

AUDITED PROJECT FINANCIAL STATEMENTS

Project Nº : 1100001731

Loan No. 2000001447

Period covered: 1st January 2018 – 31st December 2018

Smallholder Tea And Rubber Revitalization Project (STaRR)

Prepared by: National Audit Office (Sri Lanka)

Received on 14th July, 2019

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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My No. }

PLA/C/STaRRP/18/05

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දිනය } 12 July 2019
திகதி }
Date }

Secretary

Ministry of Plantation Industries

Report of the Auditor General on the Financial Statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2018

The English version of the above mentioned report is sent herewith along with a copy of the financial statements certified.

W.P.C. Wickramaratne

Auditor General

- Copies to :-
01. Secretary, Ministry of Finance
 02. Project Director, Smallholder Tea and Rubber Revitalization Project





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Report of the Auditor General on the Financial Statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of receipts and payments and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies 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 Article XI of the Financing Agreement No. 2000001447 dated 26 April 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the International Fund for Agricultural Development. This report consists of the matters observed during the course of audit and submitted for the consideration of the Executing and Implementing Agencies of the Project.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2018, financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs) and the International Fund for Agriculture Development Guidelines for Project Audits. My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information on performance of the Project

The other information as stated below does not include in the financial statements and my opinion thereon does not cover the other information.

- According to the Budget Estimate for 2018, the allocation amounting to Rs. 500 million under local component and the allocation amounting Rs. 900 million under the foreign component had been made to implement the activities of the Project. However, according to the Action Plan of the Project for 2018, the activities at a cost of Rs. 321 million under the local component whilst other activities at a cost of Rs. 825.91 million under the foreign component only had been planned to implement by the Project during the year under review. Out of that only a sum of Rs. 163.24 million under the local component and a sum of Rs. 713.59 million under the foreign component had been utilized at the end of the year under review.
- The activities of the Project consisted with 03 components to provide financial and technical supports to the Tea Smallholders' Development Authority, Rubber Development Department and provide financial facilities through credit schemes implemented by 04 Participatory Credit Institutions. Therefore, the subsidy schemes are implemented by the Project to support of tea smallholders in Galle, Matara, Ratnapura, Badulla, Kandy and Nuwara-Eliya districts for replanting purposes and rubber smallholders in Ampara and Monaragala districts for new planting purposes. The following observations are made relating to the progress of the above mentioned 03 components.

- According to the Project document, it was planned to issue permits to the smallholder farmers for tea replanting of 3,875 hectares in the above mentioned 05 districts up to 31 December 2018. However, permits had been issued only for 2,382 hectares of land and upfront payments aggregating Rs. 348 million had been made to the tea smallholders thereon. According to the information received, only 738 hectares of tea lands prepared for replanting purposes as at 31 December 2018. The progress of implementing the activities for tea replanting purposes had remained slow, due to lack of proper co-ordination of the Tea Smallholders Development Authority.
- According to the condition stipulated in the agreement entered for the payment of subsidies, the recommendations of the Tea Inspectors of the Tea Smallholders Development Authority is required to be obtained by the smallholders to release the third installment of the subsidies. However, according to the information received, 331 tea smallholders in Kandy district could not be obtained the second and third installments of subsidies for replanting of tea in 47.23 hectares even after completing land preparation activities, due to delays in receiving the recommendations of the Tea Inspectors.
- It was observed that 109 other tea smallholders who obtained permits and upfront payments of Rs. 3.58 million for the purpose of tea replanting of 23.85 hectares in Kandy district had not continued their cultivation.
- It was observed at the physical inspection, the lands of 17.81 hectares in the Warapitiya area in the Maha Oya Divisional Secretariat Division prepared for rubber replanting purposes under the Project had been acquired to construct a reservoir. Therefore, the upfront payments aggregating Rs. 1.25 million made to 22 smallholders had become fruitless. Further, it was observed that rubber cultivation of

41.29 hectares made by 65 smallholders in Maha Oya, and Uhana Divisional Secretariat Divisions had been destroyed by the wild elephants and upfront payments aggregating Rs. 2.89 million made in 2016 and 2017 was become fruitless. In addition, rubber cultivation of 10.54 hectares made by 12 other smallholders at Damana and Lahugala had also destroyed, due to severe drought prevailed in the areas.

- Development works of the rubber plant nursery at Ampara carried out at a cost of Rs. 18 million as at 31 December 2018 had been abandoned, due to lack of prior approval from the relevant authorities such as Central Environment Authority, Department of Forest Conservation and Department of Archaeology. As a result, the targets to cultivate 250,000 rubber plants annually by the Project in above mentioned 02 districts had remained doubtful.
- A baseline survey and monitoring and evaluation system had been completed by the Project on 31 October 2018 at a cost of Rs. 6.5 million to collect information on social and economical background of the beneficiaries living in the areas of the Project. However, the Evaluation and Monitoring Officers had not been recruited by the Project for continuous monitoring purpose of the activities of the Project, based on the survey conducted.
- The Project had procured 10 motor cars on 04 September 2018 at a cost of Rs. 85 million had remained idle for 04 months period up to 31 December 2018, due to delays in recruiting drivers. The Project had taken action to hire motor vans at a cost of Rs. 2.64 million during the above mentioned period of 04 months.

1.4 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

1.5 Auditor's Responsibilities for the audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on other requirements of the Donor Agency

As required by the International Fund for Agricultural Development, I state the followings:

- (a) The basis of opinion of the audit is as stated above.
- (b) In my opinion:
 - the funds provided had been utilized for the purposes for which they were provided,
 - the Statements of Expenditure submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreement,

- the opening and closing balances and withdrawals from and replenishments to the Special (Dollar) Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2018 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- the financial covenants laid down in the Loan Agreement had been complied with.


W.P.C. Wickramaratne
Auditor General

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT

MINISTRY OF PLANTATION INDUSTRIES, SRI LANKA

IFAD Loan Number 2000001447.

PROJECT FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared in accordance with the Cash Basis of Accounting Method of the International
Public Sector Accounting Standards (IPSAS)

Colombo
2019 March

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SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT

MINISTRY OF PLANTATION INDUSTRIES

IFAD Loan/Grant Number 2000001447

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01. Project Information

01.01. The Project Outline

The Smallholder Tea and Rubber Revitalization (STARR) Project is functioning under the Ministry of Plantation Industries, with the financial assistance from the International Fund for Agricultural Development (IFAD). The Financing Agreement was signed dated 26th April 2016 between the (IFAD) and the Democratic Socialist Republic of Sri Lanka. The Project would extend assistance to improve the productivity of the tea smallholder sector and expanding rubber cultivation into non-traditional rubber growing areas while supporting small scale rubber processing.

The lead agency for implementation of the STARR Project is the Ministry of Plantation Industries (MPI), Sri Lanka. An autonomous Project Management Unit has been established for the operations of the Project and is located at No. 465, 1st Floor, Zimantra Building, Ganahena, Battaramulla, Sri Lanka.

Table 1 - Summary of the Project details

<i>Project Title</i>	Smallholder Tea & Rubber Revitalization (STARR) Project
<i>IFAD Project Number</i>	Loan Number: 200001447
<i>Project Duration</i>	24 April 2016 to 31 23 April 2021
<i>Total project budget (in USD):</i>	65.4mn (LKR 8,502 Mn)
<i>Amount of IFAD Loan (in USD)</i>	25.76 Mn (LKR 3,349.30)
<i>Year of implementation</i>	FY2016
<i>Financial year</i>	1 st January to 31 December

01.02 Goal and Development Objectives of the Project

The goal of the Project is to enable poor rural people to improve their food security, increase their incomes and strengthen their resilience. The development objective of the STARR Project would be a more profitable, productive and resilient economic activities of tea and rubber smallholders in selected districts.

01.03 Project Outcomes

The expected project outcomes would be:

- Smallholders economic activities in tea and rubber become more productive, profitable and resilient;
- Better organized tea & rubber smallholders able to effectively and sustainably produce and market their products; and
- Tea and rubber smallholders get increased access to credits.

01.04. Project Components

The STARR project has 3 major components which are as follows.

01. Tea Smallholders' Development – Operationalized mainly by STARR and the Tea Smallholdings Development Authority (TSHDA) as a Technical Service Partner (TSP)
02. Rubber Smallholders' Development – Operationalized mainly by STARR and Rubber Development Department (RDD) as a Technical Service Partner (TSP); and
03. Inclusive Rural Financing – Operationalized through commercial and development banks including Bank of Ceylon, People's Bank, Regional Development Bank (RDB), National Development Bank (NDB), etc.

01.05. Project Area

The Project area would be located geographically in eight neighbouring districts in the Central and the Southern Sri Lanka, including Galle (tea), Matara (tea), Ratnapura (tea and rubber processing), Badulla (tea), Kandy (tea), Nuwara Eliya (tea), Moneragala (rubber) and Ampara (rubber).

These districts have been selected based on their poverty incidence, potential of production of tea and rubber. A total of 144,000 people, or 32,000 households, would benefit from the Project.



Figure 1: Map of the Project Operating Areas

01.06. Categories of Eligible Expenditure under the Project and sources of finance

As per the Financing Agreement, there are five Categories of Eligible Expenditures to be financed by IFAD loan of USD 25.76 as follows.

01. Civil works
02. Equipment & materials,
03. Goods, services and inputs,
04. Capital grants and government subsidies, and
05. Salaries, allowances and operational costs.

Project design contains 5 sources of financing for the Project

01. International find for Agricultural Development
02. Government of Sri Lanka
03. Beneficiaries
04. Participatory Financing Institution (PFIs)
05. Private Sector

The contribution to the Project by the Government of Sri Lanka includes, subsidy payment for tea replanting and rubber new planting implemented according to the government schemes, taxes and other expenditure as defined in the Annual Work Plan and the Budget. The Participatory Financial Institutions (PFIs) are expected to provide USD 3.2 million as a line of credit from their own funds. Beneficiaries will make a substantial contribution in terms of their own labour and capital for replanting of tea, cultivation of rubber, inter-crops as well as their contribution to private nurseries, access roads and other necessary infrastructure programmes and rubber processing units provided under the Project.

02. Bank Account Details

As required by Section E of the Financing Agreement (FA) signed in between GOSL and IFAD, the project has opened up a special currency account in the Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka on 27.09.2016. The account number is

In addition, for the operations of the Project, two current accounts have been opened at the Bank of Ceylon, Battaramulla Branch, No. 75/A, Main Street, Battaramulla. Although the Project planned to open Current Accounts at the Bank of Ceylon for the operations of the District Management Units (DPMUs), as per the recommendation made by IFAD during its supervision mission in October 2017, it was decided to keep the financial operations centralized to PMU.

Name of the existing Bank Accounts of the PMU are as follows:

Table 2 – Bank Account Details

Bank Account Name	Account No.	Authorized Signatories
1. Secretary Ministry of Plantation Industries, Smallholder Tea and Rubber Revitalization Project – IFAD		Finance Manager or Project Accountant with either Project Director or the Chief Accountant of MPI
2. Secretary Ministry of Plantation Industries, Smallholder Tea and Rubber Revitalization Project – GOSL		

03. The Auditors of the Project

The accordance with the Section G. 35. Letter to Borrower dated 31.05.2016, Auditor General of Sri Lanka has been appointed as the Project External Auditors.

The address of the Auditor General's Department is as follows.

Auditor Generals' Department,
306/72 Polduwa Road,
Battaramulla.

04. Project Management Team

Project is managed by a National Steering Committee (NSC) chaired by the Secretary of the Ministry of Planation Industries which provides the overall policy and administrative support, coordination and direction to the Project. In addition, the Project has designated staff for the operation of the Project headed by a Project Director.

05. Background Information on the Project Financing

The total indicative project cost will be US\$ 65.4 million over a six-year period, of which IFAD will provide a loan equivalent to USD 25.76 million. The Project has five sources of funding who contribute to the total cost of USD 65.4mn. (LKR 8,502 Mn). The details of the Financing sources, amount and % share of funding are as follows.

Table 3 - Details of the Financing Sources of the STARR Project

Funding Source	Amount (LKR Million)	Amount (USD Millions)	% Share
GOSL	4,259.0	32.762	50.09
IFAD	3,349.3	25.764	39.39
Banks	422.6	3.251	4.97
Beneficiaries	469.2	3.610	5.52
Private Sector	1.9	0.114	0.02
Total	8,502.08	65.4 01	100.0

As per the Section C of the Financing Agreement the Project Completion date shall be the sixth anniversary of the date of entry into force of the agreement. Accordingly, the starting date will be 26th April 2016 and will be open for 6 years with that effect.

06. Project Costs -Allocation of Loan Proceeds

The table below shows the Categories of Eligible Expenditures to be financed by the Lon and the allocation of the amounts of the Loan to each category and percentage for items to be financed in each category in accordance with the Schedule 2 of the Financing Agreement.

Table 4 – Allocation of Loan Proceeds

IFAD Budget Category	Loan Amount Allocated (SDR)	Percentage net of Tax, Government and Beneficiary Contribution
I. Civil Works	2,900,000	100%
II. Equipment & Materials (Including Vehicles)	3,010,000	100%
III. Goods and Services	2,520,000	100%
IV. Grants	6,200,000	100%
V. Salaries & Allowances other Operating Costs	1,980,000	100%
VI. Unallocated	1,840,000	100%
Total	18,450,000	

07. Summary of Performance

The AWPB and the Procurement Plan for 2018 was prepared and submitted to the IFAD for "No Objection (NO)" on 19.08.2018 and No objection was received on 28.08.2018. The value of the AWPB for FY 2018 was LKR 1,638 Mn. During the year all disbursements were made subject to the covering approval of IFAD. On the approval of the AWPB, the Project continued the implementation of the activities during the year under review. On the handing over mission of 2018 AWPB was rearranged for the value of 1,225 Mn considering the prioritised needs and the capability of the disbursements.

For the activities taken place during the FY 18, percentages of financing by the Government of Sri Lanka and IFAD and Beneficiary contributions has been applied in accordance with the existing "Project Design Report"

MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT
 IFAD LOAN NO. 2000001447

STATEMENT OF FINANCIAL POSITION AS AT


	Notes	31.12.2018 LKR	31.12.2017 LKR
ASSETS			
NON CURRENT ASSETS			
PROPERTY PLANT & EQUIPMENTS AT COST	01	136,008,281	30,490,485
DEVELOPMENT EXPENDITURE			
Component 01 TEA SMALLHOLDER DEVELOPMENT	02	582,830,187	155,223,950
Component 02 RUBBER SMALLHOLDER DEVELOPMENT	03	96,853,925	31,874,406
Component 03 INCLUSIVE RURAL FINANCING	04	293,244	-
Component 04 PROJECT MANAGEMENT SUPPORT	05	120,965,022	82,526,872
SURVEY & STUDIES	06	9,332,446	3,582,558
TOTAL NON CURRENT ASSETS		946,283,105	303,698,271
CURRENT ASSETS			
CASH & CASH EQUIVALENTS	07	11,295,437	87,277,067
LIABILITIES			
CURRENT LIABILITIES			
PAYABLES	08	1,668,457	-
EXCHANGE GAIN		16,958,703	2,564,601
BENEFICIARIES FUND			
GOSL FUND			
FIXED ASSETS CONTRIBUTION FUND		30,490,485	
IFAD FUND		(7,795,651)	84,712,466
TOTAL CURRENT LIABILITIES		41,321,994	87,277,067
NET CURRENT ASSETS		(30,026,557)	0
TOTAL NET ASSETS		916,256,548	303,698,271
FINANCED BY			
GOVERNMENT OF SRI LANKA (GOSL) CONTRIBUTION		163,241,361	28,409,824
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) CONTRIBUTION		713,595,646	273,840,215
BENEFICIARY CONTRIBUTION		39,374,542	1,448,232
OTHER INCOME		45,000	
TOTAL NET LIABILITIES		916,256,548	303,698,271


 R.H.S.P. Ranasinghe
 Finance Manager
 Smallholder Tea & Rubber Revitalization Project


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 Secretary
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J.A. Ranjith
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 11th Floor, Sethsiripaya Stage II
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MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT
IFAD LOAN NO. 2000001447

		31.12.2018 LKR	31.12.2017 LKR
CASH FLOW FROM OPERATING ACTIVITIES			
CASHFLOWS FROM OPERATING ACTIVITIES	NOTE 9 (120,920,022.00)		
ADJUSTMENTS FOR CHANGES IN NET CURRENT ASSETS	NOTE 10 (76,445,558)		2,564,601
NET CASH FLOWS FROM OPERATING ACTIVITIES		(197,365,580)	2,564,601
CASH FLOWS FROM INVESTING ACTIVITIES			
ACQUISITION OF FIXED ASSETS	(105,517,796)		(30,490,485)
TEA SMALL HOLDER DEVELOPMENT	(547,345,300)		
RUBBER SMALL HOLDER DEVELOPMENT	(92,964,270)		(290,775,293)
INCLUSIVE RURAL FINANCING	(293,244)		
SURVEY & STUDIES	(9,332,446)		
NET CASH FLOWS FROM INVESTING ACTIVITIES		(755,453,056)	(321,265,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTION FROM GOVERNMENT OF SRILANKA	163,241,361		28,409,822
CONTRIBUTION FROM INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	713,595,646		377,568,421
NET CASHFLOW FROM FINANCING ACTIVITIES		876,837,007	405,978,243
NET DECREASE IN CASH & CASH EQUIVALENTS		(75,981,629)	87,277,066
CASH & CASH EQUIVALENTS AT 01ST JANUARY 2018		87,277,066	
CASH & CASH EQUIVALENTS AT 31ST DECEMBER 2018		<u>11,295,437.00</u>	<u>87,277,066</u>

MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

NOTE 01	Description	2018		2017	
		Balance B/Fd	Additions	Balance As At	
		As At		31.12.2018	
		LKR	LKR	LKR	LKR
	Property Plant & Equipment				
	MOTOR VEHICLES	-	85,500,000	85,500,000	-
	MOTOR BYCYCALS	17,432,500	-	17,432,500	17,432,500
	COMPUTER EQUIPMENTS	-	5,738,700	5,738,700	-
	OFFICE EQUIPMENT	9,161,985	2,599,624	11,761,609	9,161,985
	FURNITURE	3,895,999	889,897	4,785,896	3,895,999
	GIMS EQUIPMENTS	-	4,374,243	4,374,243	-
	GMIS SOFTWARE	-	1,996,446	1,996,446	-
	ACCOUNTING SOFTWARE	-	4,418,888	4,418,888	-
	TOTAL	30,490,485	105,517,796	136,008,281	30,490,485

NOTE 02		2018	2017
		LKR	LKR
	TEA SMALLHOLDER DEVELOPMENT		
	IEC CAMPAIGNS FOR TEA SECTOR	1,149,064	597,182
	PRA PROGRAMMES FOR FILED ANIMATORS(ToT)	895,321	115,263
	PRA FOR SOCIETY STRENGTHENING - TEA SECTOR	481,100	1,010,092
	DIAGNOSTIC STUDY - TEA SECTOR	-	1,012,717
	TRAINING OF TEA SOCIETY MEMBERS ON BP	350,480	146,054
	TOOLS & EQUIPMENT FOR TEA SOCIETIES	77,600	-
	SOCIETY DEVELOPMENT PLANING	527,897	-
	TECHNICAL TRAINING	709,338	-
	MARKET INFRASTRUCTURE DEVELOPMENT	4,981,610	-
	UPFRONT SUBSIDIES FOR TEA SMALL HOLDERS	211,005,056	135,283,511
	GOVERNMENT SUBSIDIES FOR TEA SHs	75,192,452	1,798,351
	SERVICE PAYMENT TO TSHDA	5,413,827	4,888,359
	TRAINING MATERIAL DEVELOPMENT	87,864	-
	EXTENSION SUPPORT FOR TEA GROWERS	1,672,659	1,265,517
	TRAINING NURSERY GROWERS - TEA SECTOR	205,054	87,973
	GROWING TEA WITH MECHANIZED HARVESTING	36,400	-
	PROMOTING 4P MODELS - TOT TRAINING	66,512	-
	CAPACITY BUILDING FOR TSP TSHDA	112,014	-
	BUSINESS PLAN DEVELOPMENT	75,000	-
	PRIVATE SECTOR LINKAGES FOR BUSINESS PLAN IMPLEMENTATION	42,000	-
	ToT ON BP AND FINANCIAL MODELING	564,544	426,612
	EXPOSURE LEARNING VISIT	48,290	-
	TECHNICAL ASSISTANT OF INFRASTRUCTURE DEVELOPMENT	38,007,905	-
	DEVELOPMENT OF INFRASTRUCTURE	226,658,961	-
	CAPACITY BUILDING ON CONTRACT MANAGEMENT	241,824	-
	DEMAND DRIVEN 4P FOR NEW IGAs	68,918	-
	WORKSHOP ON BP FOR TEA INDUSTRY	5,287,500	-
	CONDUCTING SOCIETY DEVELOPMENT PLAN	1,064,238	-
	DIRECT PROJECT MANAGEMENT COST - TEA	7,732,591	-
	PROJECT COORDINATION/ MEETINGS	74,171	8,592,321
	TOTAL	582,830,187	155,223,950

NOTE 03		2018	2017
		LKR	LKR
	DIRECT PROGRAMME EXPENDITURE - RUBBER		
	IEC CAMPAIGNS FOR RUBBER SECTOR	70,890	78,680
	PRA PROGRAMMES - RUBBER	205,036	-
	PRA FOR SOCIETY STRENGTHENING	167,780	79,170
	TRAINING FOR SOCIETY MEMBERS ON BP	317,006	-
	SOCIETY DEVELOPMENT PLANING	515,606	-
	DIAGNOSTIC STUDY	-	3,500
	LAND SURVEYING	2,738,101	1,755,610

MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

UPFRONT SUBSIDIES FOR RUBBER	12,859,588	24,764,682
GOVERNMENT SUBSIDIES FOR RUBBER	11,813,590	-
SERVICE PAYMENT TO RDD STAFF	1,466,071	1,087,065
EXTENSION SUPPORT FOR RUBBER GROWERS	254,717	30,310
TRAINING MATERIAL DEVELOPMENT	59,872	101,138
TRAINING RUBBER GROVERS	305,739	-
SOIL SUITABILITY FOR RUBBER GROVING AREAS/PLOTS	91,803	-
STRENGTHENING PADIYATHALAWA RUBBER NURSERY	32,880,725	-
TRANSPORTATION OF RUBBER PLANTS	8,918,480	1,759,555
PURCHASING OF BUDDED RUBBER PLANTS	5,675,797	-
TOT FOR BD PALNING & FINANCIAL MODLING	127,273	-
BUSINESS PLAN DEVELOPMENT	1,208	-
PRIVATE SECTOR LINKAGES FOR BUSINESS PLAN IMPLEMENTATION	33,000	-
EXPOSURE LEARNING VISIT	221,130	-
DEMAND FEASIBILITY STUDY FOR RUBBER PROCESSING CENTRES	59,400	-
TECHNICAL ASSISTANT OF INFRASTRUCTURE DEVELOPMENT	242,419	-
DEVELOPMENT OF INFRASTRUCTURE	14,031,746	-
REHABILITATION COSTRUCTION OF ELEPHANT FENCE	35,989	-
ESTABLISHMENT OF RUBBER PROSSESING UNITS	867,850	-
CAPACITY BULDING ON CONTRACT MANAGEMENT	4,160	-
CONDUTING SOCIATY DEVELOPMENT PLAN	17,482	-
DIRECT PROJECT MANAGEMENT COST - RUBBER	2,838,713	-
PROJECT COORDINATION/ MEETINGS	32,755	2,214,696
TOTAL	96,853,925	31,874,406

NOTE 04

	2018	2017
EXPENSES ON RURAL FINANCING	LKR	LKR
CAPACITY FACILITATION FOR DISTRICT LEVEL PFIs TEA	87,645	-
CAPACITY FACILITATION FOR DISTRICT LEVEL PFIs RUBBER	32,327	-
NATIONAL LEVEL AWARENESS PROGRAMME FOR PFIS	114,730	-
FACILITATION OF LOANS FOR TEA SMALL HOLDERS	58,542	-
	293,244	-

NOTE 05

	2018	2017
RECURRENT EXPENDITURE	LKR	LKR
SALARIES	66,824,479	43,124,984
EMPLOYEES' PROVIDENT FUND	9,171,674	6,019,068
EMPLOYEES TRUST FUND	2,292,056	1,504,767
PENSION FUND	22,176	-
COST OF LIVING ALLOWANCE	9,951,006	7,033,918
TELEPHONE ALLOWANCES	660,412	600,759
FUEL ALLOWANCES	1,775,034	56,160
OVERTIME/ HOLIDAY PAY	1,658,889	582,713
TEMPORARY LABOR HIRE CHARGES	1,277,271	628,500
OFFICE RENT	9,613,400	8,715,270
ELECTRICITY	1,705	-
INTERNET CHARGES	98,756	35,265
WEB HOSTING	631,973	-
TELEPHONE AND FAX CHARGES	1,140,679	299,763
WATER	57,753	44,740
STATIONARY & PRINTING EXPENDITURE	2,699,259	2,039,049
GENERAL SUPPLIES	135,905	584,649
OFFICE MAINTENANCE	728,387	1,017,925
EQUIPMENT MAINTENANCE	251,525	8,080
POSTAGE & COURIER	377,749	215,550
PROJECT COORDINATION	1,786,961	1,283,681
BANK CHARGES	180,572	91,905
CLEANING CHRGES	856,450	419,507
TRAVELING & VEHICLE HIRE	359,870	578,505

MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

TRANSLATION	-	6,521
ADVERTISING PUBLICITY & VISIBILITY EXPENDITURE	2,342,184	2,698,414
DATA ENTRY CHARGES	91,470	296,800
INCIDENTIAL EXPENDITURE		64,894
VEHICLE OPERATING COST	1,751,431	899,966
MOTOBYCYCLE OPERATING COST	1,743,465	3,529,443
IFAD MISSION EXPENSES	681,390	-
INSURANCE	1,801,142	-
STARTUP WORKSHOP	-	146,075
	120,965,022	82,526,872

NOTE 06

	2018 LKR	2017 LKR
SURVEY & STUDIES		
BASELINE SURVEY	3,237,500	3,237,500
ANNUAL OUTCOME SURVEY	207,225	-
GIS / MIS SOFTWARE & EQUIPMENT TRAINING	1,603,031	-
TRAINING NEED ASSESSMENT	-	104,558
CAPACITY BUILDING ON RBM , GOVERNANCE, MARKETING, IT, FINANCE	49,356	-
MANAGEMENT CONSULTANCY	4,235,334	240,500
	9,332,446	3,582,558

NOTE 07

	2018 LKR	2017 LKR
CASH & CASH EQUIVILENTS		
BANK BALANCE - (GOSL)	-	-
BANK BALANCE - (IFAD)	2,386,710	-
BANK BALANCE - CENTRAL BANK USD Account	7,598,924	-
CASH IN HAND	1,309,803	-
	11,295,437	-

	2018 LKR	2017 LKR
PETTY CASH		
PETTY CASH - PMU	49,045	-
PETTY CASH - KANDY	49,031	-
PETTY CASH - NUWARA ELIYA	47,407	-
PETTY CASH - AMPARA	51,725	-
PETTY CASH - RATNAPURA	14,788	-
PETTY CASH - GALLE	21,515	-
PETTY CASH - MATARA	24,028	-
PETTY CASH - BHADULLA	36,753	-
PETTY CASH - MONARAGALA	42,940	-
	337,232	-

	2018 LKR	2017 LKR
CASH ADVANCES		
ADVANCES - PMU	777,815	-
ADVANCES - KANDY	83,755	-
ADVANCES - NUWARA ELIYA	32,770	-
ADVANCES - AMPARA	37,704	-
ADVANCES - RATNAPURA	66,539	-
ADVANCES - GALLE	5,707	-
ADVANCES - MATARA	(44,069)	-
ADVANCES - BHADULLA	13,040	-
ADVANCES - MONARAGALA	(690)	-
	972,571	-

TOTAL	1,309,803	
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MINISTRY OF PLANTATION INDUSTRIES
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT
IFAD LOAN NO. 2000001447

	2018	2017
	LKR	LKR
NOTE 08 LIABILITIES RELATED TO PERSONAL EMOLUMENTS		
SALARY PAYABLE	42,154	-
EPF PAYABLE	1,320,634	-
ETF PAYABLE	198,095	-
PAYE PAYABLE	15,523	-
STAMP DUTY PAYABLE	8,550	-
WELFARE SOCIETY	83,500	-
	1,668,456.51	
NOTE 09 CASHFLOWS FROM OPERATING ACTIVITIES		
CASH OUT FLOWS FOR PROJECT OPERATING COST	(120,965,022)	
ADD : NON REFUNDABLE TENDER DEPOSITS	45,000	
	(120,920,022)	
NOTE 10 ADJUSTMENTS FOR CHANGES IN NET CURRENT ASSETS		
INCREASE IN PAYABLES	1,668,457.00	
INCREASE IN EXCHANGE GAIN	14,394,102.00	2,564,601
INCREASE IN UTILIZATION OF IFAD FUND	(92,508,117.00)	
	(76,445,558)	2,564,601

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES
IFAD Loan/Grant Number 2000001447

STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Description	Notes	2018	2017	2016	Cumulative to date
			Local currency (LKR)	Local currency (LKR)	Local currency (LKR)	Local currency (LKR)
	Balance B/F		87,277,067	-	-	87,277,067
FINANCING						
IFAD FUNDS						
	Initial Deposit		-	303,800,000	-	303,800,000
	Replenishments of WA's		621,087,529	73,768,421	-	694,855,950
	IFAD Direct Payments		-	-	-	-
	Government Funds		163,241,361	28,409,824	26,873,692	218,524,877
	Beneficiary Contribution		-	1,448,232	-	1,448,232
	Other Receipts		2,132,385	-	-	2,132,385
	Recovery of Funds for FY 2016		-	(19,015,740)	-	(19,015,740)
	Exchange Gain		14,394,102	2,564,601	-	16,958,703
	TOTAL FINANCING		888,132,444	390,975,338	26,873,692	1,305,981,474
	PROJECT EXPENDITURES:					
	(BY CATEGORY OF EXPENDITURES)					
	IFAD CREDIT					
	Civil Works		237,273,961	-	-	237,273,961
	Equipment & Materials (Including Vehicles)		75,087,594	26,246,555	-	101,334,149
	Goods, Services and Inputs (Including Training & Consultancies)		52,220,000	16,206,694	-	68,426,694
	Capital Grants and Gov. Subsidies		224,110,494	160,048,193	16,015,424	400,174,111
	Salaries & Allowances other Operating Costs		124,903,596	71,338,773	3,000,316	199,242,685
	Credit					
	TOTAL		713,595,646	273,840,215	19,015,740	1,006,451,600
	Government Funds					
	Civil Works		-	-	-	-
	Equipment & Materials (Including Vehicles)		24,377,274	4,243,930	913,800	29,535,005
	Goods, Services and Inputs (Including Training & Consultancies)		22,308,154	7,596,886	-	29,905,040
	Capital Grants and Gov. Subsidies		86,042,215	1,798,351	-	87,840,566
	Salaries & Allowances other Operating Costs		30,513,717	14,770,657	6,944,152	52,228,526
	Credit					
	TOTAL		163,241,361	28,409,824	7,857,952	199,509,137
	Beneficiary Contribution					
	Civil Works					
	Equipment & Materials (Including Vehicles)					
	Goods, Services and Inputs (Including Training & Consultancies)					
	Capital Grants and Gov. Subsidies			1,448,232		1,448,232
	Salaries & Allowances other Operating Costs					
	Credit					
	TOTAL		-	1,448,232	-	1,448,232
	TOTAL PROJECT EXPENDITURE		876,837,007	303,698,271	26,873,692	1,207,408,969
	BALANCE C/F		11,295,437	87,277,067	-	

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES
IFAD Loan/Grant Number 2000001447

STATEMENT OF RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Notes	2018	2017	2016	Cumulative to date
		Local currency (LKR)	Local currency (LKR)	Local currency (LKR)	Local currency (LKR)
Balance B/F		87,277,066	-	-	87,277,066
FINANCING					
IFAD Credit					
Initial Deposit		-	303,800,000	-	303,800,000
Replenishments to SA		621,087,529	73,768,421	-	694,855,950
IFAD Direct Payments		-	-	-	-
Beneficiary Contribution		-	1,448,232	-	1,448,232
Government Funds		163,241,361	28,409,824	26,873,692	218,524,877
Other Receipts		2,132,385	-	-	2,132,385
Recovery of Funds for FY 2016		-	(19,015,740)	-	(19,015,740)
Exchange Gain		14,394,102	2,564,601	-	16,958,703
TOTAL FINANCING		888,132,443	390,975,338	26,873,692	1,305,981,473
PROJECT EXPENDITURES: (BY COMPONENT)					
IFAD CREDIT					
Tea Smallholder Development		477,384,152	147,270,148	88,888	624,743,188
Rubber Smallholder Development		48,138,962	28,984,739	16,040,497	93,164,197
Inclusive Rural Financing		167,031	-	-	167,031
Project Management		187,905,500	97,585,328	2,886,356	288,377,184
TOTAL		713,595,646	273,840,215	19,015,740	1,006,451,600
Government Funds					
Tea Smallholder Development		77,436,887	6,505,570	110,658	84,053,115
Rubber Smallholder Development		36,533,092	2,889,667	25,073	39,447,831
Inclusive Rural Financing		120,198	-	-	120,198
Project Management		49,151,185	19,014,587	7,722,221	75,887,993
TOTAL		163,241,361	28,409,824	7,857,952	199,509,137
Beneficiary Contribution					
Tea Smallholder Development		-	1,448,232	-	1,448,232
Rubber Smallholder Development		-	-	-	-
Inclusive Rural Financing		-	-	-	-
Project Management		-	-	-	-
TOTAL		-	1,448,232	-	1,448,232
TOTAL PROJECT EXPENDITURES		876,837,007	303,698,271	26,873,692	1,207,408,970
BALANCE C/F		11,295,436	87,277,067	-	-

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES
IFAD Loan/Grant Number 2000001447

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Notes	2018 Budget Local currency (LKR)	2018 Actual Local currency (LKR)	Variance Local currency (LKR)
FINANCING				
IFAD Credit				
Initial Deposit		-	-	-
Replenishments to SA		825,907,367.75	621,087,529	204,819,839
IFAD Direct Payments		-	-	-
Government Funds		321,068,774	163,241,361	157,827,413
Beneficiary Contribution		78,753,500	39,374,542	39,378,958
Banks & Private Sector		-	-	-
Other Receipts		-	2,132,385	(2,132,385)
Exchange Gain		-	14,394,102	(14,394,102)
TOTAL FINANCING		1,225,729,642	840,229,919	385,499,723
PROJECT EXPENDITURES:				
<i>(BY CATEGORY OF EXPENDITURES)</i>				
IFAD CREDIT				
Civil Works		211,876,300	237,273,961	(25,397,661)
Equipment & Materials (Including Vehicles)		102,930,200	75,087,594	27,842,606
Goods, Services and Inputs (Including Training & Consultancies)		107,815,864	52,220,000	55,595,864
Capital Grants and Gov. Subsidies		318,346,804	224,110,494	94,236,310
Salaries & Allowances, Operating Costs		84,140,200	124,903,596	(40,763,396)
Credit		798,000	-	798,000
TOTAL		825,907,368	713,595,646	112,311,722
Government Funds				
Civil Works		25,842,700	-	25,842,700
Equipment & Materials (Including Vehicles)		27,747,800	24,377,274	3,370,526
Goods, Services and Inputs		16,756,874	22,308,154	(5,551,281)
Capital Grants and Gov. Subsidies		205,157,600	86,042,215	119,115,385
Salaries & Allowances, Operating Costs		45,341,800	30,513,717	14,828,083
Credit		222,000	-	222,000
TOTAL		321,068,774	163,241,361	157,827,413
Beneficiary/Banks and Private Sector				
Civil Works		78,390,000	39,374,542	39,015,458
Equipment & Materials (Including Vehicles)		-	-	-
Goods, Services and Inputs		363,500	-	363,500
Capital Grants and Gov. Subsidies		-	-	-
Salaries & Allowances, Operating Costs		-	-	-
Credit		-	-	-
TOTAL		78,753,500	39,374,542	39,378,958
TOTAL PROJECT EXPENDITURE		1,225,729,642	916,211,548	309,518,093
Surplus/Deficit for the period		-	(75,981,630)	75,981,630

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES
IFAD Loan/Grant Number 2000001447

STATEMENT OF SPECIAL ACCOUNT ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No :
 Bank : CENTRAL BANK OF SRI LANKA
 Address : FINANCE DIVISION, LEVEL 10, JANADHIPATHI MAWATHA, COLOMBO 01

	Description	Notes	USD	Local Currency Equiv (LKR)
Opening Balance				
Add:				
IFAD Replenishments:				
Date	Reference			
17-May-17	WA No 01 - Initial Deposit		2,000,000	303,800,000
15-Jun-17	WA No 02		124,693	19,015,739
31-Aug-17	WA No 03		182,123	27,954,858
12-Oct-17	WA No 04		174,618	26,797,824
6-Jan-18	WA No 05		909,676	139,686,900
31-Mar-18	WA No 06		520,391	81,942,222
21-May-18	WA No 07		826,822	131,393,833
5-Oct-18	WA No 08		465,832	83,671,083
30-Nov-18	WA No 09		1,025,282	184,393,491
	Bank Interests		-	-
Total Receipts			6,229,438	998,655,950
Deduct:				
Transfers to Operating Accounts:				
Date	Reference			
22-May-17	Local WA-1		321,415	49,015,739
27-Jul-17	Local WA-2		65,115	9,999,999
21-Aug-17	Local WA-3		195,634	30,000,000
29-Sep-17	Local WA-4		326,588	49,999,999
7-Nov-17	Local WA-5		651,741	99,999,999
4-Dec-17	Local WA-6		651,946	99,999,999
22-Jan-18	Local WA-7		649,584	99,999,999
6-Apr-18	Local WA-8		462,243	74,999,999
31-May-18	Local WA-9		506,041	80,000,000
15-Oct-18	Local WA-10		819,155	139,999,999
11-Dec-18	Local WA-11		503,080	89,999,999
24-Dec-18	Local WA-12		1,015,316	183,999,998
Total Transfers			6,167,857	1,008,015,729
Bank Charges				
Exchange Rate Difference				
				16,953,703
Closing Balance as at 31/12/2018			41,581	7,593,924
(As per Bank Statement)				

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES
STATEMENT OF SPECIAL ACCOUNT RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Account No

Bank

Address

CENTRAL BANK OF SRI LANKA

FINANCE DIVISION, LEVEL 10, JANADHIPATHI MAWATHA, COLOMBO 01

			Date As At	USD (or as otherwise denominated)	Local Currency Equiv
1	Initial Deposit			2,000,000	303,800,000
2	Less amount(s) recovered:			-	-
3	Outstanding Amount advanced		-	2,000,000	303,800,000
4	Represented by:				
	Special Account Balance		31.12.2018	41,581	7,598,924
	Operating Account Balance		31.12.2018	11,915	2,386,710
	Total Balance at Bank accounts		31.12.2018	53,496	9,985,634
5	Add : amounts claimed but not yet credited WA - 10		31.12.2018	391,593	69,675,846
			-		
	Add : amounts withdrawn not yet claimed, composed of:				
	WAs Prepared not yet submitted:				
	Expenditure for the month of December 2018			1,512,248	273,531,799
	WA -11				
6	Total amount withdrawn not yet claimed			1,903,841	343,207,645
7	Less Interest earned and/or plus Bank charges (if included in the Special Account)			-	-
8	Total Special Account Advance		31.12.2018	1,957,337	353,193,279
	Difference between Line 3 and line 8			42,663	(49,393,279)

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT MINISTRY OF PLANTATION INDUSTRIES IFAD Loan/Grant Number 2000001447
SOEs-WITHDRAWAL APPLICATION STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

by Category of Expenditures in Local Currency

Notes	Category description	Civil Works	Equipment & Materials (Including Vehicles)	Goods, Services and Inputs (Including Training & Consultancies)	Capital Grants and Gov. Subsidies	Salaries & Allowances other Operating Costs	Total (LKR)	In USD Equivalent	Rejected from IFAD	Net Reimbursed (LKR)
	Cat No WA No:	1	2	3	4	5				
	1 - Initial Authorized Allocation									
	2 - Expenditure for FY 2016									
	3 - Expenditure for January - June 2016	-	-	376,270	16,015,424	3,000,316	19,015,740	124,693	-	19,015,740
	4 - Expenditure for July - August 2016	-	-	166,779	-	27,395,413	27,773,683	182,123	-	27,773,683
	5 - September - November 2017	-	16,623,664	12,637,006	12,176,342	14,436,519	26,779,640	174,618	-	26,779,640
	6 - Expenditure for December 2017	-	9,622,890	3,566,888	91,053,927	19,142,933	139,457,531	909,480	-	139,457,531
	7 - Expenditure for January - April 2018	-	7,057,716	9,255,926	56,817,924	9,818,859	79,829,360	520,391	-	79,829,360
	8 - Expenditure for May - July 2018	-	3,478,829	7,916,533	80,273,684	30,529,669	127,116,995	826,822	-	127,116,995
	9 - Expenditure for August - October 2018	-	63,085,000	9,301,734	33,055,612	29,102,065	73,555,039	465,832	-	73,555,039
	10 - Expenditure for November 2018	28,260,566	-	12,386,821	54,769,767	42,559,465	169,715,966	1,025,282	-	169,715,966
					18,449,042	10,583,799	69,680,228	391,593	-	69,680,228
	Total Value of the WA's already submitted	28,260,566	99,868,100	55,614,757	362,611,723	166,569,037	732,924,183	4,620,835		732,924,183
	WA Pending for Submission: WA No: 11 - Expenditure for December 2018	209,013,395	1,466,048	13,356,987	-	37,562,389	273,531,799	1,512,248	-	273,531,799
	TOTAL EXPENDITURE		101,334,149	68,971,744	400,174,111	198,702,016	1,006,455,982	6,133,083	-	1,006,455,982

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT

MINISTRY OF PLANTATION INDUSTRIES

IFAD Loan/Grant Number 2000001447

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Basis of Preparation of Financial Statements

The Financial Statements of the STARR Project for the year ended December 2018 has been prepared in accordance with International Public-Sector Accounting Standards (IPSAS) and Generally Accepted Accounting Principles. Accordingly, Cash Basis Financial Reporting and the Cash Basis of Accounting has been adopted to prepare the Financial Statements.

2. Income and Expenditure Recognition

Income realized from funds are recognized in the Financial Statements when there is certainty that all the conditions for receipt of funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred. The Cash basis of Accounting has been adopted for recognition of Income and Expenditure. Income from each financing source has been recognized based on expenditure worked out in accordance with the funding percentages by each financier indicated in the initial cost tables of the Project Design Report.

3. Operation of the Special Foreign Currency Bank Account at the Central Bank of Sri Lanka, Account No. (Sub Ledger No. 16)

During the year under concern, the Project received contribution from IFAD amounting to USD 4,077,238 equivalent to Rs. 713,595,646 Mn. The Project disbursed the funds from IFAD account time to time and replenished the funds from Central bank on submission of the withdrawal settlements.

During the year the project incurred an exchange gain of Rs.14,394,102 on Foreign currency account.

4. Operation of the Local Currency Bank accounts at the Bank of Ceylon

- Account No. – Secretary, Ministry of Plantation Industries – Smallholder Tea and Rubber Revitalization Project – GOSL
- Account No. – Secretary, Ministry of Plantation Industries – Smallholder Tea and Rubber revitalization Project – IFAD

During FY 2018, expenditure was disbursed through the above accounts. The Project prepared the accounts based on the funding rules appeared in the PDR. On submission of imprest applications monthly, GOSL funds were obtained. At the end of the financial reporting period, balance appeared in the Current Account No. (GOSL funds) was transferred to the bank account of the Ministry of Plantation Industries for closing of the transactions for the period. During the year under review Rs 45,441,638.95 has been transferred to the current account of MPI as on 31st December 2018.

5. The AWPB & Financing of the Project during FY2017

The AWPB 2018 valuing LKR 1,638 Mn and subsequently amended amount of LKR 1,225 Mn was given No objection by IFAD and the National Steering Committee.

The summary of the budget by Categories of expenditure is as follows.

Table 5 : Annual Work Plan 2018

IFAD Budget Category	Acc Code	IFAD	Benefi- ciaries	GOSL	Private Sector	Bank	TOTAL
I. Investment Costs:							
A. Civil Works		211,876,300	78,390,000	25,842,700			316,109,000
B. Equipment & Materials (Including Vehicles)		102,930,200		27,747,800			130,678,000
C. Credit		798,000		222,000			1,020,000
D. Goods, Services and Inputs (Including Training & Consultancies)		107,815,864	363,500	16,756,874			124,936,238
E . Capital Grants and Gov. Subsidies		318,346,804		205,157,600			523,504,404
II. Recurrent Costs							
F. Salaries & Allowances other Operating Costs		84,140,200		45,341,800			129,482,000
Grand Total		825,907,368	78,753,500	321,068,774			1,225,729,642

6. Direct Payments

No Direct payments have taken place during the year under consideration.

7. Government Counterpart Funding

During the year LKR 208,583,000 has been received from Ministry of Plantation Industries as counterpart funding and the Project has utilized LKR 163,241,361. Balance of LKR 45,441,638 has been transferred to the current account of Ministry of Plantation Industries. The taxes involved in all the bills paid during the year have fully being accounted as GOSL contribution.

8. Funds from Other Sources

The value of the beneficiary Contribution towards the Project for FY 2018 amounts to LKR 39,374,542.

9. Other Receipts

Other receipts contain Non-refundable tender deposits received during the year and liabilities related to personal emoluments as at 31st December 2018.

10. Capital Grants and Subsidies during 2018

The Project has disbursed LKR 211,005,056 and LKR 12,859,588 as upfront payments to Tea Smallholders and Rubber Small holders respectively during the reporting year. The Government Subsidies for Tea Sector amounted to LKR 75,192,452 and rubber sector amounted to LKR 11,813,590 during the year.

11. Non-Current Assets

The investment in the Fixed assets during the year amounted to LKR 105,517,796 as explained in Note No 1 under the Property Plant & equipment.

12. Procurements

Procurement activities were proceeded according to the annual procurement plan of 2018.