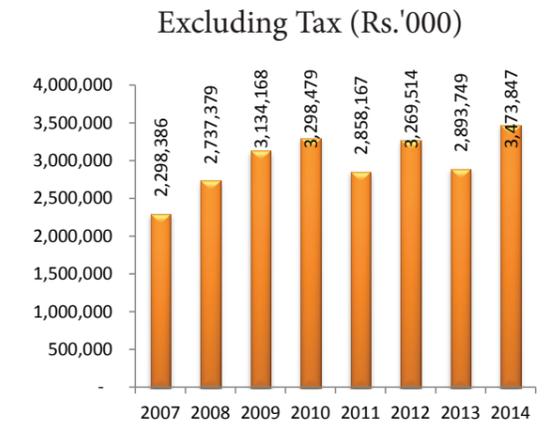
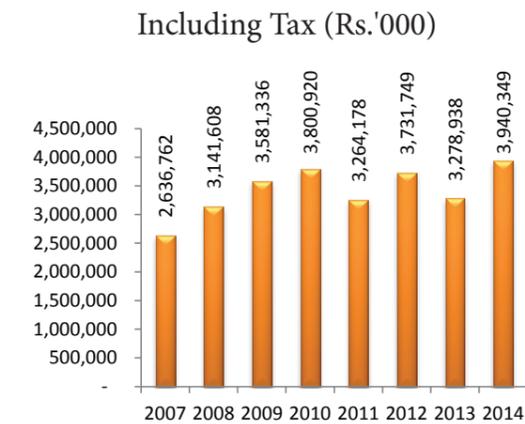
1. Monthly financial and physical performance
2. Annual accounts
3. Annual budget and revised budget
4. Internal audit and Auditor General's audit queries and replies
5. Personnel and administration matters
6. Legal matters
7. Other matters such as staff loans, advances and awarded tenders etc.

(Sgd)

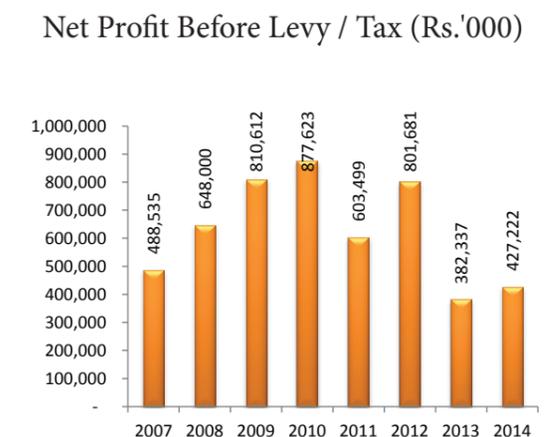
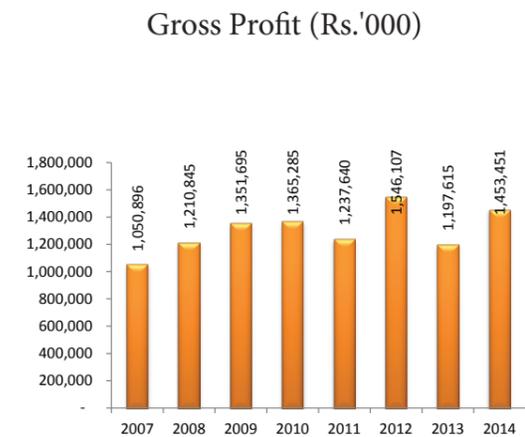
A.K.A.Y. Tharanga
Chairman - AMC

A summary on financial progress made by maintaining financial stability during the previous eight years. Summary on financial performance during previous eight years, consist of cash flows, assets and liabilities, capital expenditure, and profits earned. Progressive indexes on profit gained and expenditure incurred by the Corporation according to investment plans and action plans will testify to high standards of financial management. Whilst achieving financial progress during the past , Corporation too have worked for the achievement of financial objectives and maintenance of financial stability and sustainability which facilitate the years to come.

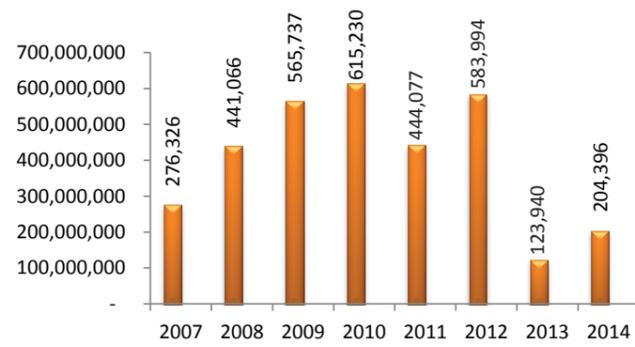
Income Growth Trend Analysis



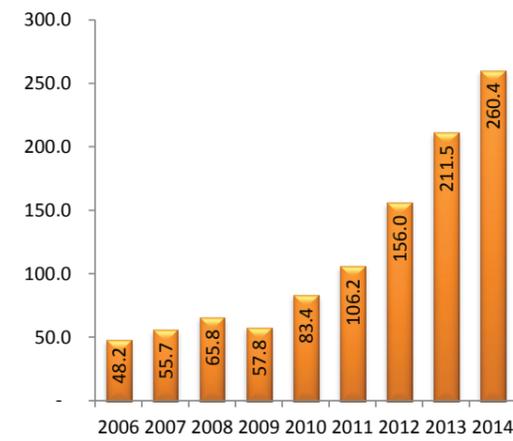
Profit Growth Trend Analysis



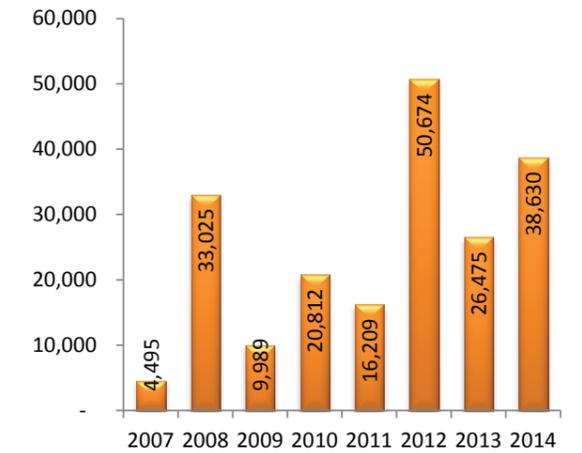
Operational Profit (Rs. '000)



Production of Furniture (Rs. Mn.)

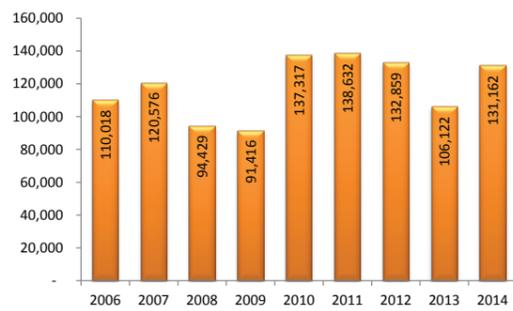


Production of Elephant Poles (Nos.)

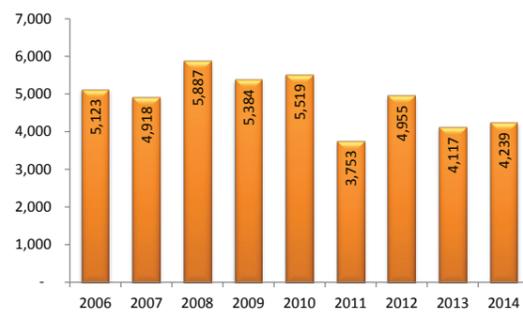


Production Growth Trend Analysis

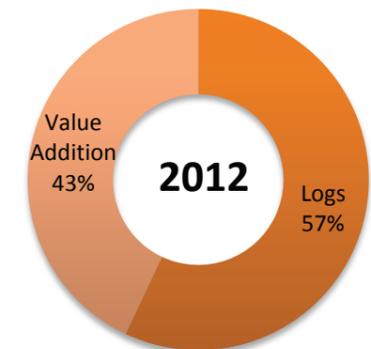
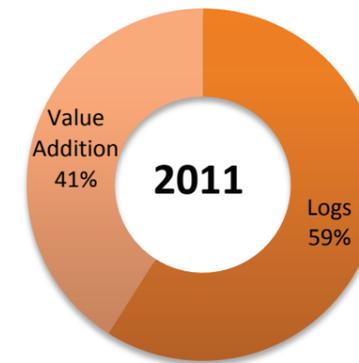
Production of Logs (M³)



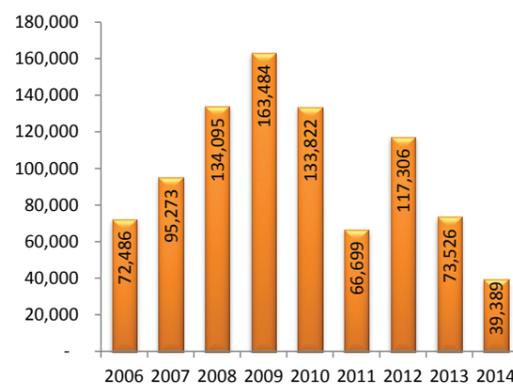
Production of Sawn Timber (M³)



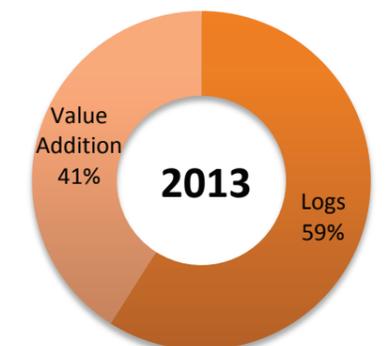
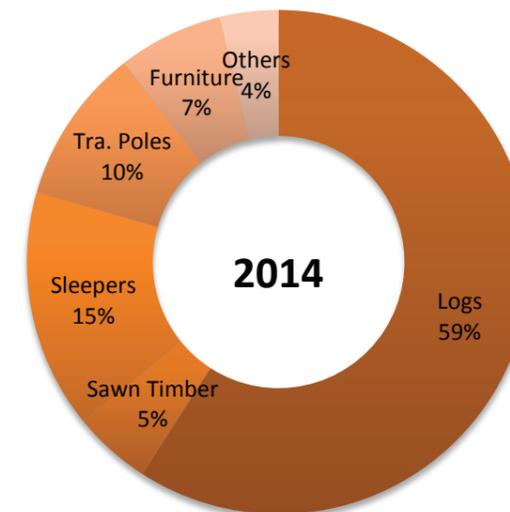
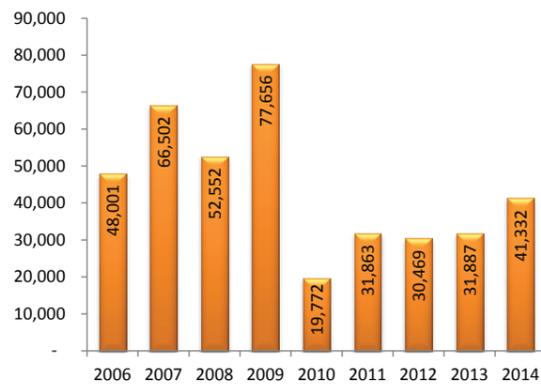
Value Addition



Production of Sleepers (Nos.)



Production of Transmission Poles (Nos.)



CAPITAL EXPENDITURE 2014

DESCRIPTION	Rs.
Boralanda labour quarters - Dewa Niwahana	10,156,750
Boiler machine - VBC 02 ton	9,347,233
Hino crain lorry - 05 nos	40,565,964
Thalawa new building	5,200,620
Boiler building	3,071,820
Addition to impregnation plant	2,776,696
Oddusudhan depot office	2,498,823
Holytek (taiwan) yrt-115 "rectangular tenoner"	2,410,268
Desktop computers - lenovo 25 nos	2,300,000
Sawmill building	2,212,649

INVESTMENTS

	31-12-2013 Rs	31-12-2014 Rs
Investments		
Government Ins. Temporary Surplus Trust Fund	338,010,495	360,226,630
Ratuity fund People's Bank	811,508,552	696,410,412
Land Reclamation and Development Board	500,000	500,000
Bank of Ceylon	509,082,847	877,910,713
State Mortgage and Investment Bank	81,474,846	130,485,324
Lanka Timber Plantation Ltd	30,000,000	-
Total	1,770,576,739	2,065,533,079

Decade at a Glance

[Absolute Values]

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total revenue for the year	1,529,079	2,106,155	2,531,611	2,986,925	3,445,141	3,616,164	3,103,744	3,563,390	3,213,547	3,756,482
Gross profit for the year	899,729	966,095	1,050,896	1,210,845	1,351,695	1,365,285	1,237,640	1,546,107	1,197,518	1,453,451
Net profit before interest and tax	457,750	480,641	488,535	647,039	810,612	877,623	603,499	801,681	382,337	427,222
Total cost of employment	596,684	774,751	841,831	852,879	898,652	901,910	953,498	1,065,052	1,117,036	1,254,516
Capital expenditure for the year	2,051	13,523	95,745	141,327	112,909	237,332	180,546	162,509	332,870	115,132
Non current assets as at end of the year	1,372,833	1,579,613	1,338,570	1,523,553	1,793,467	1,801,988	1,739,893	1,479,880	1,658,535	1,654,908
Current assets as at end of the year	852,622	962,569	1,545,428	1,407,022	2,079,543	2,341,020	2,177,892	2,929,185	3,153,777	4,004,860
Current liabilities as at end of the year	285,475	528,005	690,558	455,460	1,028,979	1,034,258	497,229	804,102	1,050,258	1,591,991
Non current liabilities as at end of the year	285,339	341,581	370,816	362,399	364,553	399,057	399,953	409,030	384,831	484,649
Equity as at end of the year	1,654,641	1,672,595	1,822,624	2,112,716	2,479,478	2,709,694	3,020,602	3,195,933	3,377,223	3,583,129
Contribution to the consolidated fund	50,000	75,000	150,000	75,000	50,000	413,490	75,000	600,000	50,000	25,000
No. of employees as at end of the year	2,846	2,751	2,634	2,499	2,457	2,346	2,267	2,187	2,139	2,186
Investment of surplus fund as at end of the year	1,047,004	1,267,102	834,037	777,101	858,717	605,235	764,328	298,546	338,010	360,227
Key performance indicators										
Net profit before tax to equity	27.66	28.74	26.80	30.63	32.69	32.39	19.98	25.08	11.32	11.92
Net profit before Fin. Changes & tax to total	20.57	18.91	16.94	22.08	20.93	21.18	15.40	18.18	7.94	7.55
Current ratio	2.99	1.82	2.24	3.09	2.02	2.26	4.38	3.64	3.00	2.52
Total cost of employment per employee	210	282	320	341	366	384	421	487	522	574
Equity : Asset ratio	1.34	1.52	1.58	1.39	1.56	1.53	1.30	1.38	1.42	1.58
Return on assets	20.57	18.91	16.94	22.08	20.93	21.18	15.40	18.18	7.94	7.55
Total revenue growth	19.99	37.74	20.20	17.99	15.34	4.96	(14.17)	14.81	(9.82)	16.89



CONTRIBUTION TO THE NATIONAL ECONOMY

STC explores new opportunities and encourages effective resource utilization of capital and skill, brings new products, services, methods and develops markets for growth of the economy.

CONTRIBUTION TO THE NATIONAL ECONOMY

State Timber Corporation operates in timber industry as a business leader who looks for ideas and places them into effect in fostering economic growth and development. State Timber Corporation plays a vital role not only in the development of timber industrial sector of a country but also in the development of other sectors. In 2014, the State Timber Corporation contributed Rs 1,396 million to the national economy as stumpage, VAT and NBT, income tax and special levy. Five years summary is as follows,

	2010	2011	2012	2013	2014
Stumpage	758,318,131	777,852,620	831,555,555	706,779,429	743,675,772
BTT/VAT/NBT	520,464,311	433,254,605	447,825,030	387,928,678	424,740,460
Income Tax	253,586,600	242,640,682	192,453,384	131,882,763	202,347,603
Special Levy	413,490,090	75,000,000	600,000,000	50,000,000	25,000,000
Total	1,945,859,132	1,528,747,907	2,071,833,969	1,276,590,870	1,395,763,835

The major roles play by the STC in the economic development of an economy is specified in below.

1. STC provides direct and indirect employment opportunities to many more. STC plays a vital role in reducing the problem of unemployment in the country which helps economic development of the nation.
2. STC promotes regional development and removes regional discrepancies by setting up regional offices in less developed and backward areas. The establishment of business in these areas provides large number of public benefits.
3. STC explores new opportunities and encourages effective resource utilization of capital and skill, brings new products, services, methods and develops markets for growth of the economy.
4. Increase in the standard of living of the people is a core feature of economic development of the country. STC enables the people to supply better quality goods at a reasonable price and adopting latest innovations to the production to provide wide range of product and services for the benefit of the society as well as environment.
5. STC carries out exports to earn foreign exchange in order to combat the import dues requirement to ensure economic independence and development.
6. STC involves by reducing the growth of monopoly in the timber market by involving the overall process and controlling timber industry to some extent for the benefit of public at national level.



Increase in the standard of living of the people is a core feature of economic development of the country. STC enables the people to supply better quality goods at a reasonable price and adopting latest innovations to the production to provide wide range of product and services for the benefit of the society as well as environment.

7. It stimulates equitable redistribution of wealth and income to more people and geographic areas.
8. STC as a social responsible person who operates various programs to protect environment and promote sound environmental practices to the society.



CORPORATE GOVERNANCE

Corporate Governance is most often viewed as both structure and the relationship which determine corporate direction and performance. The board of directors is typically central to corporate governance.

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The Board of Directors, senior management and all employees of State Timber Corporation are required to embrace and, through their behavior, augment this culture in the performance of their official duties, and in other situations, to uphold the State Timber Corporation's image and reputation.

The Board of Directors

- The basic role of the Board of Directors is to manage or to supervise the management of the corporation.
- Directors and officers are "Fiduciaries" of the corporation. Fiduciary is a legal term that means that they owe the utmost loyalty and good faith to the corporation, and must act only in its best interests.
- Directors and officers must comply with their duties under every applicable law.

There are seven members of the board consisting of the Chairman, Working Director, Forest Conservation General, Treasury Representative and Lawyers. The Board meetings are conducted monthly to take all major decisions. The Directors are responsible for protecting the rights and interest of stakeholders and are accountable to them for the overall management of the Corporation.

Statutory Obligations

1. The Board approved budget should be forwarded to line ministry, Treasury and auditor general before the commencement of the year.
2. The draft of the annual report and accounts should be rendered to the auditor general within 60 days after the close of the financial year.
3. The final audited accounts together with the auditor's report in all three languages should be tabled in Parliament within 150 days after the close of financial year.
4. Corporate plan approved by the Board should be forwarded to line Ministry, Treasury and Auditor General.

Audit Committee

Committee comprised members of both Non-Executive Board members chaired perfectly by a treasury representative or person possessing financial management skill. This committee meet on regularly at least once in three months for the purpose of reviewing financial statements, performance of the Corporation, Annual audit plan, Internal and external audit reports etc.

Management Meetings

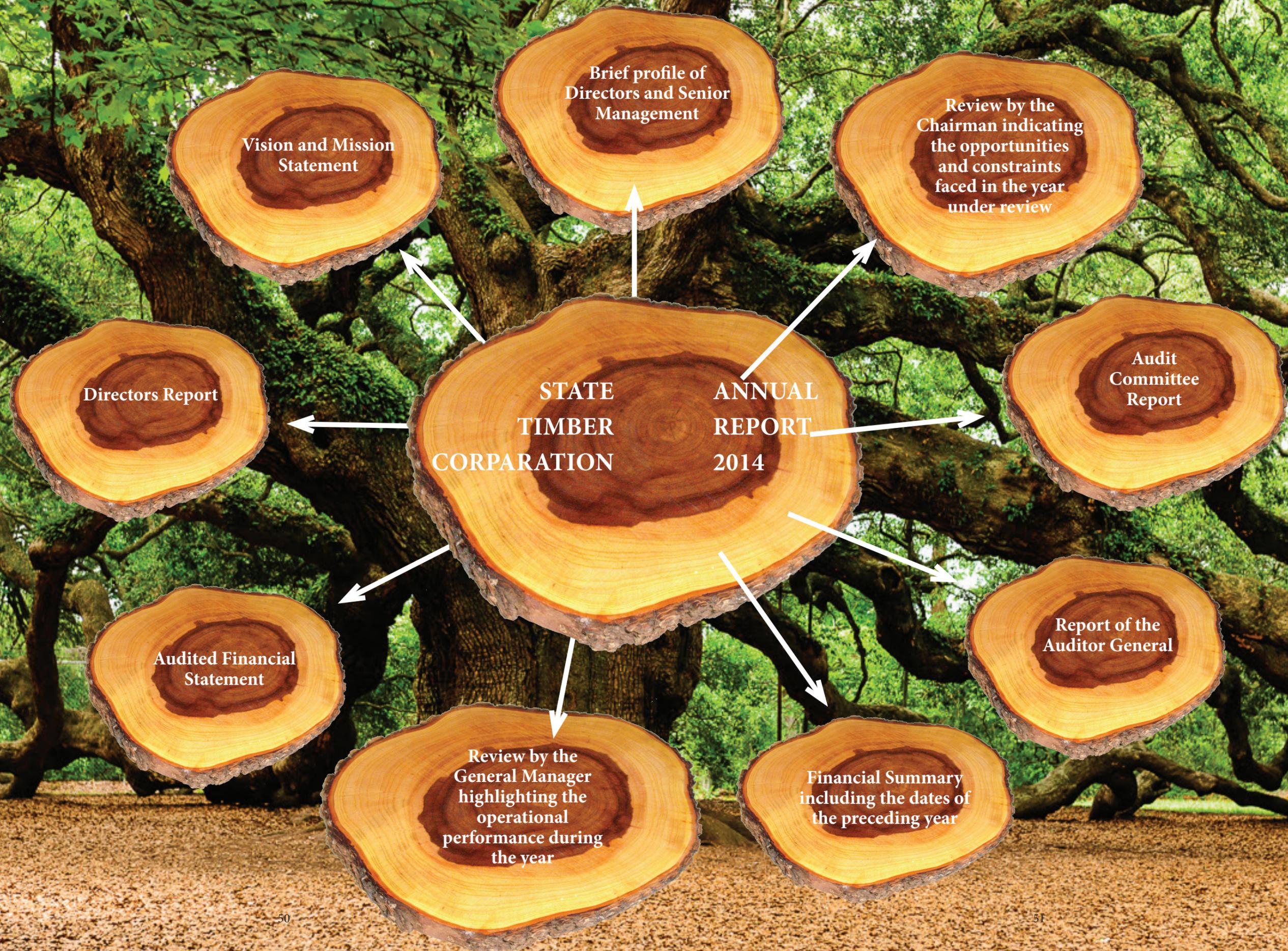
Senior managers of State Timber Corporation are attended to the management meetings. In this meeting Production, marketing and sales performances are reviewed and evaluated. And also major problem and constraints are discussed and solutions and decisions are taken at these management meetings.

Regional Performance Management Meetings

This meeting is specially held for coup officers in charge of forest coups, depot officers in charge of sales and other regional staff. This meeting is for evaluate the performance of the regions and set targets on production. Various kinds of weaknesses and opportunities can be identified and decisions taken with regard to the problem areas by holding these meetings.

Technical Evaluation Committee

This committee is appointed according to the government procurement guidelines to evaluate tender and make recommendations. STC publishes its Annual Report every year within stipulated times. The report is prepared for the benefit of the stakeholders and the public in accordance with Guidelines for Good Governance, which has been prepared to improve the Financial Management Systems of the Corporation.





Relationship with Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders. Internal communication is mainly conducted through the, emails, memoranda and circulars and notices. The Board also ensures that the Corporation's policies and practices are in line with the Corporation's values and social responsibility. The Corporation promotes protection of environment of inside and outside the Corporation.

Compliance with Statutory and Regulatory Requirements

The State Timber Corporation enjoys the unique position in the country as the leader providing most trusted and best quality timber and timber based products to the nation for the past 46 years. The State Timber Corporation was incorporated in 1968 by Hon. Minister of Land, Irrigation and Power under the provision of State Industrial Corporation Act No.49 of 1957 and further amended and updated by the Gazette Extraordinary No 178/10 of 5.2 of 1982 and Gazette Extraordinary No. 11907 of 26.6 2009.

The State Timber Corporation can be pleased over its contribution to the national economy. The biggest challenge was when the Government with aim of protecting and conserving the natural resources promulgated several rules unauthorized felling of trees in specified areas and this had adverse impact on the business activities of the Corporation.

As a responsible corporate citizen, STC in compliances with Acts and Ordinance along with their subsequent amendments successfully conducts its operations.

- Forest Ordinance Act No. 13 of 1966
- Finance Act No. 38 of 1971
- The Shop and Office Employees Act No. 15 of 1954
- Employee's Trust Fund Act No. 46 of 1980
- Employee's Provident Fund established under the Act No. 15 of 1958
- Inland Revenue Act No. 10 of 2006
- Value Added Tax Act No. 14 of 2002
- Nation Building Tax Act No. 09 of 2009

Apart from the State Acts & Ordinance Sri Lanka Accounting Standards (SLFRS & LKAS) & Sri Lanka Auditing Standards (SLAUS) also applicable for accounting & auditing functions in STC. The Parliamentary Committee on Public Enterprises (COPE) is empowered to review the annual

accounts and performance, to ascertain the extent to which the corporation achieve performance targets and fulfill social responsibilities.

The most prominent raw material of our corporation is trees, which is one of the most important natural resources and also the entire operational processes are directly as well as indirectly connecting with the environment. Under such scenario, it is compulsory to comply with the legal framework. Our corporation has already complied with the rules and regulations imposed by the Central Environment Authority (CEA)

Our island wide operational network consists with factories like saw mills, impregnation pressure plant and boiler & kilning house and furniture production plant. Along with the final output of all these factories, it generates side effects which affects to the environment. Corporation is practicing a controlling system in order to minimize the bad effects of the operational activities. For that CEA has imposed scheme of conditions under different areas to maintain our operational activities in environmental friendly manner.

Accordingly corporation follows environmental controlling system in the areas of noise pollution, water pollution, air pollution, solid wastage maintenance and other environmental related conditions.

Service units of STC which consists with factories have been issued Environmental Conservation license by CEA annually. Accordingly each and every factories of the corporation keen to comply with those conditions as much as possible.

In order to minimize the frequency of corruption occurrence, corporation is conducting relevant disciplinary actions against the particular parties. Accordingly, employees are subjected to penalize such as interdictions, discounting per day salary, annual increment and promotion, suspending the salary, charging particular loss. These punishments depend on the nature of the corruption has been done by the employees.

If an employee is suffering from any harassment or discrimination, then employee has the opportunity to inform those things to their superior. Superior and top management of the corporation are actively involving to make necessary actions related to particular situation. These types of actions will benefit for the employees and stakeholders as well as whole country.

Finally, corporate governance boosts corporation's reputation in compliance with local, state and federal rules and regulations and decreases the conflicts and frauds from bad behavior of employees and employers.



SUSTAINABLE FUTURE

Sustainable development is the development which meets the needs of the present without compromising the ability of future generations needs.

SUSTAINABLE FUTURE



The concept of sustainable development can be explained as many ways. Sustainable development is the development which meets the needs of the present without compromising the ability of future generations needs. Sustainable business organization that participates in environmental friendly or green activities to ensure that all processes, products, and manufacturing activities adequately address current environmental concerns while maintaining a profit. It is the process of assessing how to design products that will take advantage of the current environmental situation and how well products perform with renewable resources. Sustainability secures people's quality of life within the means of nature in a way that is fair and equitable to all humanity, other species and to future generations.

Customers

Purpose of satisfying customers, based on the policy of "Customer First" we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the country.

Customer satisfaction can be defined as the degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. Large share of our customer base consists of government institutions such as Sri Lanka Army, Sri Lanka Railways, and Ceylon Electricity Board etc. STC has identified that the customer satisfaction based on following elements and works together to achieve corporate goals.

1. Customer focus
2. Innovation
3. Integrity
4. Respect
5. Continuous improvement
6. Quality

As government institution State Timber Corporation has taken steps to change environment of the entire organization to create a culture that truly puts customer first associates with great customer service.





Employees

Purpose of satisfying employees, based on the policy of "Happy employees" State Timber Corporation we respect our employees and believe that the success of the corporation depends on the performance of the employees. Employees' faithful connection with the Corporation plays an integral role in achieving corporate goals and objectives. Motivated employees which will result in having people who have a strong vested interest in keeping customers satisfied. Employees that are loyal and heavily invested in an organization will naturally desire to do things that keep and increase a loyal customer base.

STC has recognized that it is necessary not so much based on technical skills but on attitudes, team work abilities and a natural inclination towards friendliness and service to others. Because if the employee has the right attitude, pickup skills faster and adapt quickly.

STC has made its culture to look after its own. While the Corporation believes in working hard, they also believe it is important to celebrate just as hard. STC provides many of fringe benefits other than salary and wages to its employees such as medical insurance, meal and tea allowance, shoe allowance, bus fare, staff loan facilities and employee welfare facilities etc.

STC certainly believes that recruiting the right employees based on attitude, teaching them the skills necessary for the job and creating the type of environment that they never want to leave and it will accomplish the success of the organization.

STC has recognized that it is necessary not so much based on technical skills but on attitudes, team work abilities and a natural inclination to words friendliness and service to of hevs. Because if the employee has the right attitued, pick up skills faster and adapt quickly.



CSR Activities

CSR Activities

Corporate social responsibility can be explained as behaving responsibly. State Timber Corporation we, often try to perform as responsible citizen. Ethical business needs to actively promote the interests of its employees, customers, community, and other related parties.

Activities carried out during 2014 to build a better society.

1. To celebrate “World Environmental Day” several programs were conducted.

- “Thurujana Sisu Bank” – tree planting program was continued successfully. Identified schools were given materials and monetary aids to buildup interest of the young generation on tree planting and it will tend to give a clear idea of timber species and its development and the significance of correct utilization of timber trees after they reached to maturity.
- Conducted lectures on environment, forest conservation and bio diversity for school children and parents.
- Donation of informative books posters and leaflets.
- Distribution of valuable plants such as Ebony trees for schools and home gardens.
- Conducted exhibition stall in Hindu cultural centre organized by Minneriya bio Diversity Park.

2. Active contribution to “Dayata Sewana” tree planting program.

- Planted 5,000 teak plants in 25 Acres of State Timber Corporation premises , Medawachchiya to Continue Dayata Sewana Tree Planting Program”.
- 3,000 plants were planted in Bandarawela district .
- Provided 88,000 seedlings for distribution.

3. Garbage disposal management

We STC tend to manage day today waste in a sustainable manner by categorizing them as paper, polythene and organic waste.

4. Management Diary – 2014

As a responsible corporate citizen, we designed management diary 2014 under the theme of “The art of Sri Lanykan traditional masks” was printed aiming to educate the public on the heritage and importance of conservation them.

5. Establishment of exhibition stall in “Dayata Kirula” Kuliypitiya.

The stall was occupied with many interesting components which had not only entertainment value but also educational value to its viewer. Models of many activities done by STC from timber harvesting to final production was illustrated at the occasion. This created more awareness in general public about the timber industry. STC purpose is to change the unfavourable social opinion on timber industry and work out a radiant future to the industry with sustainable forest management.

Corporate social responsibility can be explained as behaving responsibly. State Timber Corporation we, often try to perform as responsible citizen. Ethical business needs to actively promote the interests of its employees, customers, community, and other related parties.

6. Provided many training and research opportunities to undergraduates all over the country.

7. Delivered lectures to university students regarding timber industry and timber supply.

8. Timber identification and Certification service.

State Timber Corporation has been granted the authority to issue timber certificates on timber quality and timber properties by special gazette no. 1538/7 on 25th February 2008. Facilities are available in the STC to determine the specific gravity, moisture content, shrinkage and treatability test for Boron treatment.

9. Services provided by the TTTI unit

STC took a land mark step to setup training institute, Timber Technology Training Institute at Kaldemulla in 2006. The main purpose is to strengthen the work of all who engage practicing forestry and timber technology through capacity building and updating of knowledge in Sri Lanka to achieve their goals in the context to national development.





REPORT OF THE AUDITOR GENERAL

*Report of the Auditor General on the financial
statements of the state timber corporation for the
year ended 31 December 2014 in terms of section
14(2) (c) of the Finance Act, 38 of 1971*



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } විචිත/අයි/එස්ටීසී/1/15/125 } මගේ අංකය } } 2015 දෙසැම්බර් 17 දින
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 Date } } 2015



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රාජ්‍ය දැව සංස්ථාවේ 2014 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳ 1971 අංක 38 දරන මුදල් පනතේ 14 (2) (සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

මාගේ සමාක හා 2015 අගෝස්තු 31 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.


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 විගණකාධිපති

- පිටපත් :-
1. ලේකම්- මහවැලි සංවර්ධන හා පරිසර අමාත්‍යාංශය
 2. ලේකම්- මුදල් අමාත්‍යාංශය



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TM/I/STC/1/15/125 } මගේ අංකය } } 31 August 2015
 எனது இல. } } உமது இல. } }
 My No. } } Your No. } }
 Date } } 31 August 2015

The Chairman
 State Timber Corporation

Report of the Auditor General on the financial statements of State Timber Corporation for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act No 38 of 1971

The audit of financial statements of the State Timber Corporation for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under any 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, 29 of the State Industrial Corporations Act, No.49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation 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 furnished to the Chairman of the Corporation on 16 June 2015.

1.2 Managements 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 my audit. I conducted my audit in accordance with Sri Lanka Accounting Standards consisted with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.



2. Financial Statements

2.1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the State Timber Corporation as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2. Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances with Sri Lanka Accounting Standards were observed.

(a) Sri Lanka Accounting standard-16

- (i) When accounting of property, plant and equipment, they should depreciate over their useful life and account. However, 7020 items costing Rs. 884,268,443 of which written down value of the each item was Rs. 5 and 04 items costing Rs. 5,827,394 of which net carrying amount was zero were included in the property, plant and equipment costing Rs. 905,640,314 as at 31 December of the year under review. Actions had not been taken to either dispose these assets, if they cannot utilize or to revalue the assets in order to account their fair values, if they can further utilize.
- (ii) The useful life of the fixed assets estimated by the Corporation was incorrect and therefore, annual depreciation was also inaccurate.
- (iii) An aggregate value of Rs. 48,648 relating to 33 items that were not exceeding Rs. 4,000 was included in the land value of Rs. 76,729,723 as at 31 December of the year under review. Revaluation of lands had not been done according to the Standard and action had not been taken to show the fair value of the lands in the financial statements.



(b) Sri Lanka Accounting standard-37

Even though a sum of Rs. 1,957,174 had to be paid as the salary arrears to an officer who had been interdicted and subsequently discharged from the allegations, an allocation had not either been made or disclosed in the financial statements. The Chairman of the Corporation had informed me on 13 July 2015 that payment of salary arrears to the interdicted officer had been rejected by the Board of Directors and it had been informed to the Commissioner General of Labour.

(c) Sri Lanka Accounting Standard-40

A rent income amounting to Rs. 15,042,601 had been earned by the Corporation by renting out part of the Head Office building of the Corporation. However, the value of the building had not been shown in the financial statements as an investment property.

2.2.2 Accounting Deficiencies

Even though the expenditure should be classified as much as possible in order to make a fair presentation, an aggregate amount of Rs. 3,443,573 had been shown as miscellaneous expenses in the financial statements.

2.2.3 Unexplained Differences

According to the financial statements of the Corporation as at 31 December of the year under review, payable stumpage amounted to Rs. 964,283,581 but as per the accounts of the Forest Conservation Department, corresponding receivable stumpage amounted to Rs. 1,056,375,539. Thus a difference of Rs. 92,091,958 was observed between the Corporation's accounts and the Department's accounts.



2.2.4 Lack of Evidence for Audit

The trial balances prepared relating to the Regional Officers of Kandy, Monaragala and Furniture Unit in Ampara had not been furnished to audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) As compared with the preceding year, balance of the trade debtors for the year under review had increased from Rs. 475 million to Rs. 760 million representing 62 per cent. Out of debtor balance receivable for the year under review, Rs. 43 million for over one year, Rs. 21 million ranging from 2 to 3 years and Rs.12 million for over 4 years had remained outstanding.
- (b) Loan balances amounting to Rs.568,500 receivable from a Government Department since the year 2008 and Rs.11,873,954 receivable from a private company since the year 1983 were expected to write off as bad debts.
- (c) Receivable sundry debtor balances amounting to Rs. 3,828,645 belong to 04 Regional Offices remained as further outstanding.
- (d) A sum of Rs. 3,692,862 had been remained as recoverable for a period ranging from 01 to 05 years due to the non- recovering of advances from the final payments made to timber and timber products suppliers or due to unsupplied of goods.
- (e) Receivables under the general deposit balance relating to 4 Regional Officers amounting to Rs. 3,330,933 remained as further receivables.
- (f) Chques valued at Rs.110,552 received by the Corporation during the year under review had been dishonored and that amount remained as further receivables.
- (g) A sum of Rs. 1,860,952 which had been incurred by the Timber Corporation for the Ministry of Environment and Natural Resources had not been recovered so far.

- (h) An age analysis had not been furnished relating to the sundry creditors amounting to Rs.128,298,983 as at 31 December of the year under review. Hence, outstanding period of creditors had not been revealed.
- (i) Stumpage amounting to Rs. 52,155,675 which had been shown under the sundry creditors relating to the Anurdapura Regional Office had not been settled so far.
- (j) Action had not been taken to calculate the non-liable deposits and credit to the income, out of the refundable bid deposits, security deposits and forest offence deposits aggregating to Rs. 19,278,900.
- (k) Action had not been taken to settle the gang nail deposit of Rs.2,855,000 remained for a period of more than two years.

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Employees' Trust Fund Act, No. 46 of 1980.	According to the Act, the contribution should be remitted before end of the following month of which salaries/wages had been paid. However, due to non-remittance of the contribution with in the due period, a sum of Rs. 95,714 had been paid as penalties.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.	
(i) Volume – I of the Establishments Code	Even though provisions had not been provided through the Establishment Code for allocation of vehicles for the union activities, a vehicle has been given to a

- (ii) Volume – I , Section 4 of Chapter XXV of the Establishments Code
 As number of members in the union exceeded 1,600, a permanent officer could have been released for the union activities. However, without doing so, the chairman of the union had used this vehicle for union activities for 275 days of the year under review.
- (c) Management Services Circular No. 39 dated 26 May 2009 of No. DMS/A/8/27
 A sum of Rs. 448,110 had been paid for 14 officers of Timber Corporation without having the provisions in scheme of recruitment and by approving salary increments contrary to the circular instructions and a sum of Rs. 382,200 had been paid as salary increments for another two officers from January 2013 to June 2014.
 The Department of Management Services had informed to recover this amount and as well as a decision had been made to recover this amount at the Audit and Management Committee meeting held on 26 March 2015. However, it had not so done according to that decision.

(d) Procurement guidelines of 2006

(i) Section 2.8.4

In purchasing technical equipment with high values an outside person who has the expertise knowledge should be appointed to the Technical Evaluation Committee by the line Ministry or procurement entity. Nevertheless, the Corporation had not appointed such a person to the committee.

(ii) Section 4.2.3

According to Section, after receiving the Technical Evaluation Committee approval, the goods should be purchased within 4 weeks. Nevertheless, procurement of spare parts to PAZZALATO sawing machine had been made after holding off 05 months and 24 days since the receiving of the technical evaluation committee report.

3. Financial Review

3.1 Financial Results

The operations of the Corporation had resulted in a pre-tax net profit of Rs.402,222,441 for the year under review as compared with the pre-tax net profit of Rs.332,336,761 for the preceding year, thus showing an increase of Rs.69,885,680 in the financial result for the year under review. The decrease of the levy paid to the Treasury in the year under review by Rs.25 million had been the main reason for this improvement.

3.2 Analytical Financial Review

- (a) An operating profit of Rs. 1,453,450,911 had been earned by the Corporation from its main operations and this was an improvement of Rs. 255,835,713 as compared with the operational profit of Rs. 1,197,615,198 for the preceding year.
- (b) Non- operating income amounting to Rs. 222,826,051 had been included in the pre-tax profit of Rs. 427,222,441 for the year under review and this was significantly represented 52 per cent out of the pre-tax profit. As compared with the preceding year there was 11.74 per cent improvement in the net profit for the year under review.

3.3 Legal cases instituted against or/by the Corporation

The following observations are made.

- (a) Twenty legal cases comprising of 04 labour tribunal cases, 02 magistrate court cases, 07 district court cases, 02 high court cases, 03 appeal court cases and 02 Supreme Court cases had been instituted against the Corporation by the outside parties by end of the year under review.
- (b) A case instituted before magistrate court by the Corporation was being heard by the end of the year under review.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Sale of Sawn Timber

According to the Action Plan for the year under review, it was planned to generate a total income of Rs.337 million from sale of sawn timber. However, the actual sales income amounted only to Rs.156 million, representing 46 per cent. Failure of the Corporation to compete with the competitive sawn timber prices in the market and failure to implement market strategies after conducting market studies in order to increase the sales had affected this situation.



4.3 Identified Losses

The following observations are made

- (a) When making payments to the contractors, an over payment amounting to Rs. 597,718 had been made to the contractors as the payment of Value Added Tax on the retention money.
- (b) A Laptop Computer, computer accessories, Samsung Mobile Phone Tab and binocular which had been given by the Corporation for the use of the Ex- Chairman had not been returned to the Corporation.

4.4 Human Resource Management

At the examination of pre-work programmes submitted by the officers of the Corporation, it was revealed that controlling over the submission of pre programmes, approving and engagement on duties according to the programmes were in weak level.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though a Corporate Plan for the period 2013-2017 had been prepared by the Corporation, actions had not been taken to update the Plan in terms of Section 5.1.1 of the Public Enterprise Circular No. PED 12 of 02 June 2003 by reviewing it periodically.

5.2 Action Plan

The following observations are made.

- (a) Capital expenditure for the year under review had been basically categorized under 17 Programmes. However, any capital expenditure programme had not been mentioned in the Action Plan prepared for the year under review and the Projects amounting to



Rs.286,440,500 that had been mentioned in the budgeted estimate prepared for the year under review had not been complied with the Projects amounting to Rs. 423,000,000 mentioned in the Corporate Plan. Accordingly, it was observed that Action Plan and annual estimates had not been prepared based on the Corporate Plan.

- (b) It was observed that an Action Plan had not been prepared covering all sections of the Corporation such as human resources, information and technology, research, development and training.

5.3 Procurement Plan

A difference of Rs. 59,480,500 was observed between the procurement plan prepared relating to the logs sales (contract) and budgeted logs sales (contract).

5.4 Audit and Management Committee Meetings

Audit quarries and audit reports submitted by the External Auditors should be discussed at the Audit and Management Committee Meetings as clearly emphasized by the circular instructions i.e. Public Finance Circular dated 19 November 1999, the Ministry of Finance and Planning Circulars No. BD/PE02/2000 of 30 March 2000 and Public Enterprise Circular No. PED/55 of 14 December 2010. However, discussion of External audit reports/ Audit quarries had not been included in the agenda of the Audit and Management Committee Meetings held after 30 September 2014.

5.5 Budgetary Control

The following observations are made

- (a) The Budget for the year under review had not been prepared according to the Corporate Plan and the Action Plan.



(b) Significant variances were observed between the budget and the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

5.6 Unresolved Audit Paragraphs

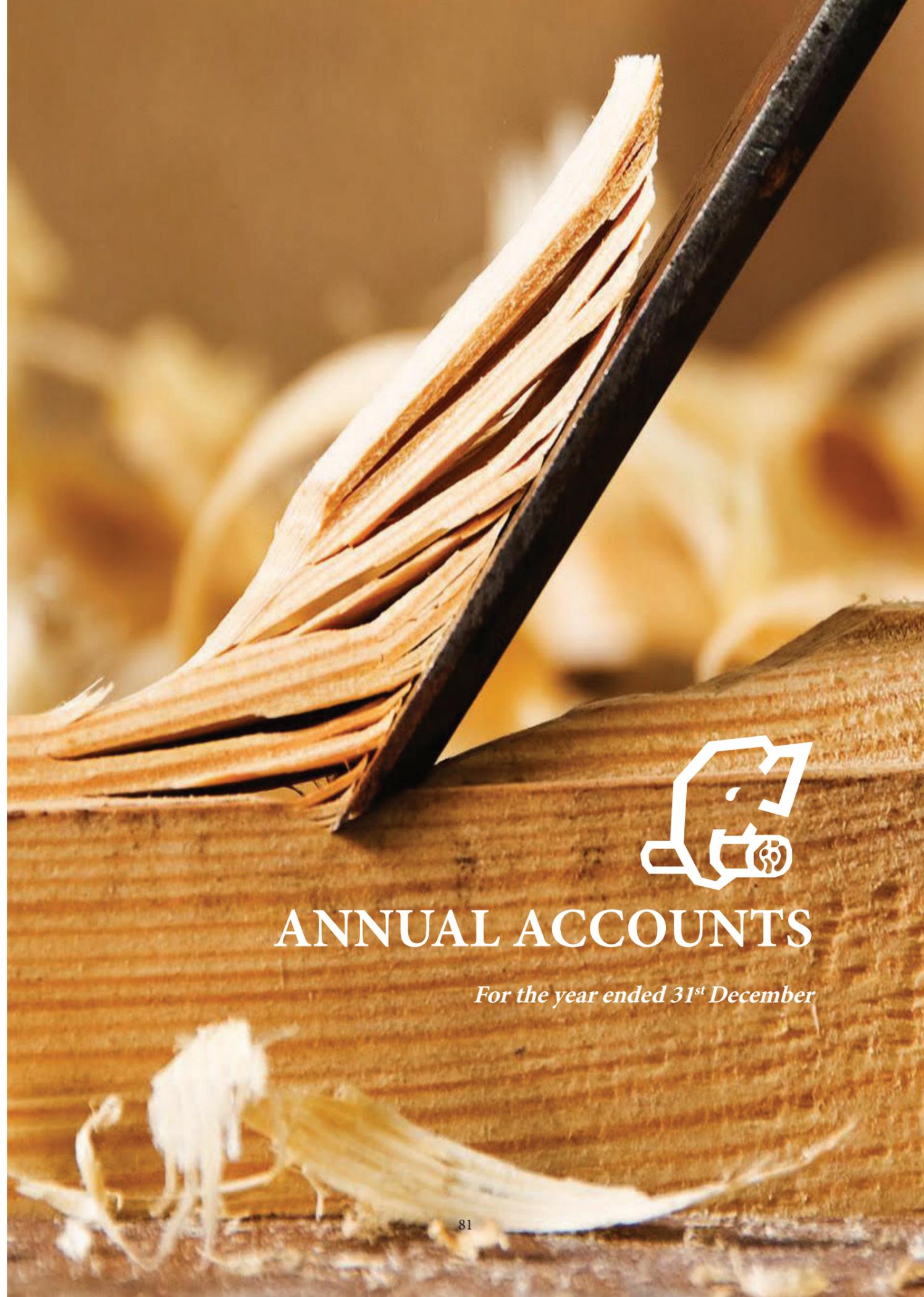
Even though the Chairman of the Corporation had informed on 28 June 2013 that further action would be taken after the receipt of the Report of the Joint Committee appointed to recommend the action to be taken against the contractor and the Corporation officers in respect of unauthorized felling in the Bagawanthalawa Chapelton commercial level plot of land, no action whatsoever had been taken in that connection even by 20 May 2015.

6. Systems and Controls

Weaknesses 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) Accounting
- (b) Debtors Control
- (c) Creditors Control
- (d) Budget
- (e) Assets Management
- (f) Contract Administration
- (g) Staff Administration
- (h) Procurement

W.P.C Wickramaratne
Acting Auditor General



ANNUAL ACCOUNTS

For the year ended 31st December

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December		2014	2013
	Note	Rs.	Rs.
Turnover	2	3,473,847,448	2,893,748,677
Cost of sales	3	(2,020,396,537)	(1,696,133,479)
Gross profit on operation		1,453,450,911	1,197,615,198
Other income	6		
Operating	6.2	59,808,848	61,498,711
Non-operating	6.1	222,826,051	258,397,070
Total net income		1,736,085,810	1,517,510,979
Selling and distribution expenses	4	(551,768,665)	(483,373,537)
Administration expenses	5	(757,094,704)	(651,800,681)
Profit before levy		427,222,441	382,336,761
Levy paid to treasury		(25,000,000)	(50,000,000)
Profit after levy		402,222,441	332,336,761
Taxation for the year	7	(196,224,578)	(150,222,702)
Profit after taxation		205,997,863	182,114,059
Other comprehensive income		-	-
Total comprehensive income for the year		205,997,863	182,114,059

STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2014	2013
		Rs.	Rs.
ASSETS			
Non-current assets			
Property plant and equipment	8	905,640,314	906,902,528
Intangibles	9	1,634,835	2,237,142
Biological assets	10	4,836,929	3,184,890
Deposits with treasury		2,966,000	2,966,000
Security deposits - staff		48,717,776	44,231,056
Investments	11.1	491,211,954	567,085,340
Prepaid staff benefit		43,149,305	46,927,158
Deferred tax asset	7.2	41,757,543	33,396,804
Capital work in progress		114,993,567	51,603,590
Total non-current assets		1,654,908,222	1,658,534,509
Current assets			
Inventories	12	1,068,260,904	988,883,042
Trade and other receivables	13	1,050,972,162	890,708,037
Investments in fixed deposits	11.2	1,574,321,125	1,203,491,399
Cash and cash equivalents	14	311,305,958	70,694,647
Total current assets		4,004,860,149	3,153,777,126
TOTAL ASSETS		5,659,768,371	4,812,311,635
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized		75,000,000	75,000,000
Contributed capital	15	41,503,668	41,503,668
Revenue reserves		3,311,070,807	3,110,175,859
		3,352,574,475	3,151,679,527
Staff loan revolving fund	16	230,554,340	225,543,133
Total equity		3,583,128,815	3,377,222,660
Non current liabilities			
Retirement benefit obligation	17	435,931,143	340,599,947
Security deposits - staff		48,717,776	44,231,056
Total non-current liabilities		484,648,919	384,831,003
Current liabilities			
Income tax liabilities	18	232,193,834	88,581,787
Trade and other payables	19	1,359,796,803	961,676,185
Total current liabilities		1,591,990,637	1,050,257,972
Total liabilities		2,076,639,556	1,435,088,975
TOTAL EQUITY AND LIABILITIES		5,659,768,371	4,812,311,635

This statement of the activities of the State Timber Corporation is submitted in terms of the Finance Act No. 38 of 1971.



General Manager
State Timber Corporation

The accounting policies on pages 85 to 91 and Notes on pages 92 to 101 form and integral part of these Financial Statements. The board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf,



Chairman
State Timber Corporation
On behalf of the Board of Directors



Director

Date: 20th July 2015

STATEMENT OF CHANGES IN EQUITY

	Contributed capital Rs.	Staff loan revolving fund Rs.	Revenue reserves Rs.	Total Rs.
Balance as at 1st January 2013	41,503,668	218,784,628	2,935,644,568	3,195,932,864
Adjustment during the year	-	(824,263)	-	(824,263)
Comprehensive income for the year	-	-	182,114,059	182,114,059
Staff loan interest for the year	-	7,582,768	(7,582,768)	-
Balance as at 1st January 2014	<u>41,503,668</u>	<u>225,543,133</u>	<u>3,110,175,859</u>	<u>3,377,222,660</u>
Adjustment during the year	-	(91,708)	-	(91,708)
Comprehensive income for the year	-	-	205,997,863	205,997,863
Staff loan interest adjustment	-	5,102,915	(5,102,915)	-
Balance as at 31st December 2014	<u>41,503,668</u>	<u>230,554,340</u>	<u>3,311,070,807</u>	<u>3,583,128,815</u>

CASH FLOW STATEMENT

For the year ended 31st December

	2014 Rs.	2013 Rs.
Cash flows from operating activities		
Cash receipts from customers	3,114,095,334	3,100,220,273
Cash paid to suppliers and employees	(2,679,852,677)	(2,692,082,754)
Cash generated from operating activities	434,242,657	408,137,519
Income tax paid	(60,973,270)	(13,827,187)
Special levy paid to the treasury	(25,000,000)	(50,000,000)
Net cash inflow/(outflow) from operating activities	348,269,387	344,310,332
Cash flows from investing activities		
Purchase and construction of property, plant & equipment	(113,479,867)	(329,685,077)
Development of Biological assets	(1,652,039)	(3,184,890)
Investments	(294,956,339)	(385,399,827)
Income from investments	353,965,156	247,383,991
Proceeds from disposal of property, plant and equipment	6,843,786	9,112,038
Work in progress	(63,389,977)	52,917,833
Staff loan revolving fund	5,011,207	9,707,359
Net cash from/(used in) investing activities	(107,658,075)	(399,148,574)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	240,611,311	(54,838,242)
Cash and cash equivalents at the beginning of the year (Note-14)	70,694,647	125,532,889
Cash and cash equivalents at the end of the year (Note-14)	311,305,958	70,694,647

Notes to the Financial Statements

For the year ended 31st December 2014

01. Accounting Policies

1.1 Reporting Entity

1.1.1 Legal Form

State Timber Corporation is a Corporation which was incorporated in April 1968, under the State Industrial Corporation Act No. 49 of 1957.

1.1.2 Date of Authorization for Issue

The Financial Statements of the Corporation for the year ended 31st December 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 20th July 2015.

1.1.3 Number of Employees

The employees' strength of the Corporation as at 31st December 2014 is 2,186. (2013-2,139).

1.1.4 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these financial statements.

1.2 Basis of Preparation

1.2.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Statement of Cash Flow, together with the notes, (the "Financial Statements") of the Corporation as at 31st December 2014 and for the period then ended have been prepared in accordance with Sri Lanka Accounting Standards (LKAS & SLFRS) and statements of recommended practices promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL).

1.2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the staff loan receivables are measured at fair value.

1.2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Corporation's functional currency. All financial information presented in Sri Lankan Rupees has been given to the nearest Rupee, unless stated otherwise.

1.2.4 Use of Estimates and Judgments

The presentation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

1.2.5 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates on the date of the transactions.

1.2.6 Taxation

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provision of the Inland Revenue Act No.10 of 2006 and subsequent amendments.

1.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

1.3.1 Assets and Basis of the Valuation

1.3.1.1 Property, Plant and Equipment

1.3.1.1.1 Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the corporation and the cost of the asset can be reliably measured. Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing cost. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.3.1.1.2 Gains and Losses on Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income/other expenses" in Statement of Comprehensive Income.

1.3.1.1.3 Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the

carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

1.3.1.1.4 De-Recognition

The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of Property, Plant & Equipment is included in profit or loss when the item is derecognized.

1.3.1.1.5 Depreciation

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Applicable rates are as follows.

Buildings Permanent	2.5%
Buildings Semi-Permanent	30.0%
Plant and Machinery	10.0%
Vehicles	20.0%
Roadways and Railways	5.0%
Leasehold Lands	5.0%
Road Construction	10.0%
Furniture and Fittings	15.0%
Office Equipment	15.0%
Miscellaneous Assets	20.0%
Computers	20.0%

1.3.1.2 Capital Work in Progress

Capital expenses incurred during the year which are not completed as at the statement of financial position date are shown as capital work-in-progress, while the capital assets which have been completed during the year and put to use are transferred to property, plant and equipment.

1.3.1.3 Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Corporation. Intangible assets wholly consist of cost of computer software. Intangible assets acquired are measured on initial recognition at cost. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits. Amortisation is recognised in Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of five years.

1.3.1.4 Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets. The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Life span of Teak Tree to maturity is expected to be 35 years from the date of planting. It is assumed that one teak tree takes 10 year period from the date of planting for its biological transformation. The cost is treated as approximation to fair value of immature plants as the impact on biological transformation of such plants to price during this period is immaterial. The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41.

1.3.1.5 Investments

1.3.1.5.1. Investment in Fixed Deposits stated at cost.

1.3.1.5.2 Long Term Investments Stated at Cost

1.3.1.5.3 Investment at State Mortgage and Investment Bank

This investment has been made with the State Mortgage and Investment Bank for granting housing loan facilities to the employees of the State Timber Corporation.

1.3.1.5.4 Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1.3.1.5.5 Investment at Lanka Timber Plantation Industries Ltd

No dividend ever been received from this investment and also the possibility of recovery of this investment amounting to Rs.30,000,000/- is doubtful. Therefore the impairment loss of investment is Rs. 30,000,000/-.

1.3.1.6 Current Assets

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the Statements of Financial Position date, whichever is shorter.

1.3.1.7 Debtors and Receivables

Trade debtors and other receivables are stated at the amount that they are expected to realize. Bad debts are written off and provisions for doubtful debts are made against those debtors to cover expected losses as follows.

Specific provision – 100% in respect of debtors of which age is over 5 years
General provision – 5% in respect of the balance debtors as at 31.12.2014.

Staff debtors with a repayment period of more than one year stated at fair value. It is the present value of future cash flows expected to be received from such staff debtors calculated based on commercial bank prime lending rates published in the Central Bank at the date of loan granted.

1.3.1.8 Inventories

Inventories are measured at the lower of cost or net realizable value. Donated timber inventory also measured at the lower of cost (to bring inventories into present location and condition) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost is determined on the first in first out basis and includes all costs incurred in bringing inventories to the present location and condition. Production cost includes all direct cost and production overhead cost at normal level of activity. When it is necessary 15% general provision has been provided for obsolete, slow moving and defective items.

1.3.2 Liabilities and Provisions

Liabilities classified as current liabilities on the Statements of Financial Position are those which fall due for payment on demand or within one year from the Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment later than one year from the Statement of Financial Position date. All known liabilities have been accounted for in preparing the Financial Statements.

1.3.2.1 Trade and Other Payables

Trade and other payables are stated at their cost.

1.3.2.2 Retirement Benefit Obligation

Employees who have completed five years of continued service with the Corporation are eligible for retirement benefit in accordance with the payment of Gratuities Act No.12 of 1983. However provision has been made in the accounts for the retirement benefit for all employees of the corporation taking into consideration their last drawn salary and the years of services as at 31st December 2014. The defined benefit obligation is calculated annually using the Formula method. The Corporation has invested in fixed deposit account, in People's Bank in order to meet future liabilities.

1.3.2.3 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised, if as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision has been made for all quantifiable liabilities and others have been declared. Corporation has a dispute with a trade supplier regarding import of creosote from previous year. LC margin amounting to US \$ 54,490.51 is not released and withheld at the bank due to this dispute.

The Conservator General of Forest has informed us the government had sustained a loss due to unauthorized felling in the Bagawanthalawa Chapalton commercial thinning plot of land. After the investigation this was not established due to doubtful facts. Conservator general of forest has decided to investigate this issue together with STC Officers.

The Government had sustained a loss due to discrepancies occurred in removing timber from submerging areas of Rambakenoya reservoir. "B" report has been presented by Forest department to the Dehiaththakandiya court .Corporation has explained the reasons regarding the issue to Attorney General's Department and still Attorney General's Department has not filed a case.

1.3.3 Statement of Comprehensive Income

For the purpose of presentation of the Statement of Comprehensive Income, the function of expenses method is adopted, as it represents fairly the elements of Corporation performance. Income and expenditure are recognized on accrued basis.

1.3.3.1 Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The timber has been issued to the employees of the State Timber Corporation and the Forest Department, under the scheme of 25% concessionary rate. This is included in the account of welfare facilities.

1.3.3.2 Expenditure Recognition

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to Statement of Comprehensive Income in the year in which the expenditure is incurred.

1.3.3.2.1 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current applicable income tax rate is 28% and deemed dividend tax rate is 25%.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statements of Financial Position date.

A Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the future asset can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

1.3.3.2.2 Stumpage Payment

The stumpage payment for the year 2014 has been calculated on actual felled timber volume basis.

1.3.3.2.3 Cost Allocation

Cost of conversion of Saw Mills and Timber Cost is allocated on the basis of Timber Transfer Value and Mechanical Workshop cost is allocated on the basis of Hiring Charge to relevant units.

1.3.4 Events Occurring After the Reporting Date

All material post reporting events have been considered and where appropriate, adjustments or disclosure have been made in respective notes to the Financial Statements.

1.3.5 Staff Loan Revolving Fund

This fund is created to grant the loans to employees of the Corporation. The amount of interest received from staff loans stated as other income in the Statement of Comprehensive Income. Interest income received after tax is transferred to Staff Loan Revolving Fund to buildup fund. Employee loans disbursements limit to the available fund balance in the Staff Loan Revolving Fund.

1.3.6 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the direct method in accordance with the Sri Lanka Accounting Standards (LKAS) 07, Statement of Cash Flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

Notes to the Financial Statements

02. Turnover

	2014 Rs.	2013 Rs.
Logs - crown lands	1,774,835,926	1,543,389,558
Logs - private lands	41,521,752	22,276,964
Sawn timber	156,140,096	170,298,367
Sleepers - private lands	324,619,571	218,085,380
Sleepers - crown lands	155,478,174	234,746,032
Sleepers - export	48,297,160	-
Transmission poles - crown lands	142,153,826	208,271,838
Transmission poles - private lands	195,127,486	4,511,925
Elephant poles	88,672,100	86,554,236
Others	24,737,684	24,707,962
Forest offence timber	37,669,004	39,668,133
State land donated timber	315,497,163	201,425,749
Furniture	238,318,417	198,529,090
Gross turnover	3,543,068,359	2,952,465,235
Less: Nation building tax	(69,220,911)	(58,716,558)
Net turnover	3,473,847,448	2,893,748,677

03. Cost of Sales

	2014 Rs.	2013 Rs.
Depots and wayside depots	906,772,371	723,341,531
Impregnation plants	661,198,073	604,406,762
Furniture plants	165,251,217	146,648,802
Wayside sales	287,174,876	221,736,385
Total	2,020,396,537	1,696,133,479

04. Selling and Distribution Expenses

	2014 Rs.	2013 Rs.
Depots	505,088,613	447,078,988
Impregnation plants	7,209,147	9,821,782
Furniture plants	27,587,476	17,327,761
Regional manager office and head office	11,883,430	9,145,006
Total	551,768,665	483,373,537

05. Administration Expenses

	2014 Rs.	2013 Rs.
Impregnation plants	38,127,030	22,184,888
Furniture plants	29,144,333	24,573,880
Regional manager office and head office	683,100,131	597,934,435
Circuit bungalows	6,723,210	7,107,478
Total	757,094,704	651,800,681

06. Other Income

	2014 Rs.	2013 Rs.
6.1 Non-operating income		
Interest income - investments	197,513,358	226,670,712
Foreign exchange gains	1,136	4,723
House rent	15,042,601	14,991,686
Gratuity over provision	-	6,198,327
Staff loan interest	10,268,957	10,531,622
	222,826,051	258,397,070

6.2 Operating income

Miscellaneous income	20,952,428	38,025,841
Fines-contractors and suppliers	568,079	543,947
Disposal Income	6,474,636	-
Over provision of stock	27,245,757	10,046,557
Debtors over provision	2,003,952	9,894,147
Recovery on shortages and losses	1,153,737	1,000,453
Non refundable tender deposits	1,410,260	1,987,765
	59,808,848	61,498,711
Total	282,634,899	319,895,781

6.3 Analysis of other income for the year 2014

Income source	Depots	Impregnation plants	Furniture plants	Circuit Bungalows	Regional Offices & head office	Total
Non-operating income						
Interest income - investments	-	-	-	-	197,513,358	197,513,358
Foreign exchange gains/(losses)	-	-	-	-	1,136	1,136
House rent	-	-	-	-	15,042,601	15,042,601
Gratuity over provision	-	-	-	-	-	-
Staff loan interest	-	-	-	-	10,268,957	10,268,957
	-	-	-	-	222,826,051	222,826,051
Operating income						
Miscellaneous income	60,679	-	-	1,032,931	19,858,818	20,952,428
Fines-contractors and suppliers	-	-	-	-	568,079	568,079
Disposal Income	-	-	-	-	6,474,636	6,474,636
Over provision on stock deterioration	18,191,286	8,991,622	62,849	-	-	27,245,757
Over provision on doubtful debtors	1,873,827	-	130,125	-	-	2,003,952
Recovery on shortages and losses	-	-	-	-	1,153,737	1,153,737
Non refundable tender deposits	-	-	-	-	1,410,260	1,410,260
	20,125,791	8,991,622	192,973	1,032,931	29,465,530	59,808,848
Total	20,125,791	8,991,622	192,973	1,032,931	252,291,582	282,634,899

07. Taxation Expenses

Current tax expenses

	2014 Rs.	2013 Rs.
Income tax on profit for the year	202,347,540	131,882,763
Over/under provision of previous year	2,237,777	-
	204,585,317	131,882,763

Deferred tax expense

Origination and reversal of temporary differences	(8,360,739)	18,339,939
	(8,360,739)	18,339,939

Tax charge for the year

	196,224,578	150,222,702
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7.1 Income tax on profit for the year

	2014 Rs.	2013 Rs.
Profit before taxation	402,222,441	332,336,761
Aggregate disallowable expenses	293,664,679	103,786,686
Aggregate allowable expenses	(423,720,740)	(445,416,408)
Profit from business	272,166,380	(9,292,961)
Non business income	212,557,094	241,667,122
Taxable income	484,723,474	232,374,161
Income tax at 28%	135,722,573	65,064,764
Deemed dividend tax	66,624,967	66,817,999
Total	202,347,540	131,882,763

7.2 Deferred tax

	Temporary difference Rs.	Tax effect (asset)/ liability Rs.
Balance as at 01 st January 2013	(119,274,300)	(33,396,805)
Amount origination during the year	(29,859,781)	(8,360,739)
Balance as at 31st December 2014	(149,134,081)	41,757,543
Temporary difference of property plant and equipment	286,797,062	80,303,177
Temporary difference of retirement benefit obligations	435,931,143	122,060,720
Carried forward tax losses	-	-
Balance as at 31st December 2014	149,134,081	41,757,543

Description	Cost			Depreciation			Carrying amount as at 31.12.14
	Balance as at 01.01.14	Additions	Disposals	Balance as at 01.01.14	Disposals	Charge for the year	
Land	76,578,723	151,000	-	-	-	-	76,729,723
Buildings	598,650,288	31,703,527	-	142,280,567	-	13,069,781	475,003,467
Stacking sheds and other buildings	19,256,777	-	-	17,316,104	-	921,514	18,237,618
Roadways and railway lines	16,598,376	81,000	-	4,989,039	-	793,684	10,896,653
Plant and machinery	625,899,259	22,868,809	9,215,299	461,553,537	9,215,279	26,628,107	160,586,405
Leasehold land and building	148,311	-	-	148,311	-	-	148,311
Road construction mach. and equi.	60,450	-	-	60,450	-	-	60,450
Tools & implements	5,148,263	496,965	-	4,725,977	-	153,170	4,879,147
Electrical equipments	13,453,576	1,547,389	20,260	7,297,534	20,245	909,405	8,186,694
Vehicles	502,191,357	44,895,249	6,617,552	361,905,392	6,248,673	58,449,227	414,105,946
Furniture and fittings	35,388,711	4,273,796	97,904	17,262,862	97,699	4,116,775	21,281,938
Office equipments	30,919,882	2,005,394	441,145	23,907,971	441,125	1,765,325	25,232,171
Computers and accessories	52,162,537	4,219,689	-	34,758,738	-	5,555,217	40,313,955
Miscellaneous assets	20,890,234	1,237,048	8,019	14,237,734	8,009	2,010,727	16,240,452
Pre fabricated structure	4,938,333	-	-	4,938,333	-	-	4,938,333
Leasehold land-Rathnapura	680,300	-	-	680,300	-	-	680,300
Total	2,002,965,576	113,479,868	16,400,180	1,096,062,849	16,031,030	114,372,932	1,194,404,750

* The Corporation owns the cost of Rs. 890,095,837/- fully depreciated property, plant and equipments at the reporting date.

Description	Cost			Amortization			Carrying amount as at 31.12.14
	Balance as at 01.01.14	Additions	Disposals	Balance as at 01.01.14	Disposals	Charge for the year	
Computer software	3,011,537	-	-	774,395	-	602,307	1,376,702
Total	3,011,537	-	-	774,395	-	602,307	1,376,702

10. Biological Assets

Locations of the Teak plantations hold by the Corporation are given below.

Puliyankulama
Madawachchiya
Sevanapitiya
Vinceethagama

11. Investments

11.1 Investments - Long term

As at 31st December

Investments in fixed deposits

People's bank
Government ins.temporary surplus trust fund
State mortgage and investment bank

Investments in shares

Land reclamation and development (pvt) ltd
Lanka timber plantation ltd.
(-) Impairment of investment

Total

11.2 Investments - Short term

As at 31st December

Investments in fixed deposits

People's bank
Bank of ceylon

Total

12. Inventories

As at 31st December

Stock-in-trade
Stock deteriorations

Goods in transit
Work in progress
Stores and spares
Preservatives
Fuel and oil
Stationary stock

Total

	2014 Rs.	2013 Rs.
11.1 Investments - Long term		
As at 31 st December		
Investments in fixed deposits		
People's bank	-	117,100,000
Government ins.temporary surplus trust fund	360,226,630	338,010,495
State mortgage and investment bank	130,485,324	81,474,846
	490,711,954	536,585,340
Investments in shares		
Land reclamation and development (pvt) ltd	500,000	500,000
Lanka timber plantation ltd.	30,000,000	30,000,000
(-) Impairment of investment	(30,000,000)	-
	500,000	30,500,000
Total	491,211,954	567,085,340
11.2 Investments - Short term		
As at 31 st December		
Investments in fixed deposits		
People's bank	696,410,412	694,408,552
Bank of ceylon	877,910,713	509,082,847
Total	1,574,321,125	1,203,491,399
12. Inventories		
As at 31 st December		
Stock-in-trade	919,995,872	899,863,184
Stock deteriorations	(116,548,545)	(118,981,084)
	803,447,327	780,882,100
Goods in transit	76,743,448	45,141,546
Work in progress	36,902,197	21,137,014
Stores and spares	104,376,621	107,385,216
Preservatives	27,987,940	20,049,766
Fuel and oil	2,590,469	2,903,761
Stationary stock	16,212,901	11,383,639
Total	1,068,260,904	988,883,042

12.1 Analysis of inventories

As at 31 st December	2014 Rs.	2013 Rs.
Crown land logs	477,644,908	513,390,101
Crown land sawn timber	196,148,449	166,901,181
Private land logs	669,081	1,962,491
Crown land sleepers	103,896	67,246,138
Private land sleepers	1,377,702	22,816,418
Crown land transmission poles	49,274,718	11,341,942
Private land transmission poles	38,529,211	-
Others	13,242,339	9,548,955
Furniture	143,005,568	106,655,959
Total	919,995,872	899,863,184

13. Trade and Other Receivables

As at 31 st December	2014 Rs.	2013 Rs.
Trade debtors	760,981,262	475,392,716
Provision for doubtful debts	(49,869,309)	(35,589,882)
	711,111,953	439,802,834
Staff debtors	162,274,544	158,191,032
Other debtors	17,898,395	19,995,516
Deposits and prepayments		
Advances local purchases	38,659,265	16,332,025
Advances pre -payment	29,189,005	24,903,941
Advances timber supplies	13,001,712	7,533,576
Interest receivable -deposits	57,683,002	206,023,255
Returned cheques	110,552	29,928
Kataragama astapala funds	1,000,000	1,037,000
Deposit courts	8,752,033	8,752,032
Ministry of environment	3,817,263	6,886,714
Forest department	6,910,741	322,398
Value added tax recoverable	-	293,689
Ports authority	563,698	604,095
Total	1,050,972,162	890,708,037

13.1 Other debtors

As at 31 st December	2014 Rs.	2013 Rs.
Miscellaneous debtors	3,828,645	4,861,555
Deposits- general	14,433,370	15,480,581
Provision	(366,620)	(366,620)
Deposit tender	3,000	20,000
Total	17,898,395	19,995,516

13.2 Staff debtors

As at 31 st December	2014 Rs.	2013 Rs.
Staff loans		
Vehicle loan	3,899,083	4,681,265
Distress loan	112,815,515	122,716,321
Electrical equipment loan	50,067	156,973
Bicycle loan	1,527,351	1,672,180
Laptop loan	35,085,981	21,626,814
Furniture loan	1,945,513	2,440,004
	155,323,510	153,293,558
Advances and other loans		
Salaries and wages advance	7,900	9,500
Travelling advance	45,687	70,945
Festival advance	4,239,279	2,183,467
Internal debit notes	1,767,994	2,296,463
Staff recoveries	790,174	215,879
Salusala textile loan	100,000	121,220
	6,951,034	4,897,474
Total	162,274,544	158,191,032

14. Cash and Cash Equivalents

As at 31 st December	2014 Rs.	2013 Rs.
Cash in hand	959,167	1,104,893
Cash in transit	7,914	15,027,593
Bank of ceylon	119,169,001	24,200,953
Bank of ceylon - call deposits	191,169,876	30,361,209
Total	311,305,958	70,694,648

15. Contributed Capital		
As at 31 st December	2014 Rs.	2013 Rs.
Sri Lanka government fund	25,584,808	25,584,808
Assets taken-over from forest department	10,714,815	10,714,815
World bank - grant	708,202	708,202
C.A.D. british aid fund	4,495,843	4,495,843
Total	41,503,668	41,503,668
16. Staff Loan Revolving Fund		
As at 31 st December	2014 Rs.	2013 Rs.
Balance at the beginning of the year	225,543,133	218,784,628
Staff loan interest received	5,102,915	7,582,768
Adjustment during the year	(91,708)	(824,263)
Total fund at the end of the year	230,554,340	225,543,133
Nominal value of utilized fund balance as at 31 st December	196,135,203	200,043,003
Unutilized fund balance as at 31st December	34,510,845	26,324,393
17. Retirement Benefit		
As at 31 st December	2014 Rs.	2013 Rs.
Balance at the beginning of the year	340,599,947	367,895,815
charge for the year	123,790,345	639,601
Payment/payable during the year	(28,459,149)	(27,935,469)
Balance at the end of the year	435,931,143	340,599,947

Gratuity provision has been made for all existing employees. However under the Gratuity Act No 12 of 1983. Gratuity Liability arises only upon an employee completing continuous service of five years. The following key assumptions were used in arriving at above gratuity liability.

	2014	2013
Discount interest rate	7.05%	10.64%
Salary increment rate	5%	5%
Staff turnover rate	2.77%	4.67%
Retirement age	60	60

18. Income Tax Payable		
As at 31 st December	2014 Rs.	2013 Rs.
Balance at the beginning of the year	88,581,787	(29,473,329)
With holding tax on deposits	(30,153,705)	(13,827,648)
Payment during the year	(30,819,565)	-
Under provision of tax for 2013	2,237,777	-
Provision for income tax	202,347,540	131,882,763
Balance at the end of the year	232,193,834	88,581,787
19. Trade and Other Payables		
As at 31 st December	2014 Rs.	2013 Rs.
Central bank- EPF	14,086,637	12,964,959
Labour department-ETF	1,698,070	1,555,815
Accrued expenses	128,298,983	170,814,175
Refundable tender deposits	11,862,050	6,566,130
Security deposits - except staff	33,239,095	30,033,745
Audit fees payable	3,073,028	2,323,028
Deposits by customers	-	10,400
Retention money	13,969,943	10,118,269
Other creditors	165,386,186	43,223,330
Conservator of forests	964,283,581	661,562,629
Stumpage - wild life department	388,363	335,619
Value added tax	23,510,868	22,168,086
Total	1,359,796,803	961,676,185

GLOSSARY OF FINANCIAL TERMS

1. Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by the Corporation in preparing and presenting financial statements.
2. Amortization
The systematic allocation of the depreciable amount of an intangible asset over its useful life.
3. Accrual Basis
The principle that revenues and costs are matched with one another, irrespective of the period of receipt or payment.
4. Cash and Cash Equivalents
Liquid investments with original maturities of three months or less.
5. Revenue Reserves
Reserves available for investments.
6. Value Addition
The quantum of wealth generated by the activities of the Corporation and its distribution.
7. Current Ratio
Current assets divided by current liabilities.
8. Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.
9. Gearing
Proportion of borrowings to capital employed.
10. Fair value
Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.
11. Return on Assets (ROA)
Net income expressed as a percentage of total assets, used as a measure of profit ability and as a basis of intra-industry performance comparison.
12. Deferred Taxation
The tax effect of temporary differences deferred to / from another period which would only qualify for inclusion on a tax return at a future date.

