

JANATHA ESTATES DEVELOPMENT BOARD

BOARD DIRECTORS – 2002

M/s Dharshan T. Jayanetti	-	Chairman
Pathmakeerthi Hemachandra	-	Board Director
R.T.R.T Karunachandra	-	-do-
K.S.K Pathirana	-	-do-
Annamalay Kathireson	-	-do-
Lalith R. De Silva	-	-do-

SECRETORY TO THE BOARD

Mr T.C.N Jayasekara - (General Manager)
01/01/2002 to 30/05/2002

Mr N E D De Croos - (Act. General Manager)
01/06/2002 to 31/12/2002

REGISTERED OFFICE :-
55/75
Vauxhall Lane,
Colombo 02

BANKS :-
Bank of Ceylon
Peoples Bank
Pan Asia Bank

AUDITORS :-
Auditor General

OPERATIONAL ACTIVITIES

The Janatha Estates Development Board managed 18 Tea Estates and one Rubber Estate at the beginning of the year, 2002. However, in August 2002, Mount Jean Estate was leased out to a private company with the approval of Ministry of Plantation Industries. The total hectarage of the Tea estates, inclusive of the extent of Mount Jean Estate, was 10,703.55 hectares for the year 2002 as against 10,614.70 hectares for the corresponding period 2001. The increase in hectarage during the year under review was mainly due to the inclusion of 110.75 hectares to the extent of Bopitiya Estate which extent was earmarked for alienation and excluded from the total hectarage in the year 2001. The total extent under tea cultivation for the year almost same as last year, before the change over of the Mount Jean Estate.

JEDB Managed only one Rubber Estate in 2002, Which is situated in Monaragala District. The total cultivated extent of this estate was 798.99 hectares out of which 642.99 hectares were under Rubber. The balance 156.00 hectares was under minor crops such as Coconut, Cocoa, Coffee etc.

The proportion of seedling Rubber and budded Rubber was 43% and 57% respectively representing 257.13 hectares under seedling Rubber and 343.27 hectares under Budded Rubber.

As in the past, the Green Leaf of the Estates belonging to Janatha Estates Development Board were manufacture in 10 factories that produced orthodox low grown types Teas.

CHAIRMAN'S REVIEW

On behalf of the board of Directors of the JANATHA ESTATES DEVELOPMENT BOARD , I have pleasure in presenting the Accounts and the annual report of the JEDB for the year ended 31st December,2002.

I wish to take this opportunity to offer my comments in brief on the activities and performance of the Janatha Estates Development Board for the year under review.

ADMINISTRATIVE CHANGES

A new Board of Directors was appointed to serve the consequent to the change of Government in the latter part of previous year. For the first time in the history of the Janatha Estates Development Board, full time working directors were appointed with a view to improve the performance of the Estates.

The new Board of Directors decided to do away with the cluster system hither to existed since they were of the opinion that the desired objectives were not met as expected from the clusters. A regional office was formed w.e.f. 15.03.2002, and a Regional Manager was appointed in place of the four cluster Directors, amongst the existing executives based on qualifications/experience and merit. No new recruitments were made in this process and the cluster Directors were reverted to their substantial posts of Superintendents.

TEA CULTIVATION

It is disappointing to note that although the hectarge in bearing is almost the same as last year, the crop secured in the year 2002 was 3,819,949 kilos of made tea as against 4,031,224 kilos during last year recording a deficit of 211,275 kilos. The main reasons that contributed towards this shortfall were the inadequate application of fertilizer due to the financial and the unfavorable weather that prevailed.

Net Sale Average

The trading result of the Janatha Estates Development Board for the year under review have been further aggravated due to the poor NSA obtained in comparison to last year as follows :- NSA 2001-Rs. 102/41 , NSA 2002- Rs. 98/91 , which was Rs. 3/60 below last year. One of the reasons for the low NSA was that the general market trend for orthodox teas was poor, the other being the deteriorating conditions of the machinery on account of financial crisis, which in turn affected the finished product.

Cost Of Production

The average COP on Tea for the year 2002 was Rs. 124/81 in comparison to Rs. 114/62 last year which reflects an increase of Rs. 10/19 over that of last year. The main reason for the high COP was the increase on labour wages by around 20%, which came in to affect mid-way of the year.

RUBBER CULTIVATION

The total production of Rubber for the year was 461,883 kilos No comparison with that of last year is possible due to the fact that this estate was taken back to the Board only in December,2001 from Siyabalanduwa Plantations Company.

Net Sale Average

The NSA realized for rubber during 2002 was Rs.61/66 against Rs. 38/24 last year

Cost Of Production

The COP on Rubber for the year 2002 was Rs.67/04 as against Rs. 101/22 in 2001. A comparison is not possible as the estate was managed for less than one month in the year 2001.

FINANCIAL RESULTS

It is disappointing to note that the income derived from Tea Cultivation has dropped by Rs. 35,413,220/- from Rs. 412,865,866/- last year to Rs. 377,452,646/- in the year 2002. However, due to better prices as well as the high crop secured, the Board has been able to earn Rs. 28,477,450/- as net proceeds on rubber during the year under review as against Rs.814,483/- received (for the crop of one month) last year. The income derived from Minor Crops and other sundry income for the year 2002 was Rs. 5,712,380/- as against Rs.4,173,700/- in the year 2001. On the whole the total revenue derived for the year 2002 was Rs. 411,642,476/- as against Rs. 417,854,049/- during the year 2001.

PROFITABILITY

Although much was expected at the commencement of the year, the end result is disappointing with a loss on tea amounting to Rs. 94,856,742/- against the loss of Rs. 46,013,671/- during the year 2001.

As regards Rubber, the position is not much different compared to the year 2001 with a loss of Rs 2,223,424/- as against Rs. 1,341,505/- during 2001.

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JANATHA ESTATES DEVELOPMENT BOARD
NAMES OF THE ESTATES & PLANTING EXECUTIVE
YEAR 2002

Estate	Superintendent	Asst. Superintendent
Bopitiya	D.C Kodituwakku	-
Bowhill	K.N Bogahawatte	H.M.K Bandara
Deltota	A.B Wadugodapitiya	P. Rajapaksha
Great Valley	H.M.K Bandara	-
	(w.e.f 15/06/02)	
Gallebodda	S.M.C.B Egodawela	S.Sivakumar
Hantane/Galaha	R.J.C Gunarathne	C. Aluvihara
	(Till 14/06/02)	D.B.S.L Perera
	K.R.M De Silva	A.C Setunga
Hope	L.B Abeykoon	N.S.Athukorala
		M.G.S Amarasiri
Kandaloya	E.V.A Pillai	P.G Pulasinghe
kolapatana	K.N Bohahawatte	-
Le Vellon	H.S.C Perera	K.A Harsha Kumara T.D Krishnaratne N. Kariyawasam Nishantha Raj
Loolecondera	J.U Hulangamuwa	T.M.B Rathnayaka I.N.D.E.A Illankoon W.T Sammera Jayasinghe
Monte Cristo	S.A.K Rajapaksha	H.M.P Perera
Mahavila	K.R.M De Silva (w.e.f 15/06/02) R.J.C Gunarathne	
Nagastenne	B. Balakumar	T.A.H.P Thilakarathna
Rahatungoda	R De S Daluwatte	A.S Dayaratne
Rookwood	N.Abeyrathna	H.K.S Sooriyatilake (w.e.f 15/06/02) P.D.M.K Siriwardana
Kumarawatte	P.D Silva	A.A Senarathna K.L Kularathna

JANATHA ESTATES DEVELOPMENT BOARD
HECTARAGE STATEMENT 2002

**JANATHA ESTATES DEVELOPMENT
BOARD
BALANCE SHEET AS AT 31ST - DECEMBER 2002**

		2002'	2001'
Share Capital & Reserves	Note		
Authorised Capital	1	(Rs,000) 4,100,000	(Rs,000) 4,100,000
Government Contribution	2	<u>3,187,718</u>	<u>3,187,718</u>
Capital Reserves	3	1,255,129	1,255,129
Revenue Reserves	4	<u>(4,356,754)</u>	<u>(4,356,754)</u>
		80,093	220,923
Long Term Liabilities	5	<u>201,904</u>	<u>201,904</u>
Short Term Liabilities	6		46,000
		<u>201,904</u>	<u>247,904</u>
		<u>281,997</u>	<u>468,827</u>
Represent By			
Fixed Assets	7	517,933	519,202
Investment	8	<u>320,591</u>	<u>307,195</u>
		<u>838,524</u>	<u>826,397</u>
Current Assets			
Stocks	9	57,152	63,507
Debtors	10	616,954	584,277
Deposits & Prepayments	11	9,910	8,362
Cash at Bank & In Hand	12	<u>40,433</u>	<u>104,587</u>
		<u>724,449</u>	<u>760,733</u>
Current Liabilities			
Creditors	13	643,892	552,542
Provisinos	14	76,386	76,804
Bank over Draft		<u>81,622</u>	<u>77,120</u>
		<u>801,900</u>	<u>706,466</u>
Working Capital		<u>(77,451)</u>	<u>54,267</u>
Differed Liabilities	15	<u>(479,076)</u>	<u>(411,837)</u>
		<u>281,997</u>	<u>468,827</u>
Signed on behalf of the Board			

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DARSHAN JAYANETTI
CHAIRMAN

.....
P.L LOKUGE
CHIEF ACCOUNTANT

JANATHA ESTATES DEVELOPMENT BOARD PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER
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	Note	2002, (Rs,000)	2001, (Rs,000)
Total Gross Proceeds	1	409,627	417,820
Less: Export Duty & Cess			
Sales & Brokerage		(3,526)	(3,938)
Fright Warehousing & Handling Charges		(171)	(202)
Total Net Proceeds		405,930	413,680
Other Products & Sundry Receipts		5,712	4,174
Total Revenue		411,642	417,854
Estate Expenditure Before Charging Following		492,704	453,333
Add: Depreciation		9,641	5,626
Provisions at Estate Level	2	6,377	6,250
		508,722	465,209
Profit/(Loss)			
For The Year at Estate Level		(97,080)	(47,355)
Less: Regional /Board Office Expenditure Net of Income			
Central Board Expenditure	(67,084)	(70,322)	
Depreciation - Regional Board	-	-	
Central Board	(6,912)	(73,966)	(77,758)
		(171,076)	(125,113)
Add: Other Income & Sundry Receipts	3	64,407	56,814
Profit on Jana Tea Sales		4,830	69,237
Profit/(Loss) For the Year		(101,839)	(66,216)
Prior Year Adjustment	4	(42,248)	(4,602)
Net Profit/(Loss) Carried Forward		(144,087)	(70,818)

JANATHA ESTATES DEVELOPMENT BOARD NOTES TO BALNACE SHEET FOR THE YEAR ENDED 31ST DECEMBER -2002

	2002'	2001'
	(Rs,000)	(Rs,000)
01. Authorized Capital	4,100,000	4,100,000
02. Government Contribution		
Contribution in cash	3,181,718	3,181,718
Value of Vested plantations Capitalized	3,181,718	3,181,718
03. Capital Resres		
Grants: Unicsf	33,884	33,884
Netherland Government		
A.D.B	274,672	274,672
I.R.D.P	121,697	121,697
Others	652,744	652,744
Factory Devel.&New planting Subsdy	57,308	57,308
Tea Board- C.T.C	57,907	57,907
Treasury Grant- Capital	-	-
Interim Allowance Treasury Grant	45,500	45,500
New planting Subsidy Reserve	38	38
Packing deal Develp. Reserve	11,379	11,379
	1,255,129	1,255,129
04. Revenue Reserves		
(a) General reserve	224,214	224,214
Sales proceeds of Movable Assets	173,990	171,145
Treasury Grant	398,204	395,359
(b) Profit & Loss Account		
Unappropriated profit/(Loss)	(144,087)	(144,087)
Profit/(Loss) from Previous Year	(4,930,871)	(4,860,230)
	(5,074,958)	(4,931,048)
(c) Reserve for Increased		
Replacement Cost Of Fixed Assets	320,000	320,000
	(4,356,754)	(4,215,689)

NOTES TO THE BALANCE SHEET (000')

	2002'	2001'
05 Long Term Liabilities		
Project Loans:		
Asian Development Bank	-	-
National Development Bank	-	-
Tea Board C.T.C	-	-
Peoples'Bank	195,826	195,826
Bank Of Ceylon Treasury	-	-
Medium Term (SWP) Loan	6078	6078
	<u>201,904</u>	<u>201,904</u>
06. Short Term Liabilities		
Ceylinco Shriram Security (pvt) Ltd;	-	23,000
M.B Finance Service Ltd;	-	23,000
	<u>-</u>	<u>46,000</u>
07. Fixed Assets		
(a) Vested Assets at Valuation		
Un- Improved Land	932	962
Mature Plantations	18,378	18,942
Other Assets	8,515	8,703
	<u>27,825</u>	<u>28,607</u>
Accumulated Depreciation on Land & Other	-	-
Assets of Mature Plantation	<u>(26,034)</u>	<u>(26,786)</u>
	<u>1,791</u>	<u>1,821</u>

JANATHA ESTATES DEVELOPMENT BOARD
NOTES TO THE BALANCE SHEET 2002'

Assets Purchased or Constructed Cost	Bal/C/F 01.01.2001'	Additions Trans/In	Disposal Trans/Out	Bal.C/F 31.12.2001'
Land Road Bridge	1,086,868.46	-	58,297.25	1,028,571
Improved Of Lands	283,112.78	-	-	283,112
Lines & Latrines	50,931,100.49	4,961,153.16	2,503,901.56	53,388,362
Building	130,231,017.72	1,056,370.21	1,553,511.42	129,733,876
Immature Plantations	244,570,567.09	18,561,376.47	16,617,584.01	246,514,359
Mature Plantations	134,169,874.16	10,317,797.43	6,483,113.85	138,004,557
Machinery	59,552,172.93	1,749,828.49	27,850.00	61,274,151
Equipment	26,418,665.69	979,287.02	492,245.47	26,905,707
Furniture & Fittings	4,505,476.05	102,585.00	161,141.13	4,446,919
Vehicles	58,716,357.68	4,995,000.00	1,224,257.96	62,487,099
Water Supply Scheme	17,416,382.06	5,121.75	183,607.03	17,237,896
Fences & Security Lights	565,939.24	-	29,416.00	536,523
Mini Hydro Scheme	266,298.00	-	-	266,298
Peripheral Houshing Scheme	394,705.22	-	375,622.15	19,083
Onugaloya Estates Fixed Assets	6,013,927.21	-	-	6,013,927
	735,122,464.78	42,728,519.53	29,710,547.83	748,140,446

JANATHA ESTATES DEVELOPMENT BOARD
DEPRECIATION THE YEAR ENDED – 2002'

07. Assets	Bal/C/F 01.01.2001'	Additions Trans/In	Disposal Trans/Out	Bal.C/F 31.12.2001'
Roads & Bridges	7,988.00			7,988
Lines & Latrines	24,667,413.00	2,671,700.15	2,365,144.00	24,973,969
Land/Building	84,286,063.58	5,841,208.65	1,687,424.00	88,439,848
Mature Plantations	6,806,048.16			6,806,048
Machinery	31,200,143.45	3,726,487.58		34,626,631
Equipment	22,934,268.76	666,350.00	317,679.00	23,282,939
Furniture & Fittings	3,929,727.67	72,815.23	158,447.00	3,844,095
Vehicles	46,994,318.22	4,512,950.00		51,507,268
Water Supply Scheme	1,032,475.70			1,032,475
Fences & Security Lights	646,024.00			646,024
Mini Hydro Scheme	49,980.00			49,980
	222,554,450.54	17,491,511.61	4,528,694.00	235,517,268.00

JANATHA ESTATES DEVELOPMENT BOARD NOTES TO THE BALANCE SHEET 2002'
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	2002	2001
	Rs(000')	Rs(000')
Fixed Assets Cost/Valuation	775,965	764,872
Less: Accumulated Depreciation	(261,551)	(250,297)
	<u>514,414</u>	<u>514,575</u>
Factory Development	-	4627
Others	3519	-
Projects	-	-
	<u>517,933</u>	<u>519,220</u>

Vested assets are those received from land Reform Commission and have been valued on the basis set out in Land Reform Law. As from 1983 the cost of Replanting is capitalized under Immature Plantations And transferred to Mature Plantations after the period of Immature is over Adjustments have been written off after six Years.

07. Investments	2001	2001
	Rs(000')	Rs(000')
International tea Blenders Ltd,	75	75
Investments in regional Boards	(2,615)	(16,011)
Treasury A/C	321'840	321'840
Serendib Coconut Products Ltd;	1,291	1,291
	<u>320,591</u>	<u>307,195</u>

09. Stocks

Input Stocks	Rs(000')	Rs(000')
Estate Sundry Stocks	1,890	3,358
Head Office Sundry Stocks	2,614	864
Regional Sundry Stocks	26	883
Fertilizer Stocks	4,091	2,398
Packing Materials	1,251	3,363
	<u>9,872</u>	<u>10,866</u>

Output Stocks

Tea	47975	53626
Rubber	1026	814
Coconut	-	
Other Products	909	
Nurseries 2,370		3,201
Less: Provision '(5,000)	(2630)	(1,799)
	<u>47,280</u>	<u>52,641</u>
TOTAL	<u>57,152</u>	<u>63,507</u>

10. Debtors

For Proceeds Since Received	2,028	3,518
Other	582,156	563,498
Debtors On Estate	14,725	15,064
Debtors Not on Estate	18,045	2,197
	<u>616,954</u>	<u>584,277</u>

11. Deposit & Pre Payment

Payment In Advance	6,220	4,923
Deposits Receivable	3,690	3,439
	<u>9,910</u>	<u>8,362</u>

12. Cash At Bank & In Hand

Balance At Bank	690	1,053
Cash In Hand	2,884	11,690
Call Deposits	36,859	91,844
	<u>40,433</u>	<u>104,587</u>

13. Creditors

On Estates	55,643	29,081
Other	516,149	503,164
Not In Estate	68,326	3,855
Accrued Charges	3,389	16,378
Deposits payable	385	64
	<u>643,892</u>	<u>552,542</u>

14. Provisions

Bonus to Employees	5,153	5,550
Audit Fees	1,026	976
Interest on Assets Taken Over	5,209	5,209
Bad Debtors	64,365	64,391
Obsolete	633	678
	<u>76,386</u>	<u>76,804</u>

		2002'		2001'
		Rs(ooo')		Rs(ooo')
15. Reatairing Gratuity		370,835		303,596
Insurance Provision	109,241		109,241	
Less: Investments	(1,000)	108,241	(1,000)	108,241
		<u>479,076</u>		<u>411,837</u>

The insurance provision is to meet losses arising from Loss by free of estate contents. Payment of Compensation for personal accident risks are carried by the board.

Manufacture crops and vehicle and certain buildings and contents are insured with the insurance Corporation Of Sri Lanka.

Liability under payment of gratuity act of 1983 is provided approximately on the basis of two weeks pay for one year services for each employee. Approximate provision has been made for services of past years.

**JANATHA ESTATES DEVELOPMENT BOARD
NOTES ON PROFIT & LOSS ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER - 2002**

	2002'	2001
	Rs(000)'	Rs(000)'
01. Proceeds		
Main Crop		
Tea	380,990	416,996
Rubber	28,637.00	824
	<u>409,627</u>	<u>417,820</u>
02. Provision		
(A) Estates		
Audit Fees	509	491
Bonus	5,868	5,759
	<u>6,377</u>	<u>6,250</u>
03. Interest & other Income		
Net profit on Jana Tea sales	4,830	
Sundry Income	60,395	49,400
Lease Income	4,012	7,414
	<u>69,237</u>	<u>56,814</u>
04. Adjustments in respect of provision year	(42,248)	(4,602)

JANATHA ESTATES DEVELOPMENT BOARD ESTATE REVENUE FOR THE ENDED 31ST DECEMBER -2002' MAIN PRODUCT - TEA & RUBBER

	<u>TEA</u>	<u>RUBBER</u>	<u>TOTAL</u>
Extent Cultivated (Hec)	4,678.33	642.99	5,321.32
Extent in Bearing (Hec)	4,512.01	600.40	5,112.41
Quantity Kgs	3,819,948.8	461,883	4,281,831.75
GROSS PROCEEDS	380,990,015.57	28,636,687.92	409,626,703.49
Export Duty			
Fright Warehousing & Handling Charges	166946.95	3406.00	170352.95
Sales Tax	481,877.73	19,158.79	501,036.52
Brokerage	2,888,545.26	136,673.25	3,025,218.51
TOTAL CHARGES	3,537,369.94	159,238.04	3,696,607.98
Net Proceeds	377,452,645.63	28,477,449.88	405,930,095.51
Other Product & Sundry Receipts	5,378,899.16	333,481.14	5,712,380.30
TOTAL REVENUE	382,831,544.79	28,810,931.02	411,642,475.81
N.S.A In Relations to Items 08	98.81	61.66	96.14

JANATHA ESTATES DEVELOPMENT BOARD STATEMENT OF REVENUE EXPENDITURE AT ESTATE LEVEL FOR THE YEAR ENDED 31ST DECEMBER - 2002'

GROSS PROCEEDS

Main Product	Tea	380,990,015.57		
	Rubber	<u>28,636,687.92</u>	<u>409,626,703.49</u>	
Other Product & Sundry Receipts:	Tea Estate	5,378,899.16		
	Rubber Estate	<u>333,481.14</u>	<u>5,712,380.30</u>	<u>415,339,083.79</u>

CHARGES

Export Duty & Cess				
Fright Warehousing & Handling Charges			170,352.95	
Sales Tax			501,036.52	
Brokerage			<u>3,025,218.51</u>	<u>3,696,607.98</u>
TOTAL REVENUE				<u><u>411,642,475.81</u></u>

ESTATE EXPENDITURE

Tea Revenue Expenditure		476,780,925.00		
Less: Crop Charges		<u>3,537,369.94</u>		473,243,555.06
Rubber Revenue Expenditure		30,964,234.39		
Less: Crop Charges		<u>1,592,380.04</u>		30,804,996.35

OTHER PRODUCT EXPENDITURE

Tea Estate		907,361.67		
Rubber Estate		<u>70,120.19</u>		<u>977,481.86</u>
				-
Add: Warehousing Charges				<u><u>505,026,033.27</u></u>

JANATHA ESTATES DEVELOPMENT BOARD ESTATE REVENUE EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 2002' MAIN PRODUCT - TEA & RUBBER

	TEA	RUBBER	TOTAL
Total Production Kgs	<u>3,819,949</u>	<u>461,883</u>	4,281,832
Depreciation	9,455,440.58	185,690.00	9,641,130.58
Audit Fees	494,523.00	15,000.00	509,523.00
Provision For Bonus	5,383,447.17	484,800.00	5,868,247.17
Crop Charges	15,223,230.26	1,828,904.00	17,052,134.26
Warehousing Charges			
Gratuity	<u>13,009,291.62</u>	<u>1,153,200.00</u>	<u>14,162,491.62</u>
Total Other Cost			
Less:			
Provision Included in other Product Expenditure			
Total Other Cost on Main Crop	45,624,783.34	3,667,594.00	49,292,377.34
C.O.P Per Kg	11.94	7.94	11.51
Balance Cost	<u>431,156,141.66</u>	<u>27,296,640.39</u>	<u>458,452,782.05</u>
a. Labour Wages	222,761,985.00	16,158,801.00	238,920,786.00
b. Estate Staff Salaries	35,489,214.29	2,209,040.00	37,698,254.29
c. Other Staff Salaries	<u>172,904,842.37</u>	<u>8,928,799.39</u>	<u>181,833,741.76</u>
	112.86	59.10	107.07
C.O.P			
Total Cost	<u>476,780,925.00</u>	<u>30,964,234.39</u>	<u>507,745,159.39</u>
C.O.P per Kg	124.81	67.04	118.58
Other Product Expenditure	907,361.67	70,120.19	977,481.86
Total Expenditure	<u>477688286.67</u>	<u>31034354.58</u>	<u>508722641.25</u>

AUDITOR- GENERAL DEPARTMENT

The Chairman
Janatha Estates Development Board

Report of the Auditor General on the Accounts of the Janatha Estates
Development Board for the ended 31 December 2002 in terms of
Section 14(2) (e) of the Finance Act No 38 of 1971

The audit of accounts of the Janatha Estates Development Board for the year ended 31 December 2002 was carried out under my direction in pursuance of provisions in article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No 38 of 1971. My observations which I consider should be published with the Annual report of the Board in terms of Section 14(2) (e) of the Finance Act appear in this report. A detailed report in terms of section 13 (7)(a) of the Finance Act will be furnished in due course.

1.2 Scope of Audit

Audit opinion comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff other resource and time available to me. The audit was carried out in accordance with Sri Lanka Auditing standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessments of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed Sub-section (3) and (4) of 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.

1.3 Restructure in the Management of Plantations

Janatha Estates Development Board, along with six Regional Boards had managed 265 estates up to June 1992. All Regional Boards had been converted into 22 Public Companies under the conversion of public corporations or Governments Owed Business Undertakings into Public Companies Act, No 23 of 1987 and 242 estates had been assigned to those companies for management from June 1992. Janatha Estates Development Board, along with the Nawalapitiya Regional Office continued to manage the balance 23 estates. Five estates had been amalgamated with other estates in 1998 and 01 estate had been handed over by a Plantations Co. Ltd. In 2001 to the Board. The Board had managed 19 estates, during the year under review.

2. Accounts

2:1 Audit Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2:3 of this report, I am of opinion that financial statements have been satisfactorily prepared to present fairly in all material respects the financial position of the corporation and the Estates as at 31 December 2002 and the financial results its operations for the year then ended in accordance with the Sri Lanka Accounting Standards other than the Standards referred to in this report and the stated accounting policies as set out in Notes 1 to 4 to the financial statements.

2.2 Financial Results

According to the accounts presented, the working of the Board for the year ended 31 December 2002 had resulted in a deficit of Rs 101.8 million as compared with the corresponding deficit of Rs 66.2 million for the preceding year.

2:3 Comments on Accounts

2:3:1 Accounting Deficiencies

Following accounting deficiencies were observed in audit

(a) Overstatements & Understatements

(i) Advance paid for newspapers for the year 2003 amounting to Rs 13,101 had been charged to Profit and Loss accounts for the year under review instead of being shown as an advance payment.

(ii) Lease rent income received for the year 2003 amounting to Rs 43,850 had been credited to Profit and Loss Accounts for the year under review instead of being shown as an income received in advance.

(iii) Sale proceeds of motor vehicles and lands amounting to Rs 7,093,974 and Rs 11,614,885 respectively had been shown under Revenue Reserve Accounts without ascertaining the profit or Loss on the disposal.

(iv) Vehicle lease interest amounting to Rs 305,002 had not been transferred from interest Suspense Accounts. As a result Vehicle lease interest accounts had been understated by that accounts.

(v) A bad debit balance of Rs 1,523,857 had been shown under the Head office Debtors. As a result, that account had been overstated by similar amount.

(vi) Overpayment of Rs 160,399 made to the EPF during 1996 in respect of ESPS had been erroneously brought to account under prepayments Accounts.

(vii) Suspense paper sacks ledger balance amounting to Rs 1,700,180 had been shown in the closing stock.

(viii) Jana Tea Stock Shortage/Excess Accounts balance amounting to Rs 12,787 had been shown under debtors instead of being transferred to the profit and Loss Accounts.

(ix) Suspense accounts relating to Monaragala and Jana Tea Division amounting to Rs 105,129 had been shown under Jana Tea Debtors Accounts. As a result that account had been overstated by similar amount.

(x) The accumulated loss of Rs 4,931,048,000 as at 31 December 2001 shown in the Balance Sheet had been brought forward as Rs 4,930,871,000 for the year under review resulting in the understatements of Rs 177,000 in the accumulated loss.

(xi) Sale proceeds of vehicles owned by Sri Lanka State Plantations Corporation amounting to Rs 1,038,266 had been shown under Revenue Reserve Accounts. As a result that accounts had been overstated similar amount.

(xii) The loss of Rs 2,615,268 relating to the Regional Office- Kandy for the year under review had been transferred to investment Accounts instead of being adjusted to Profit and Loss Account.

(xiii) Book value of the Equipments Furniture and Fittings amounting to Rs 3,669,713 and Rs 576,029 respectively as at 31 December 2001 shown in the balance sheet had been brought forward as Rs 3,484,397 and Rs 575,749 respectively. The differences of Rs 185,316 and Rs 280 had not been explained .

(xiv) Accumulated loss of the Regional Office – Kandy amounting to Rs 16,011,000 had not been taken into account.

(xv) obsolete stock balances of Rs 79,947 and Rs 15,893 relating to Kolapatana and Levellon Estates respectively had been shown as debtors instead to being charged to Expenditure Account.

(xvi) Revenue expenditure amounting to Rs 32,683 and Rs 22,430 relating to Kolapatana and Monte Cristo Estates respectively had been shown as Current Assets instead of being charged to Expenditure Account.

(xvii) Lease installment payments amounting to Rs 2,997,482 relating to Loolecondera Estate had been shown as Current Assets instead of being charged to Expenditure Account.

(xviii) Bank charges amounting to Rs 19,232 for the month of December 2002 relating to Loolecondera Estate had not been accounted.

(xix) Balances of Nursery Accounts amounting to Rs263,285 and Rs 125,369 relating to Levellon and Kolapatana Estates respectively had been shown as assets. It was observed that there were no such physical assets in existence.

2:3:2 Lack of Evidence for Audit

Following items in the accounts could not be satisfactory vouched or accepted in audit due to the non-availability of evidence indicated against each item.

Item	Amount (Rs)	Evidence not made available
(a) Fixed Assets	748,140,446	(i) Registers of Lands and Plantations (ii) Register of Fixed Assets (iii) Physical Verification Reports
(b) Investments	36,788,754	(i) Investments certificates (ii) Related Files
(c) Debtors	409,816,993	(i) Register of Debtors (ii) Connected Files (iii) Age Analysis (iv) Confirmations
(d) Creditors	296,429,099	(i) Registers (ii) Connected Files (iii) Age Analysis (iv) Confirmations
(e) Sundry Stocks	2,614,045	Physical Verification Reports

2:3:3 Identified Losses

- (a) A sum of Rs 40,283 had been incurred as advertising charges to recruit a senior Accountant and a Chief Accountant and a Internal Auditor. However, these vacancies were filled internally.
- (b) A loss of Rs 12,863 had been incurred as surcharges and processing charges due to unsettlement to electricity bills at Vauxhall Street stores on due days.
- (c) A sum of Rs 14,172 had been paid as surcharges due to unsettlement of gratuity on due days.

2:3:4 Non-compliance with Laws ,Rules Regulations and Management Decisions

Provisions in the following Laws, Rules Regulations etc. had not been properly complies with.

- (a) Section 8(1), 11, 13(5) (b),13(6), 13(8), 14(1) and 14(3) of the Finance Act No 38 of 1971.
- (b) Financial Regulations 70,71,110,371 (a), (c), 452(1),757,1645,1646 and 1647(e).

- (c) National Budget Circular No 81 of 06 January 1998.
- (d) Treasury Circular No 116 dated 24 January 1997
- (e) Sri Lanka Accounting standard Nos 3,5,9,12,16 and 32.
- (f) Public Finance Circular No PE/1/000/06(Allowance) 11 Volume dated 07 October 1998 and No PF/PE 14 dated 28 January 2001.
- (g) Public Enterprises Department Circular No 83 of 20 December 1990.
- (h) Ministry Of Policy Planning and Implementation Letter dated 19 February 1990.
- (i) Employees' Provident Fund Act No 15 of 1958.
- (j) Employees' Trust Fund Act No 46 of 1980.
- (k) Payment of Gratuity Act No 12 of 1983.
- (l) JEDB/SLSPC Circular No 2061 dated 13 July 1998.
- (m) Establishments Code, Section 4:1 of Chapter viii.

2:3:5 Transaction not supported by adequate Authority

Following observations are made.

- (a) Sums of Rs 1,200 Rs5,000, 10% of the consolidated allowance and Rs 8077 (as labour allowance) per month had been paid to the Chairman of Board as monthly allowance without the approval of the Line Ministry or the Treasury.
- (b) A sum of Rs 215,849 had been paid for the purchase of eleven mobile telephones for use of the working Director and Executive Officers of the Board and Rs 332,639 had been paid as mobile phone charges for the year under review without the approval of the Ministry of public Administration or the Treasury.
- (c) In response to the Quotations called for in February 2002, for the purchase of a motor vehicle, supplier had quoted the price of Rs 4,995,000 for a motor vehicle, supplier had quoted the price of Rs 4,995,000 for a motor vehicle. Tender procedure had not been followed properly. However the Board had purchased the above motor vehicle on lease basis and according to the lease agreement, the Board had agreed to pay a sum of Rs 7,116,672 which was Rs 2,117,672 or 42.7 percent more than the quoted price. Further the Board had paid lease interest and Goods and services Tax amounting to Rs 1,331,031 during the year under review.
- (d) A sum of Rs 148,666 had been paid as official residential telephone charges of the officers of the Board during the Year under review. However, the 10% of the call charges and the amounts in excess of the limits prescribed in terms of public Finance Circular No PF/PE/14 of 28 February 2001 had not been recovered from the officers concerned.
- (e) In terms of provisions in the Public Finance Circular No PF/PE/14 dated 28 February 2001, the Chairman of the Board is entitled to 180 liters of petrol per month on the reimbursement basis. However, expenditure incurred during the year under review on fuel for his vehicle amounted to Rs 358,898 or 7178 liters of petrol and exceeded the entitlement by 5198 liters of petrol or 262%.
- (f) According to information furnished to audit, the Board had recruited several persons to the subordinate grades and the minor grades during the year under review, contrary to the Secretary to the Treasury that no recruitments should be made during the year 2002.

- (g) As per the Final Accounts of the Board the overdraft balances in the current accounts maintained by the Regional Office and the Head Office of the Board in private Banks and Bank of Ceylon respectively as at the end of the year amounted to Rs 81,622,021.
- (h) Officer of the management grades of the Board had been allowed the use of official motor vehicles assigned to them for private purpose without obtaining the requisite approval of the Line ministry and Ministry of Public Administration in terms of Public Administration Circular No 22/99 of 08 October 1999.

3. Financial and Operating Review

3:1 Extent Cultivated

The total extent of 19 estates managed by the per the Board for the year 2002, was 10,992 hecares as compared with same extent of hectares, for 19 estates during the preceding year.

The cultivated extent of Tea for the year 2002 was 4678 and rubber 643 hectares as compared with 6427 hectares in the preceding year.

3:2 Performance Analysis of Crops

(a) The performance with regard to the cultivation of Tea during the year under review and the four preceding years from 1998 to 2001 as computed by the Board are shown below.

<u>ITEM</u>	<u>UNIT</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Extent Cultivated	Hectare	4822	4821.89	6506.07*	6427*	4678
Extent Bearing	Hectare	4589	4521.89	4533.31	4564	4512
Quantity Produced	Kg (M)	3.80	4.11	4.35	4.03	3.81
Yield per Hectare (YPH)	Kg	846.50	910	953	901	827
Cost of Production per Kg	Rs and Cts	107.14	99.98	102.53	111.21	120.93
Net Sales Average per Kg	Rs and Cts	96.94	91.05	104.49	103.26	98.83
Profit/(Loss) per Kg	Rs and Cts	(10.20)	(8.93)	1.96	(7.95)	(22.10)
Profit/(Loss) Margin	Percentage	(10.80)	(10.92)	1.87	(7.70)	46.45
Total Profit/(Loss) for the year	Rs (M)	(39.90)	(36.74)	8.34	(31.58)	(8.18)

***Including herbal and timber plants arrears.**

Following observations were made.

- (i) The quantity of produced Tea during the year under review had decreased by 211,275 Kgs or 6% as compared with that of the preceding year. Reports of the Board revealed that the decrease had been due to the drought and the stoppage of work by labours.
- (ii) The cost of production per kg during the year under review had increased by Rs 9.72 or 9% over of that of the preceding year. Information of the Board revealed that the increase had been due to increase in wages and other costs.
- (iii) The net sales average per kg had decreased by Rs 4.43 as compared with that of the preceding year.

(b) Other Crops – Rubber

The performance with regard to the cultivation of rubber during the year under review as follows.

<u>Item</u>	<u>Unit</u>	<u>Amount</u>
Extent Cultivated	Hectare	643
Extent Bearing	Hectare	600.40
Quantity Produced	Kg	461,883
Yield per Hectare	Kg	719
Cost of production per Kg	Rs	67.04
Net Sales average per Kg	Rs	61.66
Profit/(Loss)per Kg	Rs	(5.38)
Profit/(Loss) Margin	Percentage	0.10
Total profit/(Loss) for the year	Rs	(2,484,930)

Following observations are made.

(i) The Rubber Estate had been handed over to the Board by Siyabalanduwa Plantation Co. In Mid- December 2001.

(ii) The cost of production had amounted to Rs 67.04 per Kg and the net sales averages amounted to Rs 61.6 per kg. For the year under review and as a result the net loss per kg. amounted to Rs 5.38

3:3 Capacity Utilization

Under mentioned Tea Factories were not in operation during the year under Review.

- Deltota estate (Factory closed down since February 2001 for repair)
- Great-Valley Estate (Factory had been leased out to a private company)
- Mahavila Estate – There are 3 factories one had been leased out one used as stores and other one closed for over 25 years.

3:4 profit and Loss

(a) Estate

Out of 19 estates managed by the Board 12 estates had incurred losses in the year 2002.

(b) Regional Office

The operation of the Regional Office Hantana - Kandy for the period of 15 March 2002 to 31 December 2002 had resulted in Loss of Rs 2,615,268

(c) Jana Tea Division

The working of the Jana Tea Division for the year ended 31 December 2002 had resulted in a profit of Rs 4,830,159.

3:5 Uneconomic Transactions

Following observations are made

- (a) According to the letter of appointment issued to the Welfare Officer of the Board that officer was entitled to 150 liters of petrol per month for the motor vehicle assigned to him. A motor vehicle had been leased for the use of that officer at a monthly lease rent of Rs 15,000 and the officer had been paid monthly fuel allowance without obtaining the requisite approval.
- (b) Two Working Directors of the SLSPC had been paid Rs 54,297 as acting allowance for acting in the post of Working Directors of the JEDB during the year under review in addition they had also been paid Rs 70,000 as outstation allowance for the Year.
- (c) A sum of Rs 182,250 had been paid as advance for 450 Nos wall clocks purchased to distribute among the staff free of charge.
- (d) A sum of Rs 10,358 had been incurred for 02 Nos. of Cross Ball Pens Purchased to present for best performing superintendents during the year under review.
- (e) Sums of Rs 7,020,474 Rs 1,360,671 and Rs 1,644,342 had been paid as interest on overdraft facilities advances obtained from brokers and for a loan respectively.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

Head Office and Regional Office

- (a) Accounting
- (b) Fixed Assets
- (c) Control over Motor Vehicles
- (d) Budgetary Control
- (e) Internal Control

Estate Accounts

- (a) Proper maintenance of books and records
- (b) Reconciliation of field and office records
- (c) Confirmation of debtors and Creditors
- (d) Losses and Shortages
- (e) Budget
- (f) Internal Control
- (g) Acknowledgement for payments

