SRI LANKA TEA BOARD

ANNUAL REPORT

2015

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TO POSITION CEYLON TEA AS THE
“MOST ASPIRED BEVERAGE”
IN THE GLOBAL MARKET.

MISSION

TO INCREASE THE FOREIGN
EXCHANGE EARNINGS TO THE
COUNTRY THROUGH
SUSTAINABLE DEVELOPMENT
OF THE INDUSTRY
AND THEREBY ENSURING THE
ECONOMIC DEVELOPMENT
OF THE PLANTATION COMMUNITY

Members of the Sri Lanka Tea Board

Chairman	**Mr. Y G Wijeyratne - upto October 2015** **Mr. Rohan Pethiyagoda - From October 2015**
Secretary to the Board	**Mr. S A Siriwardane**
Member	Ministry of Plantation Industries Represented by **Mr. M A L S N k Manthrinayaka** - From February 2015 **Mr. N.A.U.K.S. Mihindukulasooriya** (From December 2015)
Member	Ministry of Finance & Planning Represented by Director General, Department of National Planning, **Mr. A M P M B Atapattu**
Member	Chairman, Tea Small Holdings Development Authority **Mr. Deepthi Abeywickrama - From May 2015** **Mr. D M Wijeyratne - From December 2015**
Member	Chairman, Colombo Tea Traders Association **Mr. Anslem Perera**
Member	Chairman, Planters' Association **Mr. Roshan Rajaduri**(From 27th September 2013)
Member	Chairman, Colombo Brokers' Association **Mr. Ishan Fernando** (Upto March 2015) **Mr. Anil Cook** (From April 2015)
Member	Chairman, Tea Exporters' Association **Mr. Rohan Fernando**
Member	President, Sri Lanka Federation of Tea Small Holder Development Societies Represented by **Mr. Neville Ratnayake**
Member	Chairman, Sri Lanka Tea Factory Owners' Association Represented by **Mr. Anil Perera**
Member	**Mr. Lasantha Welikala -** From February 2015
Member	Ministry of Industry & Commerce Represented by **Mr. M. A. Allam**
Observer	Member nominated by The Hon. Minister of Plantation Industries **Mr. Niraj de Mel** **Mr. N B H Pilapitiya** **Mr. H D Hemarathne**

Members of the Audit Committee

Mr. A.M.P.M.B. Attapattu, Director General, Department of Development Finance, Ministry of Finance. (From 27/03/2015)	-	Chairman
Mr. V.A.A. Perera, Nominee of Chairman, Sri Lanka Tea Factory Owners Association.	-	Member
Mr. M A L S N K Manthirinayake Director, Ministry of Plantation Industries. (From 27/03/2015 to 30/06/2015)	-	Member
Mr. N.A.U.K.S. Mihindukulasuriya, Additional Secretary, Ministry of Plantation Industries. (From 23/12/2015)	-	Member
Mr. H.D. Hemarathne, Consultant, Colombo Tea Traders Assosiation.	-	Observer
Mrs. C.M.S. Anthony, Superintendent of Audit, Auditor General's Department. (Up to 30/06/2015)	-	Observer
Mrs. H.S.S. Perera, Superintendent of Audit, Auditor General's Department. (From 23/12/2015)	-	Observer
Mr. S.A. Siriwardana, Director General, Sri Lanka Tea Board	-	Convener

Members of the Promotion & Marketing Committee

The Promotion & Marketing Committee is a Sub-Committee appointed to guide the Board on Promotional and Marketing activities for Ceylon Tea

Mr. Y.G. Wijeratne (Up to June 2015)
Chairman Sri Lanka Tea Board

Mr. Rohan Pethiyagoda (From November 2015)
Chairman Sri Lanka Tea Board

Mr. S.A. Siriwardhana
Director General Sri Lanka Tea Board

Mrs. Premala Srikantha
Director (Promotion), Sri Lanka Tea Board

Mrs. Sonali Wijeratne
Director General of Commerce, Department of Commerce

Private Sector

Mr. Malin Goonetilleke
Secretary General, Ceylon Planters
Association

Mr. Anil Cooke
President
Asia Siyaka Commodities (Pvt) Ltd.

Mr. Rohantha Athukorala (Up to June 2015)
Chairman, Sri Lanka Tourism Promotion Bureau

Prof. Sarath Ilangantileke (Upto June 2015)
Chairman, Tea Research Board

Dr. M.M.J.P. Gawarammana (From November 2015)
Chairman, Tea Research Board

Mr. Neville Ratnayake
Chairman, Sri Lanka Federation of
Tea Small Holder Development Societies

Dr. Gamini Abeywickrama
Managing Director, Basilur Tea Exports (Pvt) Ltd.

Mr. Mufaddal Jafferjee
Managing Director, Jafferjee Brothers

Mr. Romesh Moraes
Director, Finlays Colombo PLC

Mr. Jayantha Karunaratne
Managing Director, Imperial Teas (Pvt) Ltd.

Mr . Malik Fernando
Director, MJF Group

Mr. Rohan Fernando
CEO, HVA Group

Mr. Tyeab Akbarally
Director, Akbar Brothers Ltd.

Mr. Avi De Silva
Director, Head of Tea Division, Unilever Ceylon Ltd.

Mr. Gehan de Livera (Upto June 2015)
Chief Executive Officer
Sri Lanka Tea Factory Owners Association

Mr. Thilak Alawattegama (From November 2015)
Secretary General
Sri Lanka Tea Factory Owners Association

Senior Management Staff

Director General	**Mr. S.A. Siriwardana**
Tea Commissioner	**Mr. E.A.J.K.Edirisinghe**
Director (Promotion)	**Mrs. Premala Srikantha**
Director (Analytical Services)	**Dr. M A N Jayathilake**
Asst. Director General (Administration)	**Mr. S.I.C.Perera**
Asst.Director General (Finance)	**Ms. A.D.W.Bandarage**
Senior Internal Auditor	**Mr. H.D.K.Jayasinghe**

Chairman's message

I have pleasure in presenting the review for the year 2015.

PREAMBLE

It was a challenging year for the tea industry where the spillover effects from the Russian ruble crisis and drop in oil prices continued to overshadow key buying markets in Eastern Europe and the Middle East, both of which are key buyers of Ceylon Tea.

From a market perspective, the general unrest arising from the problems in Ukraine and the devaluation of the ruble as a result of Western sanctions against Russia and the depressed oil prices, triggered a drop in tea exports to CIS markets in the early months of 2015.

Demand from the Middle East too, was subdued in the first half of 2015 as key tea buying nations struggled to come to terms with their fast diminishing purchasing power alongside plunging crude oil prices. Growing tensions in the Middle East and sanctions imposed by US negatively impacted key markets such as Iran, Iraq, Libya and Kuwait leading to a drop in local tea exports along with a sharp decline in the Colombo Auction prices.

TEA PRODUCTION

Sri Lanka's tea production in 2015 recorded 328.9 million kilograms, falling short of the preceding year's production by 9 million kilograms or 2.7%. Low-growns contributed most, with 202.3 million kilograms followed by high growns at 76.9 million kilograms and mediums at 49.7 million kilograms.

Green tea production declined by 9%, from 3.2 million kilograms in 2014 to 2.9 million kilograms in 2015. Likewise, CTC production declined 5%, from 20.4 million kilograms in 2014 to 19.4 million kilograms in 2015.

The unfavourable weather conditions for tea production, which prevailed during the greater part of the year, were exacerbated by trade union action related to wage issues by workers in the plantation sector in mid-2015.

The tea small holders continued to be dominant amongst producers by contributing over 72% of national production.

COLOMBO TEA AUCTIONS & FOB PRICES

The volume of tea sold through the Colombo Tea Auction in 2015 declined by 5.5% in comparison to 2014. All three elevations viz., high, mid and low growns, registered a decline in volume in the offerings.

The total auction average in 2015 was Rs. 402.14 per kilogram, as against Rs. 461.86 per kilogram in 2014. This is a decrease of 13%, which itself is an underestimate when inflation and the depreciation of the rupee are adjusted for. The progressive decline in prices, which commenced in September 2014, continued throughout 2015.

The downward trend in the market began to stress the small holders' thinning margins, affecting both harvest volumes and leaf quality. In an effort to prevent the situation from spinning out of control, the Government and the Sri Lanka Tea Board emb arked on a programme (B-Leaf 60) to reduce the production of low quality teas by assessing the standard of green leaf procured by factories. A green leaf subsidy scheme was thus introduced based on these standards, where tea smallholders benefitted financially.

Given the global volatility, the Colombo Tea Auction averaged US $ 2.99 per kilogram, which was substantially higher than other auction centres, but lower than the US $ 3.56 achieved in 2014.

The average export price (FOB) declined by 8.7% to Rs. 593.08 per kilogram in 2015 from Rs. 649.44 per kilogram in 2014. The average FOB value of tea in tea bags, however, marginally increased in 2015, with other categories of exports recording a decline in the unit value.

TEA EXPORTS

In line with other commodities, the prices of tea declined substantially in the world market. The position was aggravated as the fall in prices coincided with turmoil faced by markets such as Russia, Middle East and Ukraine which account for over 65% of exports of Ceylon Tea. Economic sanctions, currency depreciation and armed conflict followed by geo-political uncertainties affected the overall performance of the industry.

Sri Lanka's exports thus declined from 327.3 million kilograms in 2014 to 306.9 million kilograms in 2015, a 6.2% decrease in volume. Tea exported in bulk totaled 132.7 million kilograms in 2015 as against 127.1 million kilograms in 2014, recording a growth of 5.6 million kilograms. All other categories of exports recorded lower than in the corresponding period of 2014.

Export earnings in 2015 totaled Rs. 182 billion as against Rs. 212.5 billion in 2014. This is a decrease of 30.5 billion or 14%.

The prime destination for Ceylon Teas remained Russia, followed by Turkey and Iraq, importing 36.74, 36.71 and 31.36 million kilograms, respectively.

LEGISLATIVE AND REGULATORY FRAMEWORK

During the year under review the Sri Lanka Tea Board, as the apex body of the industry, together with other stakeholders, completed a comprehensive review of the legislative and regulatory framework towards better aligning it with the needs of the industry. The draft of the revised Tea Act is being further reviewed so as to establish a wide array of enabling provisions and greater transparency.

The existing laws and regulations enabled the Sri Lanka Tea Board to monitor the quality of made teas at the points of production, sale and export so as to further strengthen the international reputation Ceylon Tea enjoys. The tea industry in Sri Lanka has been recognized by the global industry for spearheading the implementation of the ISO 3720 standard throughout the value chain. This has been established at the FAO / IGG meetings held under the aegis of the Food and Agriculture Organization, held once in two years.

REPLANTING & TEA FACTORY MODERNIZATION

The development activities relating to replanting and tea-factory modernization did not record a significant growth despite the availability of subsidies. The downturn in production and tea prices limited the capacity of stakeholders to infuse adequate counterpart funds for capital development.

GLOBAL CAMPAIGN

During the year under review, the Board advanced its plans for the global marketing campaign to further develop the "Ceylon Tea Brand" across the market territories. In parallel, emphasis was laid on developing the island's tea culture. The promotional team focused on developing further quality marks for the "Lion Logo", the "Environment Friendly Ozone Logo" and seven "GI Region Logos" symbolizing 100% Pure Ceylon Tea. Important steps were taken to extend the horizons of the Ceylon Tea Market, especially in China, USA and the EU. The establishment of a Tea Promotion Office of the Sri Lanka Tea Board in Beijing was reflected in the significant growth observed in the consumption of Ceylon Tea in China.

POSITIONING OF THE SRI LANKA TEA INDUSTRY

Sri Lanka remains a key producer of superior quality tea in the global tea arena. However, its competitive position globally is eroding. The Board has addressed this issue by emphasizing to the discerning consumer the unique attributes of Pure Ceylon Tea, its cleanliness and ethical production.

Sri Lanka is now ranked second (in terms of volume) among the nations exporting black tea. The industry remains the country's highest export revenue earner in value terms. This demonstrates the superior product quality compared with other global producers. Another contributory factor for this achievement is value addition at the point of export, to which greater attention is being paid as consumer countries offer increasingly attractive incentives for value addition on-shore.

OUTLOOK

The future sustainability of the industry will depend on increasing yields and reducing the cost of production. The use of high yielding cultivars taking into account climate change is fundamental to achieving this objective. The Minister of Plantation Industries has been in continuous dialogue with all stakeholders towards addressing these issues.

CONCLUSION

I wish to place on record the appreciation of the Board of Directors and the Team Sri Lanka Tea Board to the Minister and the Secretary of the Ministry of Plantation Industries for their guidance and support.

I thank my colleagues on the Board for their invaluable contribution and take this opportunity to also thank the employees of the Sri Lanka Tea Board at all levels for their commitment and loyalty and look forward to working closely with all stakeholders in the year to come.

Dr. Rohan Pethiyagoda
Chairman

Basic Comparative Indicators

Category	Unit	2013	2014	2015	Comparison 2014 Vs 2015 (%)
Tea Production					
Total Tea Production	(mn.kg)	340.0	338.0	328.8	(2.72)
Classification by Elevation					
High	(mn.kg)	75.8	78.8	75.4	(4.31)
Medium		56.1	49.2	51	3.66
Low		208.1	210.0	202.4	(3.57)
Classification by Processing Method					
Orthodox(includes Bio, Instant, Reclaimed teas)	(mn.kg)	314	314.5	306.4	(2.58)
CTC		22.3	20.3	19.5	(3.94)
Green		3.7	3.2	2.9	(9.38)
Tea Sales					
Tea Sales -Quantity	(mn.kg)	335.5	333.5	306.0	(8.25)
High		71.4	69.8	67.1	(6.39)
Medium		54.4	51.3	48.1	(4.75)
Low		209.8	212.5	190.8	(10.54)
Tea Sales -Price	(Rs./kg.)	444.75	465.06	403.8	(12.57)
High		407.91	430.59	396.3	(5.74)
Medium		396.97	414.41	360.0	(12.22)
Low		469.67	488.61	417.5	(14.46)
Tea Exports					
Tea Exports–Volume (Without Re export)	(mn.kg)	311.1	317.9	298.9	(5.98)
Classification by Category					
Black	(mn.kg)	306.3	312.7	294.4	(5.87)
Green		2.9	2.9	2.4	(16.21)
Instant		1.9	2.2	2.1	(3.64)
Tea Exports – Value(Without Re export)	(Rs. Bn.)	190.8	203.5	174.3	(14.35)
Total Tea Exports–Volume	(mn.kg)	319.7	327.3	306.9	(6.23)
Total Tea Exports – Value	(Rs. Bn.)	199.4	212.6	182.0	(14.39)

01 CORPORATE BACKGROUND

The Sri Lanka Tea Board was established on 01st January 1976, under the Sri Lanka Tea Board Law No. 14 of 1975, as amended by Act No. 17 of 1985, No. 44 of 1990, No. 29 of 2003, and No. 44 of 2006. The objectives of the Tea Board under these Acts are for the development and regulation of the tea industry in Sri Lanka and promotion of Sri Lanka Tea (Ceylon Tea) globally. Before the Tea Board established it was called Tea Propaganda Board, which was run by the private sector. In 1976 Tea Propaganda was voted out by the parliament and converted to the Tea Propaganda to the now known as Sri-Lanka Tea Board with the powers to the tea industry.

It is the authority responsible for regulating the activities of the tea industry, viz. production, cultivating new area and replanting, rehabilitating old gardens, the establishment of factories and their operation.

The Sri Lanka Tea Board is planning to intensify the monitoring of quality standards of tea at the point of sale, monitoring of pre-shipment teas, inspection of warehouses of brokers, blenders and exporters, and providing advisory services on hygienic blending and storing. Additionally, it regulates controls and directs all institutions and organizations engaged in the management of tea estates and in the production and marketing of Tea.

Action is to be initiated in compatibility with industry requirements to align the current laws and regulations to fulfill the global needs. Tea Board has the control over all matters connected with regulatory functions, development work, and promotion of Sri Lanka Tea (Ceylon tea) locally and abroad. It will continue its regulatory functions, especially with regard to production and quality assurance, the local distribution and export of teas, as well as its overseas promotional activities. The development functions include monitoring of subsidies for upgrading factories and policy formulation and implementation on quality assurance of tea. As promotional activities, it is responsible for monitoring of marketing and promotional activities of tea, collection and interpretation of tea statistics.

Sri Lanka Tea Board Structure

1.1. Main Secretariat

Responsible for overall supervision of all the activities with respect to regulation, development and promotion of the tea industry and administration and financial affairs of the Board. The managerial functions as supporting services are carried out in various sections namely, administration, finance, operations, regulations, promotion, development, statistic, internal audit, secretariat, tasting and analytical laboratory, information technology and library.

1.2. Administration Division

Administration Division is responsible for overall Human Resource Management and Development, Procurement & Stores, Maintenance, Infrastructure Development and Transport under the Assistant Director General (Administration).

1.3. Finance Division

Finance division is responsible for overall financial control and management of Sri Lanka Tea board. Other main activities of Finance division are recommendations for financial policy formulations to the board, preparation of annual budget, Annual financial statements, Monthly accounts and periodical reports, Maintenance of inventories and annual verification and Submitting annual accounts to Auditor General.

1.4. Tea Commissioner's Division

All matters connected with regulatory functions in respect of cultivation, manufactures of tea, and quality development. The Division operates through a network of seven Regional offices.

Tea Export Section under Tea Commissioner's Division is responsible for all matters connected with regulatory functions in respect of disposal of made tea, warehousing, packaging, exportation and importation of tea.

1.5. Tea Promotion Division

All matters connected with promotion of Sri Lanka tea locally and internationally, assisted by Overseas Offices. Provide market intelligence periodically and as per the demand of the Industry. A Tea Sales Counter beneficial to the locals and foreigners is in operation.

Tea Tasting Unit under the Promotion Division is responsible for examination of tea on Minimum Quality Standards, Reference Standard on Lion Logo and examination of other origin teas through an independent panel of expert Tea Tasters. Media advertising, participation at international Food & Beverage Fairs, Brand Promotion Schemes, and Generic Promotion with the assistance of overseas Tea Promotion Officers & Commercial Officers attached to Sri Lanka Missions abroad. Liaison with International Tea Councils & Tea Associations, Intergovernmental Group on Tea of FAO etc.

1.6. Analytical Laboratory

Responsible for testing and issuing of quality certificates for tea on Chemical, Microbiological and Pesticides residue quality parameters, using high- tech equipment to maintain the tea quality. Therefore, individually each unit had contributed in quality certification matter and thereby supported to protect the image of "Ceylon Tea".

02. Industry Profile

The year 2015 was most challenging year for the tea industry in Sri Lanka. Sri Lanka's national tea production for 2015 was as 328.8 million kilos, nine million kilos short of the record harvest of 338.0 million kilos in 2014 attributable to inclement weather.

However, the year 2015 commenced with the challenges of decreasing annual tea production and price declining of the Colombo auction. Monthly average sales prices in 2015 showed down wards trends and it remained average minimum Rs.368.18 and average maximum Rs.424.14. Exports revenue represented a declining trend (14%) with comparison to the year 2014.

2.1. Distribution of Tea Lands

The Total Extent of cultivation in Sri Lanka is 202,439* Ha at present. The breakdown of tea lands along with their management criteria is Private (60%), and State sector (40%). Tea cultivation is distributed within few districts in the country mainly in wet zone areas due to the suitable climate conditions for tea cultivation.

**Ministry of Plantation Industries (Provisional)*

2.2 Tea Production in Sri Lanka

Table2.1: Total Tea Production by Elevation

Elevation	Production(Kg)
High	75,426,286
Medium	50,965,838
Low	202,378,942
Total	**328,771,066**

Challenged by adverse weather conditions, national tea production registered a decline of around ten million kilograms to reach 328 million kilograms is corresponded to 2.7% below the record high achieved in 2014.

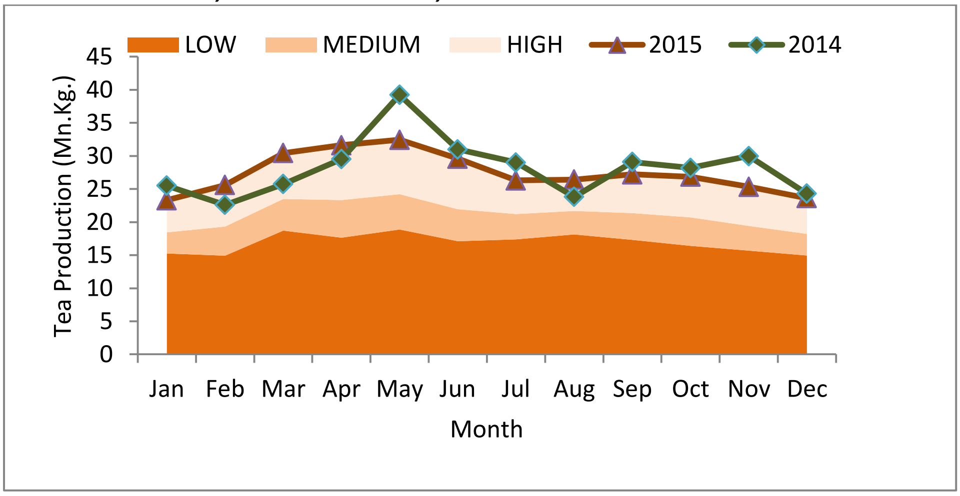
Sri Lanka produces tea cultivation in variety of elevations, with the bulk being low grown tea. Tea is cultivated in elevations ranging from sea level to 600 meters, and essentially has a stronger flavor and color. High grown tea is cultivated in altitudes of over 1,200 meters and is generally regarded as being of superior quality, with a unique taste and aroma.

As such, higher income levels and the resultant rise in demand have pushed up for the low-grown tea in recent times and Tea production in Low Elevation contributed more than two third (62%) of national tea production whilst high and medium accounted for 23% and 15% respectively.

2.2.1. Monthly Tea Production

Throughout the year, low grown production provided a major contribution to the national production for every month of the year. In 2015, March April & May recorded fairly high production than the other months in the same year. In the review year February, March, April & August have been recorded higher production than in 2014. However, cumulative tea production in 2015 recorded a decrease of 2.7% when compared to the production in 2014.

Chart 2.1: Monthly Tea Production by elevation



2.2.2. Agro Climatic District wise Analysis

Ratnapura and Galle continued to be at the top of the list of agro district-wise tea production with 56Mn.kg. and 50.2Mn.kg respectively. All sub districts of the Low grown recorded the highest production in 2015 than other agro regions. Total production of Medium & Udapussallawa regions have been recorded a growth compared to the year 2014.

Table2.2: Agro - Climatic District -wise Tea Production

Agro climatic District	January to December (QTY – Kg ('000))			
	***2014**	**2015***	**Change**	**%**
Nuwara Eliya	**6,027**	**3,854**	**(2,173)**	**(36.06)**
Western				
Ramboda	2,067	2,017	**(49)**	**(2.39)**
Pundaluoya	3,178	3,222	**44**	**1.39**
Agarapathana	8,117	9,760	**1,643**	**20.24**
Nanuoya/Lindula/Talawak	11,411	9,814	**(1,597)**	**(13.99)**
Patana/Kotagala	5,644	5,736	**92**	**1.62**
Hatton/Dickoya	9,029	8,730	**(299)**	**(3.31)**
Bogawantalawa	7,278	6,846	**(432)**	**(5.94)**
Upcot/Maskeliya	7,340	7,478	**138**	**1.88**
Total -Western	**54,065**	**53,604**	**(461)**	**(0.85)**
Medium				
Watawala/Ginigat/Notron	2,360	1,674	**(685)**	**(29.05)**
Pussellawa/Hewaheta	7,094	7,217	**123**	**1.73**
Kotmale	900	2,435	**1,535**	**170.41**
Gampola/Nawalapitiya/Do	12,559	13,494	**935**	**7.44**
Nilambe/Hantane/Galaha	1,062	2,292	**1,231**	**115.91**
Kadugannawa	6,652	7,629	**976**	**14.68**
Madulkelle/Knuckles/Ran	2,583	3,021	**437**	**16.93**
Hunasgiriya/Matale/Yakde	2,193	1,908	**(285)**	**(12.99)**
Balangoda/Rakwana	8,729	8,155	**(574)**	**(6.58)**
Total -Medium	**44,133**	**47,825**	**3,692**	**8.37**
Uda Pussellawa				
Udapussellawa/Halgranoy	4,471	4,603	**132**	**2.95**
Maturata	1,796	1,696	**(100)**	**(5.58)**
Total-Uda Pussellawa	**6,267**	**6,299**	**32**	**0.51**
UVAS				
Koslanda/Haldumulla	873	575	**(298)**	**(34.16)**
Haputale	3,708	4,139	**431**	**11.63**
Bandarawela/Poonagalla	3,489	3,499	**10**	**0.30**
Malwatte/Welimada	2,757	2,888	**131**	**4.74**
Demodara/Haliella/Badull	9,833	8,430	**(1,403)**	**(14.27)**
Ella / Namunukula	1,727	1,832	**105**	**6.06**
Passara/Lunugalla	3,317	3,413	**96**	**2.91**
Madulsima	3,049	3,084	**35**	**1.14**
Total-Uvas	**28,753**	**27,859**	**(893)**	**(3.11)**
Low Growns				
Deniyaya	17,394	16,185	**(1,210)**	**(6.95)**
Galle	53,412	50,201	**(3,211)**	**(6.01)**
Kalutara	19,702	19,217	**(485)**	**(2.46)**
Kegalle	5,533	6,219	**685**	**12.38**
Kelani Velli	7,508	7,289	**(219)**	**(2.92)**
Kandy/Matale/Kurunegala	7,464	4,432	**(3,032)**	**(40.62)**
Matara	18,093	17,246	**(847)**	**(4.68)**
Morawake	7,812	7,452	**(360)**	**(4.61)**
Ratnapura	56,797	55,625	**(1,172)**	**(2.06)**
Balangoda	5,072	5,466	**394**	**7.76**
Total Low Grown	**198,787**	**189,331**	**(9,457)**	**(4.76)**
Total	**338,032**	**328,771**	**(9,261)**	**(2.74)**

**Revised*

2.2.3. District wise Tea Production

During the year under review, It is evident that major high grown production has reported from the Nuwara Eliya district and the highest low grown production has reported from the Ratnapura district.

Table 2.3: District wise Tea Production (in Kg)

District	High	Medium	Low	Total
Badulla	14,942,769	14,163,893	-	29,106,662
Colombo	-	-	824,970	824,970
Galle	-	-	48,101,381	48,101,381
Hambantota	-	-	245,942	245,942
Kalutara	-	-	18,325,117	18,325,117
Kandy	-	20,924,275	11,789,748	32,714,023
Kegalle	-	666,281	9,574,602	10,240,883
Matale	-	2,168,327	860,749	3,029,076
Matara	-	189,998	41,377,497	41,567,495
Nuwara Eliya	60,322,894	10,765,554	762,390	71,850,837
Ratnapura	160,623	2,087,511	70,516,547	72,764,681
Total	75,426,286	50,965,838	202,378,942	328,771,066

2.2.4 Production Analysis by Green Leaf Collection Method

The total tea production of a factory comprised with the green tea leaf collected from their own estates or other estates as well the leaf bought from the other suppliers. The following table illustrates the district wise leaf collection methods that contributed for total production for year 2015.

Table 2.4: District wise Tea Production (in kg)

Admin District	Own Leaf	Estate Leaf	Bought Leaf	Total
Badulla	58,516,573	32,365,976	44,463,427	135,345,976
Colombo	-	-	3,836,111	3,836,111
Galle	4,080,828	2,355,365	219,651,354	226,087,547
Hambantota	-	-	1,143,630	1,143,630
Kalutara	2,540,867	388,038	82,282,887	85,211,792
Kandy	24,023,366	7,737,932	117,942,783	149,704,081
Kegalle	5,562,979	1,323,639	40,733,489	47,620,107
Matale	1,080,009	470,408	12,534,786	14,085,203
Matara	9,676,716	2,354,476	181,257,658	193,288,850
Monaragala	-	-	-	-
Nuwara Eliya	214,821,358	48,654,016	70,631,020	334,106,394
Ratnapura	21,523,790	4,479,719	312,352,256	338,355,765
Total	**341,826,485**	**100,129,569**	**1,086,829,402**	**1,528,785,456**

2.2.5 Production Analysis by Processing Method

2.2.5.1 Black Tea and Green Tea Production

The Orthodox tea production recorded a decrease of 2.57% (8,076,140kg) in 2015, whilst CTC production also showed a decrease of 4.27% against year 2014. During the year under review, overall Black tea production has decreased by 8.9Mn.Kg (-2.67%). Green tea production shows a decrease of 316,047Kg, which is a 9.89%, de-growth respectively previous year.

Table 2.5: Tea production by processing method

Processing Method	2014	2015	2014 Vs 2015	
	Qty.(Kg)	Qty.(Kg)	Change(Kg)	Growth (%)
Orthodox	314,498,217	306,422,077	-8,076,140	(2.57)
CTC	20,338,185	19,469,857	-868,328	(4.27)
Green	3,195,179	2,879,132	-316,047	(9.89)
Total	**338,031,581**	**328,771,066**	**-9,260,515**	**(2.74)**

2.2.5.2 Instant Tea and Bio Tea Production

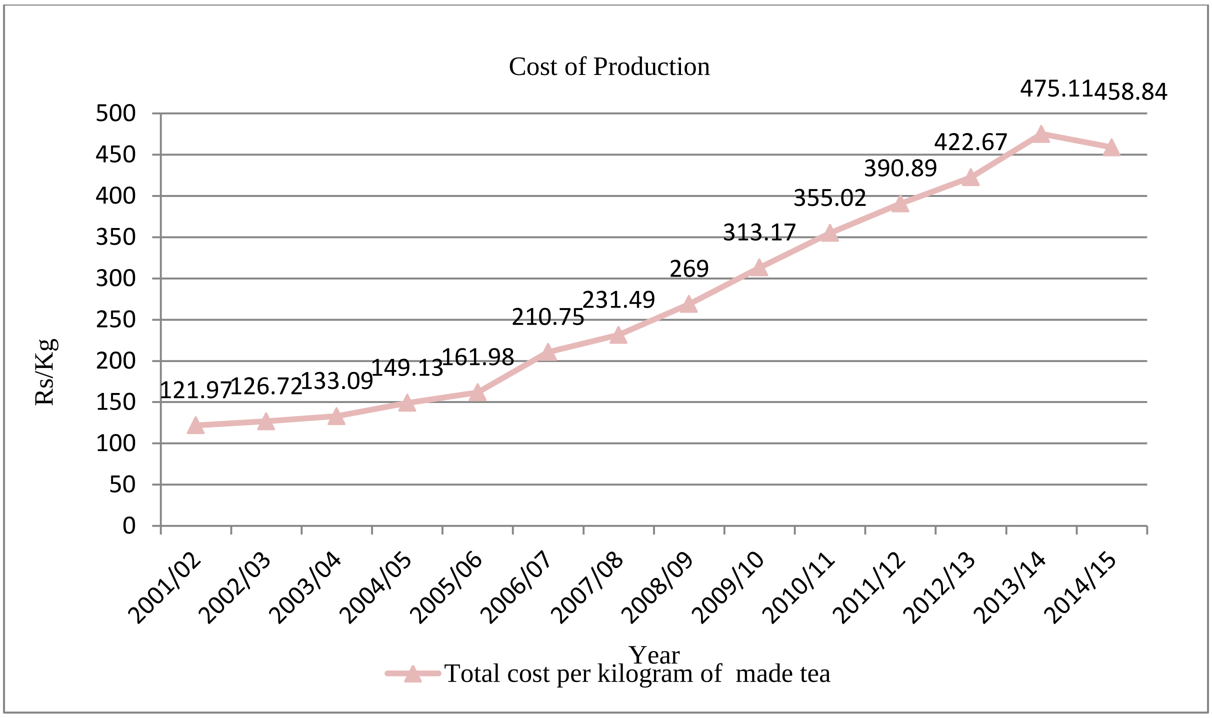
In comparison to year 2014 Instant tea showed a slight decrease of its productions (137MT) and Bio tea also reflected a decrease of its production (144MT).

2.2.6 Cost of Production of Made Tea

Productivity and cost of production (COP) are inter-related and increasing cost of production continues to be a worrying phenomenon in the plantations sector. Labor productivity in tea has a greater relationship with COP as tea production system needs larger quantity of labor. Sri Lanka has highest COP among major tea producing countries. This has affected the country's competitiveness in the global arena.

The cost of production per kilogram of made tea has rapidly increased during the last decade. Increase in labor cost and higher prices of inputs had specially affected the production cost. The annual cost of tea production, compiled by the Department of Census and Statistics for 2014/15, was Rs.458.84 per Kg, which is a decrease of 3.42% against 2013/14.

Chart 2.2: Total cost per kilogram of made tea



2.3. Tea Sales

Generally, the review year reported low sales quantity and low prices. Average price range is varying from maximum Rs. 424 per Kg. to minimum Rs. 368 per Kg throughout the year. Annual average tea price is Rs.403.1 per Kg. in the review year and it was less than compared to Rs. 462.96 in year 2014. A quantity of 337.5 Mn.Kg of tea was sold in 2014 at an average of Rs.462.96 per kg against 319.4Mn.Kg sold at Rs.403.1 per kg including Pubic, Private and Direct sales in year 2015. It reflected that tea sales quantity & Unit price has decreased by 5.38% and 12.93% respectively.

2.3.1 Mode of Sales

Public auction is the main mode of sale of teas manufactured in factories. A quantity of 314.3 Mn.Kg was sold under the Colombo Tea Auction in 2015. Private sales accounted for 3.1 Mn.Kg (1 %) and the rest about 0.6% sold through direct sales.

2.3.2. The Colombo Tea Auction

The Colombo Tea Auction conducted by Ceylon Chamber of Commerce under Colombo Tea Traders Association and during the 2015 they were handled 50 auctions. The auction recorded a decrease of 0.7Mn.Kg (12%) for public and private sales. However, average price fetched at the Colombo Tea Auction during 2015 reported a comparatively lower value, and resulted an annual decrease from Rs. 461.86 per kilogram to Rs.402.14 per kilogram.

2.3.3. Elevation-wise Sales

Table 2.6 shows an analysis of tea sales according to their elevations. In all three elevations, unit prices fetched are decreased when compared to the last year, resulted a negative turnover in year 2015.

Table 2.6: Elevation-wise Tea Sales.

Elevation	Quantity (Mn.kg.)				Unit Price (Rs./Kg.)			
	2014	2015	Change	%	2014	2015	Change	%
High	73.1	71.0	(2.09)	(2.86)	423.98	392.47	(31.51)	(7.43)
Medium	51.5	49.1	(2.45)	(4.75)	413.91	362.11	(51.8)	(12.51)
Low	212.9	199.3	(13.62)	(6.40)	488.21	416.98	(71.23)	(14.59)
Total Sales	337.5	319.4	(18.16)	(5.38)	462.96	403.10	(59.86)	(12.93)

Source: SLTB Sales Reports

2.4. Tea Exports

Sri Lanka's Tea Exports (with re-exports) for the year 2015 was 306.9 Mn.kg achieving export earnings of Rs.182.0billions. The average unit FOB price was Rs.593.11 per kilogram. This year exports earnings have exceeded the Rs.150 billion mark. In world tea market, Sri Lanka became as third tea export country in volume and enduring as first earner in value term which could remarked the blooming tea potential as premium -quality tea from Ceylon in the global tea market.

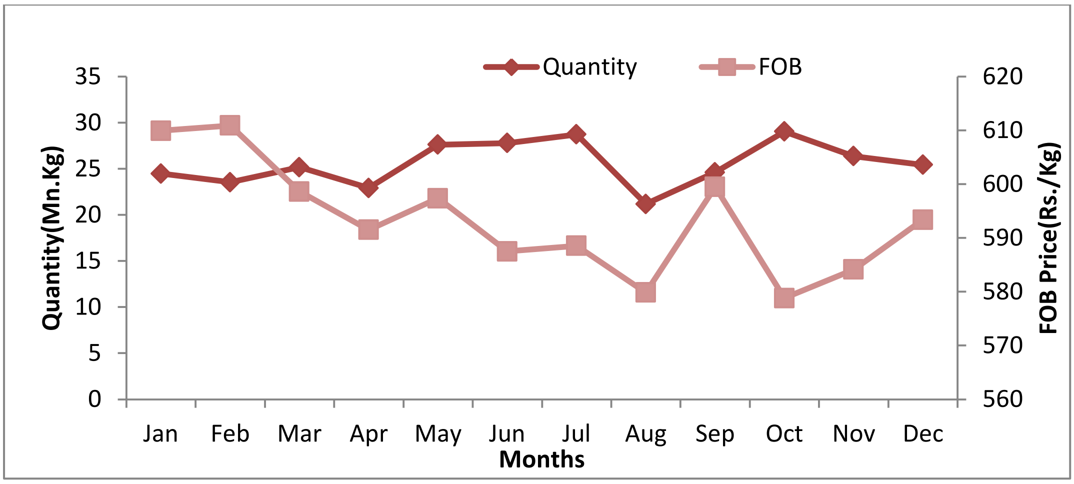
Intense competition from rivals has adversely affected the nation's competitive position and this has been exacerbated by the higher production cost tea and poor yield in Sri Lanka. Meanwhile, the country's continues dependency on orthodox tea as opposed to CTC teas could further erode its market share among global consumers' rapidly changing preferences.

2.4.1 Tea Export analysis according to Categories

In general, preferences for tea vary substantially, depending on the origin and quality of the leaves. For instance, Middle Eastern and CIS countries demand for low-grown, orthodox, strongly flavored tea produced primarily in Sri Lanka.

In 2015, Total tea exports of Black, Green & Instant tea including re-exports showed a decrease in its Volume and Value. Total export volume showed 6.23% decrease with 20.4Mn.Kg quantity change and Export and re-exports showed 5.97% and 15.09% in volume and 14.35% and 14.64% in value respectively. However, cumulative exports earnings were ended up with US$ 1339.1 Million in 2015 relating to the US$ 1628.3 Million in 2014 and accomplished a 17.76% decrease.

Chart 2. 3: Monthly tea exports 2015- Volume & Unit Value



2.4.2. Annual Tea Exports -2015

A detailed illustration on category-wised tea exports including volume, value and FOB from January to December during the year 2015 are given by the table 2.8

Table 2.7: Annual tea exports – 2015

Package	Qty(kg)	Value(Rs)	FOB(Rs/kg)
Exports	298,906,481	174,293,379,834	583.10
Black	**294,353,240**	**169,129,920,979**	**574.58**
Bags	19,229,424	22,139,247,189	1,151.32
Bulk	131,793,790	67,919,700,386	515.35
Packets (1Kg-3Kg)	1,958,307	1,324,499,516	676.35
Packets (3Kg-5Kg)	18,304,973	9,549,504,158	521.69
Packets (4g-1Kg)	83,162,243	49,028,481,551	589.55
Packets (5Kg-10Kg)	39,904,502	19,168,488,179	480.36
Green	**2,431,785**	**2,993,287,021**	**1,230.90**
Bags	652,333	1,423,856,987	2,182.71
Bulk	1,034,212	664,810,866	642.82
Packets (1Kg-3Kg)	4,388	3,859,331	879.52
Packets (3Kg-5Kg)	2,172	3,984,842	1,834.81

Packets (4g-1Kg)	696,919	860,890,541	1,235.28
Packets (5Kg-10Kg)	41,761	35,884,453	859.28
Instant	**2,121,456**	**2,170,171,834**	**1,022.96**
ReExport	**8,029,940**	**7,752,179,156**	**965.41**
Black	**5,965,886**	**4,627,248,926**	**775.62**
Bags	2,921,688	2,789,895,038	954.89
Bulk	959,335	446,892,065	465.84
Packets (1Kg-3Kg)	63,003	24,056,323	381.83
Packets (3Kg-5Kg)	45	43,346	963.24
Packets (4g-1Kg)	2,007,391	1,358,658,495	676.83
Packets (5Kg-10Kg)	14,424	7,703,659	534.07
Green	**2,054,986**	**3,115,808,412**	**1,516.22**
Bags	1,175,359	2,213,938,919	1,883.63
Bulk	81,448	38,360,086	470.98
Packets (1Kg-3Kg)	4,194	2,964,433	706.83
Packets (3Kg-5Kg)	155	480,471	3,099.81
Packets (4g-1Kg)	793,280	859,652,570	1,083.67
Packets (5Kg-10Kg)	550	411,933	748.97
Instant	**9,068**	**9,121,818**	**1,005.97**
Grand Total (Exports+Re Exports)	**306,936,421**	**182,045,558,990**	**593.11**
RTD (Lt)	18,127,468	1,612,732,163	88.97
Exports	145	31,241	214.86
Re Export	18,127,322	1,612,700,922	88.97

2.4.3. Value added Tea Exports

The global preferences are rapidly changing into value added tea categories where Sri Lanka should adopt to these market changes in order to maintain its traditional market position in the globe. Exports of value added teas that is volume less than 3kg in form of tea packets, tea bags and instant teas recorded a share of 37.40% of the total export volume for year 2015 and it generated Rs.84.2Bn export income remarking the value share as 46.26%.

Table 2.8: Exports of value added teas - 2015

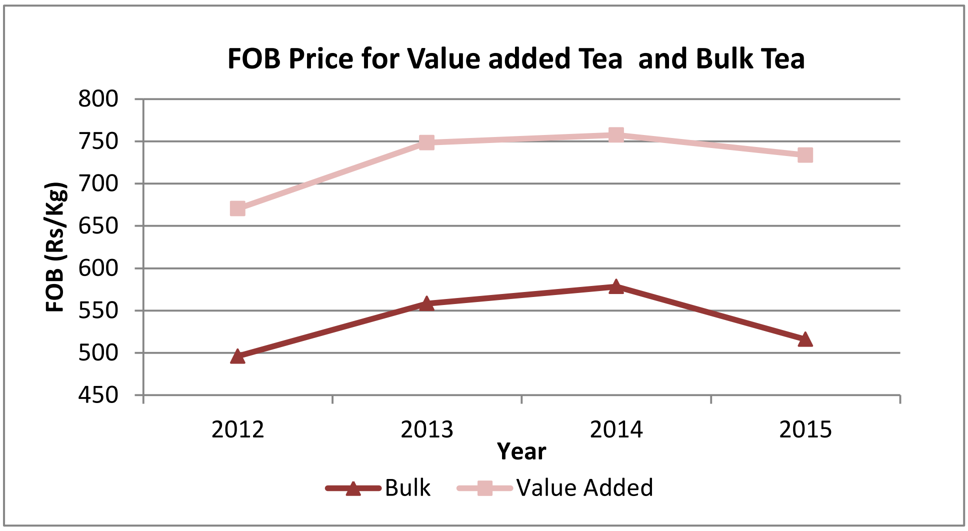
		Quantity(Kg)	Value(Rs)	FOB(Rs/Kg)
Export	Black	104,349,974	72,492,228,256	694.70
	Green	1,353,640	2,288,606,860	1,690.71
	Instant	2,121,456	2,170,171,834	1,022.96
	Sub Total	107,825,070	76,951,006,949	713.67
Re-Export	Black	4,992,081	4,172,609,856	835.85
	Green	1,972,833	3,076,555,922	1,559.46
	Instant	9,068	9,121,818	1,005.97
	Sub Total	6,973,983	7,258,287,596	1,040.77
Total		**114,799,053**	**84,209,294,545**	**733.54**

*The tables prepared without RTD Exports and Total RTD Exports are considered as value added

exports

FOB price for Bulk and Value added teas are shown in the below graph. Fob price for the value added tea is higher than Bulk tea prices. Further promotions on value added tea exports will positively contributed to the Sri Lankan economy than bulk tea exports.

Chart 2.4: Capital value added tea export & bulk tea



2.4.4. Main Destinations of Sri Lanka Tea Exports

In Europe and UK had a strong market for Ceylon tea since past. During 2015, Russia became the main Sri Lankan tea export destination surpassing the Turkey's position by importing 11.97% of total Ceylon tea exports. In 2014, Russia was 2nd largest export destination for Ceylon tea and had imported 13.5% of total tea exports. It showed a 16.68% of volume decrease for 2015 when compare with the 2014.

Russia retain as the first export destination for Ceylon tea up to 2013 , but with the Turkey's demand for Ceylon tea and political and economic uncertainties caused to become Russia as the second largest export destination in volume term. Again Russia became the 1st exports destination in 2015. From total tea exports, 11.97 % has exported to Russia in 2015 and it is 16.68% of volume drop compare to tea exports in 2014. The value gain of tea exports showed that Russia as the major value earner of tea exports by contributing 11.7% of total turnover.

Iraq was the third export destination with the 10.22% export share in 2015 and it showed 26.73% increase of export volume compare to 2014.The average FOB prices for Japan showed a high price compare to other countries in 2015. Becoming as the fifth export destination in review period 2015, UAE showed 18.29% growth of its Ceylon tea market meanwhile Russia, Turkey, Syria Libya and Kuwait showed a decrease of tea exports compare to 2014.

Table 2.9: Main Destinations of Sri Lankan Tea Exports 2015

Country	2015			2014			Growth (%)
	Rank	Quantity(kg)	Export share (%)	Rank	Quantity(kg)	Export share(%)	
RUSSIA	1	36,743,776	11.97	2	44,100,849	13.5	(16.68)
TURKEY	2	33,705,653	10.98	1	44,746,301	13.7	(24.67)
IRAQ	3	31,364,833	10.22	4	24,749,386	7.6	26.73
IRAN	4	30,047,558	9.79	3	30,076,649	9.2	(0.10)
UAE	5	23,438,174	7.64	5	19,813,573	6.1	18.29
AZERBAIJAN	6	11,176,815	3.64	9	11,154,552	3.4	0.20
SYRIA	7	11,091,074	3.61	6	12,917,421	3.9	(14.14)
LIBYA	8	9,983,880	3.25	7	12,650,300	3.9	(21.08)
KUWAIT	9	8,729,559	2.84	8	12,222,651	3.7	(28.58)
JAPAN	10	8,462,172	2.76	10	9,108,279	2.8	(7.09)
Top 10 Total		**204,743,493**	**66.71**		**221,539,961**	**67.7**	**(7.58)**

Iran became the forth in the list of main destinations of Ceylon Teas, whiles Iraq upgraded its position as the Third place with an export volume share of 10.22%. The Middle East is Sri Lanka's largest export destination as a region; demand has been expanding robustly on the back of strong oil prices. Top 10 pure Sri Lankan tea-exporting destinations are accounted for around 66.71% of the totality. However, only Russia, Turkey, Iran, UAE, Syria & Japan, maintained the significantly greater FOBs with respect to the average unit FOB price attained. Furthermore, the gloomy economic outlook on US and the sovereign debt crisis in EU could also cripple the potential revenue from the tea exports. However, Sri Lankan bulk tea exports have now tilted towards the Middle East as result of increased use of tea bags.

Table 2.10 : Tea exports quantities and Ranking for top 20 countries by package type Qty in Kgs

Country	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1Kg)	Packets (5Kg-10Kg)	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1Kg)	Packets (5Kg-10Kg)
RUSSIA	1,879,411	28,794,102	-	11,800	2,183	5,993,790	62,490	2	1	-	11	16	4	11
TURKEY	406,044	2,117,609	-	241,123	8,710,665	19,033,294	3,196,918	9	14	-	4	1	1	5
IRAQ	150,240	3,392,170	-	457,830	944,735	14,834,738	11,585,120	14	11	-	2	4	2	1
IRAN	37,076	15,006,483	-	708,230	924,735	2,088,379	11,282,655	18	2	-	1	5	8	2
UAE	555,405	10,867,927	35	18,550	1,431,839	4,433,768	6,130,650	7	3	6	9	3	5	3
AZERBAIJAN	3,057	10,779,591	-	-	7,150	387,017	-	20	4	-	-	13	15	-
SYRIA	762,946	570,859	-	15,563	5,160,770	3,919,876	661,060	6	18	-	10	2	6	7
LIBYA	7,546	-	-	-	-	9,870,234	106,100	19	20	-	-	-	3	9
KUWAIT	468,259	1,971,460	-	2,010	448,925	1,956,105	3,882,800	8	15	-	14	6	10	4
JAPAN	780,816	6,808,737	-	310	54,820	138,695	678,795	5	6	-	17	10	19	6
CHINA	261,990	6,834,547	1,740	59,732	6,642	219,656	71,089	11	5	3	6	14	17	10
GERMANY	155,938	4,734,919	70	378	13,633	2,081,139	12,390	13	8	5	16	12	9	14
CHILE	358,020	6,446,081	502	5,000	-	153,857	10	10	7	4	12	-	18	18
JORDAN	2,394,154	134,778	-	74,310	148,925	2,421,050	476,840	1	19	-	5	8	7	8
SAUDI ARABIA	1,289,008	1,701,510	-	19,470	119,232	1,763,978	13,456	3	16	-	8	9	12	13
HONG KONG	56,064	3,847,078	-	360,786	219,935	331,650	31,055	16	9	-	3	7	16	12
USA	991,879	1,356,125	84,240	924	16,583	1,874,557	8,503	4	17	1	15	11	11	16
UKRAINE	243,253	3,199,415	-	29,976	-	725,529	10,180	12	12	-	7	-	14	15
EGYPT	53,257	2,865,580	-	-	-	1,261,598	-	17	13	-	-	-	13	-
TAIWAN	126,092	3,440,145	9,000	3,050	4,160	22,605	4,250	15	10	2	13	15	20	17

2.4.4.1 Exports of Black Tea

Black tea recorded 97.8% (300.3Mn.Kg) of total tea exports while contributing 95.5 %(Rs.173.8Bn) for total tea export revenue during 2015. Among the all black tea export destinations, Top twenty export destinations for Black tea represented 84.9% of volume. Russia remains as the prime Sri Lankan Black tea importer up to 2013 and Turkey comes to the first place among black tea exporters in 2014 and again Russia has come to the first place as prime Sri Lankan black tea exporter (11.9%) in year 2015 by importing 35.74Mn.Kg. Black tea exports to Turkey and Iraq quantified as 33.68 Mn Kg and 31.36 Mn Kg respectively.

Table 2.11 : Top 20 Black tea exports destination and market share

Country	Quantity (Mn.Kg)	Value (Rs.Bn)	FOB (Rs/Kg)	Volume Share (%)	Value Share (%)	Qty Growth ('14 Vs '15)
RUSSIA	35.74	20.22	565.77	11.90	11.64	(16.95)
TURKEY	33.68	18.67	554.25	11.21	10.74	(24.71)
IRAQ	31.36	13.42	427.78	10.44	7.72	26.74
IRAN	30.03	17.93	597.29	10.00	10.32	(0.14)
UAE	22.93	12.77	556.84	7.63	7.35	20.01
AZERBAIJAN	11.16	6.11	547.01	3.72	3.51	0.12
SYRIA	11.09	6.38	574.99	3.69	3.67	(14.11)
LIBYA	9.90	4.40	444.12	3.30	2.53	(20.29)
KUWAIT	8.70	4.03	462.45	2.90	2.32	(28.60)
JAPAN	8.45	5.76	681.20	2.81	3.31	(7.14)
CHINA	7.40	4.54	613.80	2.46	2.61	41.22
CHILE	6.90	3.35	484.72	2.30	1.93	(1.33)
GERMANY	6.85	3.83	558.39	2.28	2.20	3.69
JORDAN	5.62	3.90	693.09	1.87	2.24	(15.87)
HONG KONG	4.84	2.63	542.58	1.61	1.51	(4.44)
SAUDI ARABIA	4.81	3.37	699.98	1.60	1.94	(4.65)
EGYPT	4.15	1.97	473.46	1.38	1.13	48.01
UKRAINE	3.93	2.41	613.88	1.31	1.39	(37.07)
USA	3.91	3.02	773.12	1.30	1.74	(12.59)
TAIWAN	3.53	1.61	456.18	1.17	0.93	23.42
Sum of Top 20	255.00	140.29	550.15	84.91	80.74	(6.07)

2.4.4.2 Exports of Green Tea

Green tea encountered 1.5% (4.5Mn.Kg) of total tea exports while contributing 3.36%(Rs.6.1Bn) for total tea export revenue during 2015. Among the all green tea export destinations, Top twenty export destinations for green tea represented 81% of volume. Out of leading twenty importers of Green teas, Russia recorded a considerable volume of 1.0Mn.kg for year 2015.

Table 2.12: Top-Twenty Destinations of Green Tea Exports

Country	Quantity ('000Kg)	Value (Rs.Mn)	FOB (Rs/kg)0	Volume Share (%)	Value Share (%)	Qty Growth ('14 Vs '15)
RUSSIA	1,006	1,075	1,068.20	22.43	17.60	(6.03)
UAE	513	377	734.11	11.43	6.16	(27.76)
USA	337	519	1,540.49	7.51	8.50	(17.92)
UKRAINE	276	293	1,063.93	6.14	4.80	(38.91)
AUSTRALIA	180	430	2,381.64	4.02	7.03	(13.08)
NETHERLAND (HOLAND)	164	392	2,391.61	3.66	6.42	(5.76)
GERMANY	144	145	1,012.04	3.20	2.38	58.96
POLAND	131	163	1,243.23	2.93	2.67	58.58
FRANCE	120	178	1,474.27	2.69	2.91	9.36
SAUDI ARABIA	97	132	1,363.29	2.16	2.16	107.50
LIBYA	82	27	332.33	1.83	0.45	(64.04)
NIGERIA	82	129	1,575.59	1.82	2.10	0.70
UNITED KINGDOM	76	195	2,557.95	1.70	3.20	(0.17)
TAIWAN	74	71	966.38	1.64	1.16	(30.01)
UZBEKISTAN	73	70	956.68	1.62	1.14	(52.25)
BELARUS	65	69	1,065.95	1.45	1.13	(33.71)
CHILE	58	92	1,582.58	1.30	1.51	91.21
BELGIUM	56	52	939.31	1.24	0.86	112.12
CHINA	52	133	2,525.34	1.17	2.17	(13.19)
NEW ZEALAND	51	108	2,127.46	1.13	1.76	5.11
Sum of Top 20	**3,637**	**4,650**	**1,278.52**	**81.07**	**76.12**	**(14.65)**

2.4.4.3 Exports of Instant Tea

Ireland playing a vital role for Ceylon Instant tea market being leading instant tea importing country(93%) from Sri Lanka Instant tea and responsible for an import volume 2.0Mn.Kg. (93%) of Instant tea. USA, Greece and Australia maintained later positions in the list of major instant tea exports destinations respectively. During the review year, Instant tea market showed 3.21% volume decrease and 10.17% of value decrease compare to year 2014.

2.4.4.4 Exports of Ready to Drink (RTD) Teas

Sri Lankan RTD market showed a booming market for RTD tea exports. For 2015, RTD exports could carry Rs.1612.7Mn of export revenue by exporting 18.1Mn litters of RTD teas. There was 136% growth of RTD tea exports compare to 2014 and India played a vital role in RTD market by importing 17.6Mn litters for Rs.1535Mn from Sri Lanka. Canada, Australia, Maldives and Netherlands were other major markets for Ceylon RTD exports. Canada, Australia, and Maldives has increased their RTD markets except Netherlands compare to last year.

2.5. Global Tea Industry Background

Tea is one of the most popular and widely consumed hot beverages in the world. Sri Lanka's exports, particularly tea has played a vital role in the National economy and Social Development from the inception of its illustrious history. The commodity-based product has made inroads as a significant contributor of Sri Lanka's exports earnings, whilst this segment is also amongst the largest employers in the country.

Amongst tea producing countries, the principal producers are India, China, Sri Lanka, Kenya and Indonesia. These five countries account for 82% of world production and 80% of global exports. While China was mainly instrumental for the surge in world tea crop, African Continent particularly Kenya also registered a bumper harvest. Considering the Sri Lankan scenario in the global tea industry, the year 2014 is continued with escalated average unit price (auction) and revenue performances (exports) compared to the other tea-producing members.

2.5.1. Global Tea Cultivation

Total extent planted with tea in the world was estimated to be more than 4 million hectares at the end of the year 2014.

Table 2.13: Highest Tea Extent Records

Country	2010 (Ha.)	2011 (Ha.)	2012 (Ha.)	2013(Ha)	2014(Ha)
China	1,970,200	2,112,510	2,279,940	2,468,840	2,649,840
India	560, 609	579,350	563,980	563,980	566,660
Sri Lanka*	**188,007**	**187,860**	**187,000**	**187,000**	**187,935**
Kenya	171,916	187,855	190,717	198,657	203,006
Vietnam	129,000	127,000	124,027	124,000	125,000
Indonesia	122,796	122,764	121,076	122,546	121,000
Myanmar	78,400	78,500	78,500	78,700	78,700
Turkey	77,500	77,700	77,800	77,000	77,400
Bangladesh	54,900	54,400	54,500	54,000	53,700
Japan	46,800	46,200	45,900	44,800	44,800

Source: Annual ITC Bulletin of Statistics - 2015

*Estimated Area registered as Planted

According to the International Tea Committee (ITC), largest tea extent is found in China (63%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached to a higher extent in 2010 to 2014. The top-ten countries of tea growing are bearing 98% of total tea extent.

2.5.2. Global Tea Consumption

Annual tea consumption and triennial average per capita tea consumption during the three years period of 2012-2014 reveal that the annual consumption was highest in China, recording 1537Mn.kg. Although the per capita consumption is low this was recorded as 1.14Kg. Turkey showed the highest per capita consumption 3.18 Kg per head with 236Mn Kg of annual consumption.

Table 2.14: Country-wise Tea Consumption Statistics.

Country	2010-12		2011-13		2012-14	
	Total	p hd	Total	p hd	Total	p hd
Libya	13.6	2.39	13.23	2.34	15.27	2.7
Afghanistan	49.27	1.97	55.9	2.19	63.03	2.73
Turkey	240.8	3.24	242	3.22	236.81	3.18
United Kingdom (a)	123.51	1.97	122.21	1.91	114.97	1.81
Morocco	56.17	1.74	56.5	1.73	55.1	1.74
Ireland Republic	8.51	1.9	7.44	1.62	7.18	1.56
Taiwan	44	1.64	42.53	1.59	42.1	1.56
Qatar	2.53	1.46	2.67	1.45	2.73	1.61
Sri Lanka	27.79	1.33	27.49	1.35	27.47	1.36
Hong Kong	9.48	1.34	9.52	1.33	9.73	1.38
Chile	21.4	1.24	21.13	1.21	20.87	1.22
Syria	26.5	1.25	24.13	1.14	19.03	0.96
Egypt	91.63	1.14	94.37	1.14	100.78	1.22
Iraq	40.35	1.21	37.65	1.11	34.52	1.18
Iran	74.7	0.99	82.8	1.07	79	1.05
China	1279.33	0.95	1408.67	1.04	1537	1.14
India	871.67	0.73	889.67	0.73	908	0.74
CIS	275.29	0.99	279.84	0.96	275.75	0.94
Pakistan	125.92	0.74	128.02	0.72	131.92	0.73
USA	126.65	0.41	127.76	0.41	128.33	0.41
Japan	122.29	0.96	120.23	0.94	116.93	0.91
Indonesia	75	0.32	84.67	0.34	84	0.34
Bangladesh	68.4	0.45	71.07	0.47	71.1	0.48
Poland	30.95	0.8	31.95	0.83	32.51	0.85
Germany	26.9	0.33	28.17	0.34	29.95	0.37

Source: Annual ITC Bulletin of Statistics – 2015

Phd: Per head (kg)

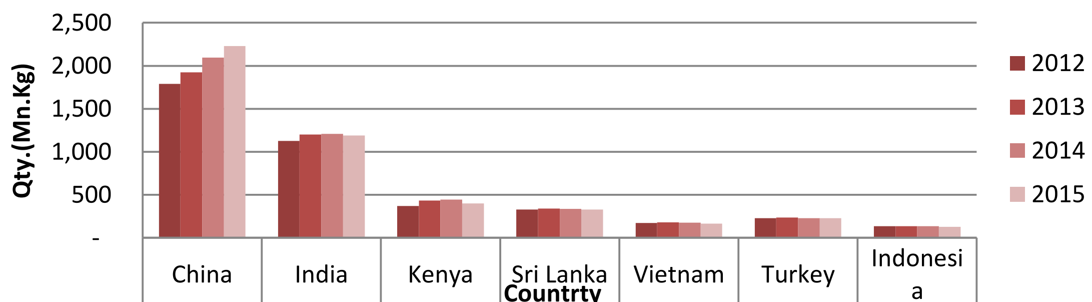
Total: Annual Consumption (Mn. Kg)

2.5.3. Global Tea Production

Global tea production reached up to 5 Bn. Kg during the year 2015 and it showed a 0.45% growth compare to year 2014. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for year 2015. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered Kenya and Sri Lanka the largest global exporters of this commodity. Sri Lanka remain as fourth largest tea producer in the world and it is noticeable that the other tea producers in fifth, sixth and seventh places are not showing increasing trend of their tea production and implies that there are no emergence threat on Sri Lanka's position in recent.

China occupies the highest position with 2,230Mn.kg and India stayed at second with an annual production of 1,191Mn.kg. in 2015. Kenya is placed as third with its manufacturing level at 399 Mn.kg.

Chart 2.5: World Tea Production Statistics



	China	India	Kenya	Sri Lanka	Vietnam	Turkey	Indonesia
2012	1,790	1,126	370	328	174	231	137
2013	1,924	1,200	432	340	180	235	137
2014	2,096	1,207	445	338	175	230	136
2015	2,230	1,191	399	329	165	230	129

Source: Supplement: Annual ITC Bulletin of Statistics – 2015

2.5.4. Global Tea Sales

Colombo Auctions handled 315.5Mn.Kg of tea for average price per kilogram as a US $ 2.99 for year 2015. However, volume traded in Mombasa Auctions also maintained over 359 Mn.kg and Guwahati Auctions had traded in its sales volume in 2015 with 145 Mn Kg.

Table 2.15: Statistics of Major Tea Auctions (Qty. - in Mn.Kg. Avg. Unit Price - in US$/Kg.)

Auction Centre	2013		2014		2015	
	Qty.	Price	Qty.	Price	Qty.	Price
Chittagong	55.3	2.72	67.1	2.19	63.53	2.41
Cochin	53.4	1.94	52.7	1.66	54.79	1.55
Colombo	**336**	**3.44**	**334**	**3.56**	**315.51**	**2.99**
Guwahati	127	2.27	129	2.32	145.43	2.16
Jakarta	33	1.98	26.3	1.66	20.12	1.56
Kolkota	163	2.72	142	2.65	143.42	2.47
Limbe	9.6	1.82	9.00	1.43	8.41	1.56
Mombasa	384	2.41	390	2.03	359.39	2.73

Source: computed from ITC Web Site

Colombo Auctions holds the record for the highest average auction price fetched for the last three years. In addition, it was the only auction centre that exceeds USD 3.00per Kg. except in 2015. During the reference period, except Guwahati & Mombasa all the other auction centers have recorded lower average price than year 2013. Mombasa holds the second largest average auction price with US$ 2.73 per Kg. & Kolkata has moved to third position in 2015

2.5.5. Global Tea Exports

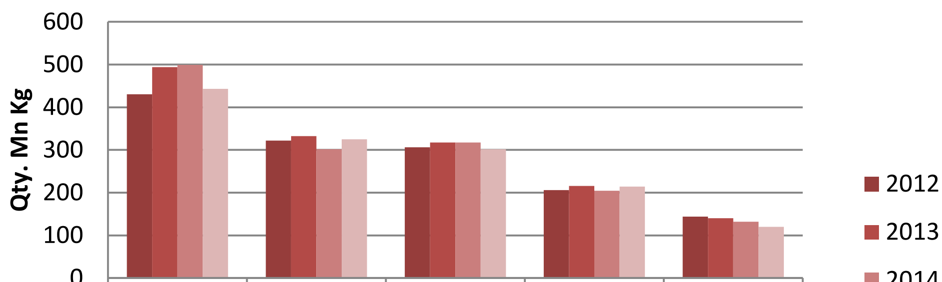
Global tea exports during 2015 showed shrinkage of 69.8Mn.kg (3.8%) as against the previous year. Kenya & Sri Lanka showed a decline of its export quantities and attained a declining of 11.19% & 5.16% correspondingly, compared to the other major tea exporting countries in 2015. The three largest exporters, viz, Kenya, China and Sri Lanka accounted for more than 61% of global exports.

The leading tea exporting countries with their export revenues in year 2014 are listed below. It reveals that Sri Lanka recorded as largest income earner from tea exports. This reveals that Kenya has earned as the second largest export earner. Sri Lanka's tea industry was able to continue 1.6 billion US dollar industry status with its pure Sri Lankan tea exports.

Table 2.16 : Top-most export revenues(2014)

Country	**Export Revenue (US$ Million)**
Sri Lanka	1,558.71
Kenya	1,150.09
China	1,273.5
India	642.3
Vietnam	228.0
Indonesia	134.6

Chart 2.6: Major Tea Exporters



	Kenya	China	Sri lanka	India	Vietnam
2012	430.2	321.8	306.0	206.2	144.0
2013	494.3	332.4	317.7	215.5	140.3
2014	499.4	301.5	317.8	204.6	132.0
2015	443.5	325.0	301.4	214.0	120.0

Source: Supplement of Annual ITC Bulletin of Statistics – 2015
Note: Sri Lankan Figure with excluding Re-exports

2.6. Export Market review for Ceylon Tea

2.6.1. Russia and CIS region

The Russian Federation and the republic estates of CIS region absorb around 260 -285 million Kilos of teas per annum from all origins. During the year 2015, the region imported 261 million of Kilos of tea, which is 18,892 MT less than the previous year. The decline is 7% in volume term.

According to the statistics of ITC London, during the last 05 years the total tea imports by the Russian Federation and CIS Region is fluctuating between 252,000 MT to 284,000 MT per annum. However, it is clear that the total tea imports by the region has dropped by 11,913 MT from 2013 to 2014 which was mainly due to the drastic decline of tea imports by Uzbekistan from 22,600 MT in 2013 to 17,400 MT in 2014 at a rate of 23% (5,200 MT). The decline of the tea import by Ukraine from 22,050 MT in 2013 to 18,600 MT in 2014 and the Russian Federation from 160,300 MT in 2013 to 158,400 MT in 2014 have been immensely contributed for the contraction of total tea import of the CIS region.

During the year under review, Sri Lanka exported 54,163 MT of tea to CIS region in 2015 which shows a decline of 11,858 MT compared to the year 2014. The CIS Region has absorbed 20% of total Sri Lanka's tea export volume of 298, 906 MT in 2015. The table appended below shows the total tea imports by the Russian Federation & CIS region in 2014 and 2015.

Country	2015 (Kg)	2014 (Kg)	Volume Change (Kg)	Growth (%)
Russia	36,099,034	43,554,833	(7,455,799)	(17.12)
Ukraine	3,966,958	6,358,351	(2,391,393)	(37.61)
Azerbaijan	11,156,134	11,152,851	3,283	0.03
Kazakhstan	729,845	820,040	(90,195)	(11.00)
Uzbekistan	487,359	793,994	(306,635)	(38.62)
Kyrgyzstan	835,130	1,015,667	(180,537)	(17.78)
Belarus	330,388	546,245	(215,857)	(39.52)
Moldova	195,737	322,054	(126,317)	(39.22)
Georgia	241,537	634,568	(393,031)	(61.94)
Tajikistan	30,392	44,799	(14,407)	(32.16)
Turkmenistan	37,827	49,402	(11,575)	(23.43)
Armenia	53,366	36,029	17,337	48.12

Table 2.17: Total tea imports by the Russian Federation & CIS region

2.6.1.1. Russia

Russian Federation is the leading tea importer in the world. Total volume of tea imported to Russian Federation in 2015 accounts for nearly 173 million kilos that is 9% of total import around the globe with per capita consumption of tea of around 1.16 kg and year that is lower than the previous year indicator.

According to the Russian Customs information Agency, Russia totally imported 173, 065 MT in 2015 comparing with the same period in 2014 when this figure accounted for 172, 335 MT. So as it seems to be a trend to demand growing. Total tea import volume in 2015 reached nearly the same level as in 2013.

As per the statistics released by Sri Lanka Custom, the above table shows a dramatic decrease of Ceylon Tea exports to the Russian Federation from 43,554 MT in 2014 to 36,099 MT in 2015 which records 17.12% decline (7,456 MT in volume). Again the packeted tea segment has dramatically decline at rate of nearly 20% (1,758 MT) from 7,267 MT in 2013 to 5,826 MT in 2015. The tea bag sector has marginally dropped nearly a half. In value term, the total tea export earning has decreased by nearly 30% from Rs. 29,045 million in 2014 to Rs. 20,652 million in 2015.

The Ceylon Tea performance during the last 7 years indicates a gradual declining of the percentage of value added tea exports to Russia from 32.2% in 2008 to 22% in 2015.

2.6.1.2. Ukraine

The exports from Sri Lanka in 2015 accounted for 3,967 MT. Around 72.3% of this volume was exported to Ukraine in bulk form, 14.8% in packets and only 4.4% in tea bags. The green tea export records 8.5% in 2015. In 2014 It was exported totally 6 358 MT of all types of tea and comparing with this figure 2015 index shows loss in total tea export from Sri Lanka of 2 391 MT which accounts for 37.6% decrease.
Annually one Ukrainian citizen consumes 500 – 600 grams of tea. Annual market capacity accounts for 22 – 24 thousand tones. Such a consumption level has been keeping for already several years with some decrease in crisis periods.

2.6.1.3. Azerbaijan

Tea is the most popular drink in Azerbaijan. This country is in the list of countries leaders in tea consumption per capita in the World that is why countries – exporters of this drink are interested in cooperation with this country. Ceylon tea exports to Azerbaijan market is mainly presented in bulk form (96.5%) as the raw material for the local tea packaging plants in Azerbaijan. The value added tea exports smoothly increased this year and accounted for 3.5%. The decreasing volumes of tea in bulk can indicate of India aggressive strategy in Azerbaijan market and providing cheaper product.

2.6.1.4. Kazakhstan

Kazakhstan is traditionally tea consuming country. As the results of TNS Central Asia polls carried out in 11 biggest cities in Kazakhstan showed that 99% of respondents are tea drinkers. 91% of them drink tea every day. Tea business in Kazakhstan is a very competitive one. Nearly all well – known international brands are available in the shops. Consumers of all income level can find their products there. Nevertheless, tea in Kazakhstan is dominated by domestic brands.
The statistics obtained from the Statistics Agency of Kazakhstan Embassy for 2014 & 2015, the total tea imports to Kazakhstan has declined from 28 320 MT on 2014 to 26 265 MT in 2015 at the rate of – 7.2%. The decline is witnessed in all positions including green tea in bulk form showing an increase of 15.1% in 2014.

2.6.1.5 Uzbekistan

The domestic tea market is estimated approximately at 26,000 MT annually with fully dependent on imports. The most of the tea requirement of Uzbekistan is supplied by foreign countries in retail packs. However, there are various companies that have established packaging of their products in Uzbekistan. This enables them to benefit from taxation advantages and preferential customs handling as well as to avoid high duty.
During the year under review, Sri Lanka tea exports to Uzbekistan tea market decreased from 794 MT in 2014 to 487 MT in 2015 which is 38.6% decrease in volume comparing with the 2015 figure.

2.6.1.6. Kyrgyzstan

Kyrgyzstan is predominantly a black tea drinking country. Tea is consumed round the clock in bowl type "piala cups" without handle which is made out of porcelain. They prefer hot black tea light in color (yellowish) without adding anything but also use sugar, honey, lemon, jam or fruit preserves. Market sources indicated that the actual volume of tea consumption is estimated at around 4000MT per annum. With a population of 5.7 million, the per capita consumption is about 700 grm per annum. Black tea is the most popular having a share of 90% of total market volume. Green tea is popular in the western part of the country in the border of Uzbekistan.

As per the Sri Lanka Customs Statistics, Sri Lanka's direct export to Kyrgyzstan was recorded 1020 MT in 2014 and 836 MT in 2015. The decline of the export volume of Ceylon Tea registered 18% in 2015. Approximately 90% of tea was exported in bulk form however there shows an increase of 56% in tea packet shipments in 2015 over the previous year.

2.6.1.7 Belarus

With a population of 9.5 million, according to the trade sources, the total tea market in Belarus has been estimated as 5000 MT - 7000 MT per annum. In 2015, over 70% of the volume has come through the borders of Russia. As per the information received from the National Statistical Committee in Belarus, the country has imported 6 032 MT during the year 2015 which is an increase of 1 325 MT (22%) compared to the previous year. However, the total value of tea imports to the country has declined from USD 47.4 million in 2014 to USD 47.2 million in 2015.

Russia has taken the leading position in exporting tea to Belarus with a market share of nearly 70% while Sri Lanka is placed as the main black-up supplier holding approximately 8% of the market. Other back-up supplies UAE, Poland and Vietnam have market shares of 1.7%, 2.6% and 2.3% respectively. Russia has increased its tea exports to Belarus by 50 MT in 2015.

2.6.1.8 Moldova

Today tea is one of most popular drinks among Moldova consumers. In accordance with TNS Moldova market research Company, 68.7% of Moldova population drinks tea at least once a day (active consumers). Tea market in Moldova contains a lot of traditional and well-known brands. But for the last time increasingly new and unknown trade-marks appear in the market. Initially, when only a new brand enters the market, its success depends mostly on advertising campaign.
Ceylon Tea Exports to Moldova is estimated around 200 MT- 250 MT per annum. The almost total Ceylon tea exports to Moldova is in value added form of which Packets and Tea in Bags account for 58% and 32%. The remaining share goes to green tea exports.

2.6.1.9 Tajikistan

With a population of 8.6 million, Tajikistan's tea market is estimated to be in the range of 5,000MT to 6,000 MT per annum. Tajikistan has the lowest per capita GDP among CIS countries. As per market sources, since the buying power is poor, the demand is mainly for cheap teas.

2.6.2 Middle East & North African Markets

The Sri Lanka tea industry experienced one of the most challenging years in 2015 where the production quantities, export volumes, auction price levels and revenue generated slumped. Despite the roller coaster ride of Ceylon Tea, the Middle East, Gulf and North Africa Region remained loyal to Sri Lanka even under amazingly tiring conditions in the year under review (2015) to absorb almost 55% of the total off-takes from the island to the world. Thus, MENA Region once again proved, that it continued as the back-bone of Ceylon tea imports in spite of all the adversaries and negative market forces. The only three (03) tea importing countries which are not from the MENA Area within the ten (10) largest tea importing destinations from Sri Lanka were the Russian Federation, Azerbaijan and Japan. Despite the obvious necessity to shift the reliance away from MENA due to its drastically unstable climate, the actual performance even during 2015 clearly showed the importance of the region under review for the sustainability of Sri Lanka tea industry.

The country-wise tea export statistics from Sri Lanka to the Middle East/North Africa (MENA) Region during 2015 in comparison with 2014 and 2015 as per the SLTB sources are tabulated below:

Table 2.18: Country wise Ceylon Tea exports to MENA region (2014/2015)

COUNTRY	2014 (MT)	VALUE (RS.BILLION)	2015 (MT)	VALUE (RS.BILLION)
Turkey	44,731	27.3	33685	18.7
Iran	29,260	20.4	29564	17.7
Iraq	24,442	11.6	31038	13.3
UAE	19,217	11.1	22925	12.8
Syria	12,850	7.8	10942	6.4
Libya	12,425	5.8	9903	4.5
Kuwait	12,146	5.5	8677	4.1
Jordan	6,650	4.7	5573	4
Saudi Arabia	4,690	3.2	4357	3.1
Lebanon	3,435	2.7	2450	1.8
Egypt	2,813	1.6	4175	2
Sub Total	**172,659**	**101.7**	**163289**	**88.4**
Total Sri Lanka Exports/Value	**317,885**	**203.5**	**298900**	**174.3**
MENA Region Ceylon Tea Share from total Sri Lanka Exports	**54.30%**	**50.00%**	**54.60%**	**50.70%**

(Source: Sri Lanka Tea Board)

The above table does not include data related to re-export of tea. Further, off-takes to Tunisia, Qatar, Oman, Bahrain and Yemen have not been considered due to involvement of only insignificant quantities.

In spite of all the uncertainties and the chaos in the MENA countries during 2015, the region has contributed to almost 55% of total off-takes from Sri Lanka to the world. Even in respect of value terms, a 51% contribution is registered, a performance worthy of emulation. When re-export data has not been taken into consideration, the tea markets of Iran, Turkey, Iraq, UAE, Syria, Libya, Kuwait, Jordan, Saudi Arabia, Egypt and Lebanon have combined recorded the import of 163,289 Metric Tons of Ceylon Tea during 2015 out of a total off-take volume of 298,900 MT to all destinations. It reflects a share of exactly 54.6% in quantity terms and a 50.7% share in value terms. Thus, MENA Region has once again proved its indispensable nature for the survival of Ceylon Tea.

Emerging as the major re-export hub for Ceylon Tea, shipments from Sri Lanka has grown from 23.1 Million Kilos in 2012 to 32.2 Million Kilos in 2013 and 44.7 Million kilos in 2014 but dropped to 33.7 Million kilos in 2015 due to the Mersin in-transit trade drastically hampered with closure of common cross-border. Although **Iran** is still a major player after Russia, Turkey and Iraq, its off-takes remained at 30.1 million kilos in 2015 after recording 29.3 million kilos in 2014, 38.4 million in 2013 and 38.1 Million kilos in 2012. Turkey appears to have supplied a portion of the deficit of Ceylon Tea to Iran. Despite the negative consequences prevailing in **Iraq**, they have performed remarkably well by importing 23.5 million kilos of Ceylon Tea in 2012, 22.3 million kilos in 2013, 24.5 million kilos in 2014 and a gratifying 31.4 Million Kilos in 2015 respectively. However, due to the buying power problem, the demand from Iraq is mostly at the bottom end of the Auction with average FOB price for 2014 registered only at Rs 475/- per kilo which deteriorated further to Rs. 427/- per kilo in 2015.

Slowly but steadily **UAE** is regaining its hub status although sanctions against Iranian Banks is still a major stumbling block. The Ceylon Tea off-takes registered at 11.6 million kilos in 2012 has grown to 17.5 million kilos in 2013 and further increased to 19.2 million kilos in 2014 which improved to 23.4 Million kilos in 2015. With the turbulences in most of the neighbouring tea markets continuing, UAE is expected to remain active in 2016 as well. Since Syria is going through its worst period and the war escalating to a peak, the trade will be badly hampered. They would have to breathe through the Turkish lungs. The exports of tea from Sri Lanka due to this reason have been dwindling to Syria from 24.7 million kilos in 2012 to 21.0 million kilos in 2013 and 12.8 million kilos in 2014 as well as to 11.1 Million kilos in 2015.

Out of the 23 million populations in **Syria**, 5.5 million people are already in refugee camps in Turkey, Lebanon, Jordan and even Egypt while another 08 million people are made homeless. It implies that 13.5 million Syrians (60% of total population) is effectively displaced, creating the world's largest humanitarian crisis that man-kind has ever experienced in the history. With the ravaging war expected to gradually calm down, Libya has recorded a 10.0 Million kilos of imports from Sri Lanka in 2015 after 12.5 Million kilos, 6.5 million kilos and 16.3 million kilos off-takes in 2014, 2013 and 2012 respectively.

The actual consumption of tea in **Jordan** is around 5.5 million kilos and in **Kuwait** it is around 4.5 million kilos per annum. However, both these countries are utilized as trans-shipment points to re-export tea mainly to Iraq. With Kuwait becoming a stronger player during the past few years, tea imports to Jordan has decreased. While Kuwait tea imports from Sri Lanka is recorded at 7.3 million kilos, 16.0 million kilos, 12.2 million kilos and 8.7 Million kilos in 2012, 2013, 2014 and 2015 respectively, Jordan off-takes are registered at 9.4 million kilos, 8.8 million kilos, 6.7 million kilos and 5.7 Million kilos during the same 04 years period. The performance by **Saudi Arabia** reveals an erratic picture without any pattern. Tea exports from Sri Lanka to Saudi has fluctuated from 4.5 million kilos in 2012 to 3.5 million kilos in 2013 and again to 4.7 million kilos in 2014 and to 4.9 Million Kilos in 2015. In **Lebanon**, Ceylon Tea exports which stood at 2.1 million kilos in 2012 has grown to 2.8 million kilos in 2013 and further increased to 3.4 million kilos in 2014 but declined to 2.5 Million kilos in 2015. Some volumes may be transported to Syria through the common border. The highly price conscious **Egyptian** tea market usually dominated by African (especially Kenyan) CTC teas have purchased 3.6 million kilos of Ceylon Tea in 2012, 2.0 million kilos and 2.8 million kilos of tea from Sri Lanka in 2013 and 2014 respectively but increased off-takes to 4.2 Million kilos in 2015. When the Mombasa Auction prices are very strong, Egypt usually looks at Sri Lanka & India to cover-up their deficit.

2.6.3. Far East Oceania

2.6.3.1. Japan

Japan is undoubtedly considered as the most sophisticated tea market in the world. Whether it is in product quality, product cleanliness and safety, packaging innovation, technological progress, traceability and transparency in the supply chain, nature and environment friendliness, social responsibility and sustainable development in the industry, Japan commands the top position in the global tea market today. Although it is a tough market to enter, Japan has always been a rewarding destination for tea exporters and suppliers who are willing to make the required investment in packaging and cleaning machinery, food safety standard and product innovations.

Tea consumption in Japan is 103,000 MTs per year, a contraction compared to previous years, but still among the leading tea market in the global sphere. However, Green Tea consumption dominates the Japanese market whilst demand for black tea is static and Oolong tea market is declining.

Japan has always been among top 10 major markets for Ceylon Tea. Sri Lanka mainly exports Black orthodox tea to Japan and dominates the black tea market with a 30% of market share. Total Black Tea exports to Japan from Sri Lanka in 2014 have been 9512MT as against 9322MT in 2013 in quantity and value wise USD 56.5 million in 2014

2.6.3.2. Australia

In 2015, retail sales of tea post marginal current value growth to reach A$ 384 million; however, retail volume sales decline by 2%

The Ceylon Tea share in the tea market of Australia has been hovering around 20% to 25% during the past 10 to 15 years. Incidentally, the tea imports to Australia from all origins have deteriorated from 15 million kilos to about 11 million kilos during the period 2000 to 2015 while the Ceylon Tea component has dwindled from 3.5 million kilos to 2.3 million kilos per annum. . The total tea imports to Australia indicate 11,100MT in 2015, India accounts for 25% (2,800 MT) as leading supplier followed by Sri Lanka's with a contribution of 20% (2,200 MT), China 18% (2,000 MT) and Indonesia 16% (1,800 MT) and in Black tea accounts for 81% share of the market in terms of volume fruit/herbal 7% and green 6 %.

The popularity of "Dilmah" brand from Sri Lanka has mainly attributed to the strong position of Ceylon Tea. In volume terms, Dilmah is second only to Lipton but as a value proposition Dilmah is in number three position after Lipton and Twinnings.

2.6.4. North and South American region

Table 2.19 : Country wise Ceylon tea exports comparison to North and South American region (2014/2015)

Country	2015 QTY(Kg)	2014 QTY(Kg)	Change Qty (Kg)	Growth %
Chile	6,864,828	6,948,952	(84,124)	(1.21)
USA	3,781,497	4,509,210	(727,713)	(16.14)
Canada	579,153	677,048	(97,895)	(14.46)
Venezuela	36,150	59,450	(23,300)	(39.19)
Brazil	1,960	3,473	(1,513)	(43.56)
Mexico	22,075	22,251	(176)	(0.79)
Panama	5,858	3,448	2,410	69.90
Argentina	39,200	43,840	(4,640)	(10.58)
Colombia	235	1,544	(1,309)	(84.78)
Total	11,330,956	12,269,216	(938,260)	(7.65)

2.6.4.1. USA

USA is the fourth largest tea market in the world based on retail value. Though the US isn't even among the top ten tea-consuming countries in terms of retail volume, it enjoys the fourth position based on the sector's retail value of $2.4 billion in 2014.

US emerged as the second largest importer of tea in the world, after Russia. In 2014, the country imported 285 million pounds of tea, representing an estimated retail value of $10.8 billion. Argentina remains as the major supplier of tea to USA with a share of 39%, followed by followed by China (20%), India (9.6%), Vietnam (5.7%), Indonesia (3.5%) and Sri Lanka (3.3%). Major Green tea suppliers were China and Japan. In respect of value terms, China was the top import source of tea to USA in 2012 followed by Argentina and India

Tea exports from Sri Lanka to USA during the past six years had fluctuated around 2.6 to 3.6 million kilos per annum. It represents 3% of total imports in USA.

Tea Exports from Sri Lanka to USA during the year 2014 were 4,509 MT with a value of USD 26 million. A quantity of 3781MT of Ceylon Tea with a value of USD 22 million was exported during the year 2015.

2.6.4.2. Canada

Canadians consume 10 billion cups of tea per year. This market will grow 40% by 2020. Each Canadian drinks 78 liters of tea per year. The average Canadian consumes 8.3 cups of tea per week. Analyses indicate that tea consumption has increased by one third and perhaps even more, over the past 10 years.

Hot tea segment is continually growing in Canada through USA has high demand for RTD and Ice teas. Black specialty tea, especially loose, and fruit/herbal tea posted strong retail value growth in 2014. In addition, one of the main trends concerned the health benefits associated with herbal tea, alongside its diversity, due to the variety of herbs and spices used to make these products. Green tea also stood out in retail sales, growing by 6% in retail value and 4% in volume.

2.6.5 European Region

Table 2.20 - Country wise Ceylon tea exports comparison to European Region (2014/2015)

COUNTRY	2015 - (Kg)	2014 - (Kg)	Variance (Kg)	Growth %
Germany	6,852,378	6,245,911	606,467	9.71
Poland	2,373,281	2,599,218	(225,937)	(8.69)
Belgium	2,356,975	2,489,250	(132,275)	(5.31)
Netherland(Holland)	1,536,999	3,002,559	(1,465,560)	(48.81)
Ireland	1,987,202	2,058,458	(71,256)	(3.46)
Israel	1,417,706	1,965,222	(547,516)	(27.86)
Italy	1,513,441	1,511,738	1,703	0.11
Finland	1,141,530	2,221,022	(1,079,492)	(48.60)
France	764,086	1,076,611	(312,525)	(29.03)
United Kingdom	1,154,346	1,059,783	94,563	8.92

2.6.5.1. United Kingdom

In the light of growing demand for green, fruit, herbal and specialty teas as well as coffee, the UK market for regular black teas has been declining gradually over the last several years. Some recent studies reveal that the overall volume of tea sold in the UK between 2010 and 2015 has dropped by as much as 20% and the fall is predominantly attributable to the diminishing sales of ordinary black tea bags. However, the UK Tea & Infusions Association, which represents the world's tea producing and exporting countries, points out that tea is still by far the most popular hot drink in the UK, with over 165 million cups being drunk every day while that of coffee stands around only 70 million.

The overall value of tea imports (all varieties) by the UK in 2015, which stood at GBP 256.72, registers a notable growth of about 13% over the previous year. As usual, Kenya accounts for the lion's share of the imports, while India, ranks the second largest. Sharing a little over 3% of the market, Sri Lanka remains at the 8th position with about GBP 8 million worth of tea exports.

Sri Lanka tea exports show a fluctuating trend during the last seven years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2014 were 1,059 MT of Ceylon Tea at a value of approximately 1,168 million rupees. A quantity of 1,154 MT of Ceylon Tea with a value of 1,228 million rupees was exported during the year 2015, of which 70 % was in bulk, 14 % was in packets and 16% in Tea bags.

2.6.5.2. Poland

With a population of about 38 million Poland is the third largest consumer of tea in Europe. The annual tea consumption in the country is estimated to be around 35,646 MT with per capita consumption of 0.85 kg (ITC 2014). Poland is a significant net importer of tea in the EU, with a market share of 26.72% of total tea imports in European region in 2014. As per available ITC statistics, Poland imported 35,646 MT of tea during the year 2014 and showed a decline of 16 % over the previous year imports of 29,890 MT. Poles are black tea drinkers, with 87% of the tea imported being black tea and only 13% green tea. The black tea market is dominated by CTC type from Kenya and India, Orthodox of the OPA, FBOP and BOP leafy types; and infusions including fruit, herbal and flavored tea bags.

The grower countries are the largest suppliers to the Poland tea market with Kenya leading the way with 6,064 MT (17%) followed by Vietnam 2,479 MT (7%), India 4,216 MT (12%), Indonesia 3,044 MT (8.5%), Germany 7,770 MT(22%) and China 1,866 MT (5%) and Sri Lanka 1,835 MT (5%) in 2014.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2015 were 2,373 MT of Ceylon Tea at a value of 1,915 million rupees. A quantity of 2,599 MT of Ceylon Tea with a value of 2,100 million rupees was exported during the year 2014, of which 57 % was in bulk, 9.75 % was in packets, 32% in Tea bags. It reflected a decrease of 8 % in volume and 8.8 % decrease in value over 2015. Poland which is considered as the third largest tea bag market for Ceylon Tea during certain years after the Russian Federation and Australia needs to be recognized as an important outlet for value-added teas from Sri Lanka.

2.6.5.3. Germany

Germany is the second largest importer of tea in the European Union but in terms of consumption, it is behind United Kingdom and Poland. Germany imported 58,302MT of tea during the year 2014. Germany after UK is the second largest re-exporter of tea in Europe and during 2014 it re-exported 46% (27,019MT) of the total import volume with net imports of 31,283MT for domestic consumption.

Total tea imports to Germany increased from 50,847MT in 2010 to 58,302 MT in 2014, an increase of 14,021MT or 32% over the six year periods. China supplied 24% (13,954MT) of Germany’s tea imports, followed by India (14%), Sri Lanka (14%), and Indonesia (7%).

Re-exports of tea from Germany have marginally increased from 25,935MT in 2010 to 27,019 MT in 2014 – an increase of 1,084 MT or 4%. France is the major destination of re-export from Germany holding a share of 14% followed by USA (11.5%), Poland (11%), Netherland (10%) and UK (7%).

Sri Lanka was the major supplier of black orthodox tea to Germany. Sri Lanka exports most of its tea in bulk form and value added exports accounts for 31%. Sri Lanka exported 6,852 MT of tea to Germany in 2015.

In 2015, Sri Lanka exported 6,852MT and there was 9.7% growth over 2014 and Germany was the 13th highest export destination for Ceylon Tea. 31% of total value added represented in total exports in year 2015. Sinbad is represented 2% Ceylon Tea in Germany but no other representation in considerable level in German tea market. Teekanne (15%), Mesmer (12%), Westminster (11%) and Milford (3%) are the leading brands in Germany.

2.6.5.4. France

France is the fourth largest net importer of tea behind U.K, Poland and Germany in the European Union with a market share of 9.7%. The tea imports during the period 2011 to 2013 had increased by 200 MT and it was decreased by 2,112 in 2014. Tea imports during the year 2014 were 13,012 MT as against 15,124 MT in 2013, which shows a decrease of 14% in terms of volume. China is the major tea supplier with a market share of 34% followed by Belgium (10%), Germany (12%), and Sri Lanka (7.4%). 23% of France tea imports are re-exported leaving the balance for domestic consumption.

Black tea with market volume of 8,846 MT represents 52% of total imports while green tea with a volume of 8,108 MT holds 48% share. About 70% of teas imported into France are in pre- packed from while only 30% are imported in bulk form. China is the largest supplier of black tea with a share of 34% followed by Belgium (10%), Sri Lanka (7.4%), Germany (13%) and other countries (14%). Supply of Green tea is also dominated by China with a major share of 51% followed by Germany (6%) and Belgium (6%).

As per Sri Lanka custom statistics, during the year 2015, Sri Lanka has exported 764 MT of tea against 988 MT in 2014. But Sri Lanka's share in the French market could be much higher since tea coming from Belgium, UK and Germany too include a reasonable volume of Ceylon Tea.

2.6.5.5. Netherlands

According to Sri Lanka Customs, direct exports from Sri Lanka during 2015 were 1,537 MT of Ceylon Tea at a value of approximately 1,531 million rupees. A quantity of 3,002 MT of Ceylon Tea with a value of 2,319 million rupees was exported during the year 2014, of which 7 % was in bulk, 63% was in packets and 30% in Tea bags.

2.6.6. South Asia Region

Table: 2.21: Country wise Ceylon tea exports to South Asia Region (2014/2015)

Country	Qty (kgs)		Change	Growth %
	2014	2015		
India	1,882,963	3,446,787	1,563,824	83
Pakistan	86,275	3,281,954	3,195,679	3704
Bangladesh	415	516	101	24
Maldives	188,083	175,279	-12,804	-7
Afghanistan	0	1,656	1,656	
Nepal	1,647	3,297	1,650	100
Total	2,159,383	6,909,489	4,750,106	220

South Asia region comprises eight countries with 1.7 billion populations. Out of this six countries imported 6.9 million kilograms of Ceylon teas during the year 2015.It was a noticeable growth compared to 2014 imported quantity of 2.1 million kilograms. India ranked first among this region importing 3.45 million kilograms of Ceylon tea. India, the world's second biggest tea producer, exports CTC (crush-tear-curl) grade mainly to Egypt, Pakistan and the UK, and the orthodox variety to Iraq, Iran and Russia.

As of Indian Tea Board data, Tea exports have registered an 8.67% increase quantitatively and 6.02% increase in terms of value during 2015-16 (April-November) as compared to the corresponding period last year. The provisional tea exports data released by Tea Board India has pegged tea exports at 141.07 million kgs valued at Rs. 2746.04 crore during 2015-16 (April-November), while the export during the corresponding period last year was 129.82 million kgs valued at Rs. 2590.08 crore.

Pakistan tea imports are registered at 150880.76 MT in year 2015 with an increase of 10.4% when compared with 136657.65 MT imported in 2014.

The average price of black tea imported into Pakistan varies according to the country of origin and quality. The lowest average price of black tea is recorded at US $ 0.89 per Kg from China and the highest average price recorded at US $ 3.55 per Kg from Sri Lanka.

Tea market of Pakistan has been dominated by Kenya. It is important to note that the average price of Kenyan tea imported has increased by 30 % to reach at US $ 3.14 per Kg in 2015 when compared to US $ 2.41 per Kg in 2014. The Pakistani consumers are used to the taste of Kenyan tea.

The import of tea from Sri Lanka to Pakistan has marked a significant increase in 2015, registering at 3,150.17 MT compared with 25.08 MT recorded in 2014 because of the increased average price of Kenyan tea. The average price of Sri Lankan tea was the highest when compared to other sources of supply. It is however necessary to undertake vigorous promotional campaigns continuously by both importers and exporters to re-capture the segment of this important market and work on Ceylon Tea prices.

Bangladesh, Afghanistan, Nepal made considerable increases in their Ceylon tea imports and Maldives registered moderate decrease in import of Ceylon tea.

03 ACTIVITIES UNDERTAKEN BY THE BOARD

3.1 Tea Commissioner's Division

The Tea Commissioner's Division administrates all matters connected with the regulatory functions in terms of the Sri Lanka Tea Board Law No. 14 of 1975 and the Tea Control Act No. 51 of 1957 in respect of Development, Manufacturing, Disposing, regulations of tea industry.

Functions of the Tea Commissioner's Division have been decentralized into seven regional offices, which are located in Galle, Matara, Rathnapura, Gampola/Hatton, Bandarawela and Baduraliya.
The Tea Commissioner's Division of SLTB performs following duties in furtherance of the tea industry:

- Collection of statistics related to production of Tea
- Registration and renewals of tea manufacturers and factories
- Programs for Improvements of Green Tea leaf standards
- Providing subsidies for factory modernization and replanting (including infilling and new planting)
- Reasonable price payments for factories and dealers
- Special monitoring of GMP
- Registration and monitoring of green tea leaf dealers
- Registration and monitoring of refuse tea processing centers and dealers
- Conducting SLTB/SLSI product quality certification programs

Regulations, which were framed under the section 25 of the Sri Lanka Tea Board Law No. 14 of 1975 and delegated to the Tea Commissioner, are appended below.

a) Sri Lanka Tea Board (Processing & Hygienic Standard for made tea) Regulations 1986
b) Sri Lanka Tea Board (Replanting & Factory Modernization Subsidy Scheme)

3.1.1 Key Achievements

Comparatively past years, the division achieved such major achievements in 2015. One of the major achievements was a revision of penalty scheme for defaulters.

Launching a SMS system for price check at factory level was benefited to small holders remarkably and new quality standards for local market have been developed during the year 2015.

3.1.2 Registration of Manufacturers and Factories

Under the Tea Control Act No. 51 of 1957 the Tea commissioner's division maintains a Register of Manufacturers in relating to manufacturers of tea and the prescribed particulars relating to the tea factories of such manufacturers to be registered. The division has the authority to decide whether any person is entitled to be registered as a manufacturer for the purposes of this Act. Every tea manufacturer should register with Tea Board for manufacturing and selling teas through auction centre. All the factories that manufacture made tea are essential to be registered with the Tea Board in order to ensure that the building, equipments and manner of operations of the factory is of a standard conducive to the manufacture of good quality teas, assist in monitoring of quality of tea produce by the factory, enables control over the disposal of refuse tea and implementation of reasonable price formula.

Classification of those in operation in terms of the elevation categories and degree of bought leaf manufacture is shown in the table 3.1

Table 3.1 Classification of Tea Factories by Operation

Status	High	Medium	Low	Total
1. Confined to Own Leaf	90	14	10	**114**
2. Own leaf & Bought leaf :-				
a) Own leaf less than 50% at total production	08	27	68	**103**
b) Own leaf more than 50% of total production	48	28	22	**98**
3. Bought Leaf only	21	54	321	**396**
4. Registered Tea Factories not in operation	30	73	89	**192**
5. Total number of Registered Tea Factories	197	196	510	**903**
6. Total no of Registered Tea factories in operation	167	123	421	**711**

3.1.3 Reasonable Price Payable for Bought Leaf

Under the provisions of the Tea Control Act, factories engage in bought leaf manufacture are required to pay prices for bought leaf based on Tea Commissioner's recommended prices, having regard to the price fetched by made tea manufactured at those factories. The reasonable price payable by factories to green leaf suppliers was determined on the basis of monthly net sale average of such factories.

The proceeds from made tea sales are to be split between the leaf suppliers and factories in a ratio of 68:32. If factory sales average exceeds the monthly elevation average, the incremental revenues are shared in a 50: 50 ratio. The formula is based on an out turn ratio of 21.5% from green leaf to made tea.

3.1.3.1 Defaulted Payment

During the year under review the total defaulted payment for green leaf suppliers are maintained at Rs. 212 million as at 31st December 2015. We also recovered Rs 8.417 Million during the year 2015. Further accumulation of defaulted payment interrupted by suspending their registration. Restoration of registration of such factories considered only after settled the total defaulted payment.

Table 3.2: Status of Defaulted Payment

Region	Amount as at 2015.01.01	Amount added during 2015	Amount recovered and paid	Balance payment due to smallholder as at 31.12.2015	Amount due from closed Factories	Amount due from functioning Factories
Ratnapura	118,546,859.14	21,011,663.17	1,637,000.00	137,921,522.31	103,441,141.73	34,480,380.58
Matara	2,653,773.55			2,653,773.55	1,769,182.37	884,591.18
Gampola	15,882,129.74	25,000.00		15,907,129.74	11,930,347.31	3,976,782.44
Galle	16,694,733.00	6,197,941.44	491,340.00	2,401,334.44	16,801,000.83	5,600,333.61
Baduraliya	15,351,540.82	11,935,944.06	2,448,414.60	24,839,070.28	18,629,302.71	6,209,767.57
Hatton	11,381,630.92		3,894,348.33	7,487,282.59	5,615,461.94	1,871,820.65
Bandarawela	1,036,317.80	32,335.38		1,068,653.18	801,489.89	267,163.30
Total	**181,546,984.97**	**39,202,884.05**	**8,471,102.93**	**212,278,766.09**	**158,987,926.77**	**53,290,839.32**

3.1.4 Quality Control of Green Leaf

The appropriate conditions of the buildings, equipments, machineries and manner of operations are essential to maintain the good quality of made tea. Hence, if above conditions are not conducive to the manufacture of good quality made tea, The Tea Commissioner has the authority to suspend or cancel the factory registration of such under the Tea Control Act No 51 of 1957.

The quality control of green leaf is vital fact for the manufacturing operations undertaking using bought leaf. If the good quality green tea leaf are used in the manufacturing process eventually, the quality of the made tea will be increased and it will be an ultimate benefit for the both tea small holders as well as the tea manufactures. . If any factory found as a defaulting reasonable price payment for green tea leaf, the factory will be warned and if not paid the registration of the factory will be suspended or cancelled.

Sri Lanka Tea Board has published a Gazette notification for Green Tea Leaf standards on 14th December 2010.

3.1.4.1 Quality Improvement Activities

Under the Tea Control Act, the Tea Commissioner's Division is empowered to monitor and improve the quality of tea manufacture and the following projects have designed and implemented in order to improve the quality of tea manufacturer.

a) SLSI-SLTB Quality Certificate
b) The “B Leaf 60” programme to improve the green tea leaf standard
c) Rush Crop Management programme during festival season
d) Low NSA Strategy
e) Quality Monitoring System(Task Team Operation- TTO)
f) Factory Modernization subsidy scheme
g) Tea Re Planting Subsidy Scheme
h) Factory based tea development programme
i) Establishment of GMPS in Tea Factories
j) Green Tea Dealers Training Programme (N I P M)

a) SLSI – SLTB Quality Certificate

The Sri Lanka Tea Board (SLTB) in association with Sri Lanka Standards Institution (SLSI) operates a Product Certification Scheme to certify the manufacturing process and the final product, i.e. Black Tea.

The scheme is centered around essential elements of the Quality Management System combined with additional requirements on process control and product testing as specified in the relevant standards along with applicable legal requirements. SLSI - SLTB Tea Product Certification Scheme operates in an impartial, non discriminatory and transparent manner to provide third party guarantee of quality Black Tea to the ultimate customer.

b) The “B Leaf 60” programme to improve the green tea leaf standard

This programme has been implemented to improve the leaf quality by minimizing the post harvest damage and by improving the plucking standards. The present leaf standard is the Best Leaf 33% Below Best 32% and Poor 35%. The "B Leaf 60" was implemented with the target of maintaining green leaf standards (Best leaf standard) at minimum of 60% within a short a period.
The following strategies have already been implemented to achieve this target.

1. Awareness Programme for Stakeholders
2. Impose regulations on handling of leaf
3. Financial assistance for improving post harvest techniques

c)Rush Crop Management programme during festival season

This project is designed to minimize the crop losses during festival season due to closing down of tea factories for a longer period. This project was introduce in 2005 and since then the Tea Commissioner's Division was able to control the crop lose almost completely by introducing various activities.

d) Low NSA Strategy

This is a project that is designed for tea factories that are in the lowest rungs of the NSA ladder. The objective of the project is to bring up the NSAs of these factories to higher levels by improving the standards of green tea leaf and the standards of tea manufacture.

e) Quality Monitoring System (Task Team Operation- TTO)

89 Surprise inspections were carried out at tea factories by the officials of the Tea Commissioner's Division during the year 2015.

Table 3.3: Task Team Operations

Region	No of Inspections done
Bandarawela	04
Gampola/Hatton	05
Ratnapura	10
Matara	03
Galle	49
Mathugama	18
Total	**89**

f) Subsidy scheme for Factory Modernization & Tea Replanting

Under Domestic funds, the Treasury has been allocated funds for the tea development activities through the Sri Lanka Tea Board's Budget. The above allocated funds are utilized for the subsidy scheme of factory modernization and tea planting during the year.

Funds were available for the corporate and private sectors for replanting and factory modernization for the year 2015. Following table shows the payment made for the replanting and factory modernization subsidy scheme in year 2015.

Table 3.4: No. of applications and amount paid as subsidies

Region	Replanting Subsidy Scheme			Factory Modernization Subsidy Scheme	
	No of Applications	Amount Paid	Extent Hec	No of Applications	Amount Paid
Bandarawela	31	7,473,643.00	67.58	06	491,667.00
Hatton	160	33,782,411.00	253.22	14	2,136,000.00
Gampola	32	7,015,450.00	58.42	20	2,000,000.00

Ratnapura	09	3,368,800.00	18.39	20	926,667.00
Matara	14	4,235,200.00	23.45	12	2,420,129.00
Galle	10	1,626,333.00	9.5291	18	1,104,625.00
Mathugama	16	3,447,660.00	17.79	08	1,000,000.00
Total	272	60,913,497.00	448.38	98	10,079,088.00

g) Factory Based Tea Development Program (FBTDP)

Factory based tea development program has been designed with the aim to improve the productivity of tea smallholdings and the tea factories collaboratively by Sri Lanka Tea Board, Tea Research Institute and Tea Smallholdings Development Authority.

An extension officer (Field coordinator) has been planned to appoint through this program for monitoring the productivity of tea smallholdings and handling of Green tea leaf. This was planned to extend the project to all tea-growing areas for year 2014.

h) Establishment of Good Manufacturing Practices (GMPs) in Tea Factories

Under this scheme, 235 tea factories were evaluated and actions were taken to improve the standards of tea manufacturing process.

Table 3.5 : Regional wise assessments of GMP

Region	Assessment of GMP
Bandarawela	79
Gampola/Hatton	70
Ratnapura	03
Matara	05
Galle	77
Mathugama	01
Total	**235**

i) Licensing of Dealers in Green Tea Leaf

According to the Tea Control Act it is required for all green tea leaf dealers to obtain annual license from the Tea Commissioner’s Division. Following table shows the regional wise green tea leaf dealers' distribution.

Table 3.6: No. of license issues during 2015

ATC – Regions	License declarers as at 01.01.2015	Renewals of Licenses	New Licenses issued	Licenses to deal in Green Tea Leaf as at 31.12.2015
Bandarawela	151	134	10	144
Gampola/Hatton	305	254	36	290
Matara	343	331	18	349
Galle	366	334	21	355

Ratnapura	592	526	71	597
Mathugama	300	246	25	271
Total	**2057**	**1825**	**181**	**2006**

j) Processing of Refuse Tea

Processing of refuse tea is a procedure of extracting consumable tea from un-denatured refuse tea. A scheme for issuing permits for the refuse tea processing centers has been established since 2009. The table no. 3.7 illustrates the regional wise total permits issued during the year 2015.

Table 3.7: Issued permits for refuse tea processing centers during 2015

Region	Renewals during the year	Newly issued during the year	No of Processing Centers as at 31.12.2015	No of Permit Issued as at 31.12.2015
Bandarawela	01	-	01	1122
Gampola/Hatton	242	07	249	2547
Matara	01	13	14	748
Galle	01	35	36	726
Ratnapura	04	05	09	1598
Mathugama	01	02	03	562
TOTAL	**250**	**62**	**312**	**7303**

3.2. Tea Exports Section

The powers and functions of the Tea (Tax & Control of Exports) Act no. 16 of 1959 and regulations laid down under the Sri Lanka Tea Board Law no. 14 of 1975 are administered by the Tea Exports Section of the Sri Lanka Tea Board. The Tea Export Section performs duties relating to registration of tea exporters, tea packers, warehouses, importers, types of tea packs, retrieval of tea, monitoring of minimum quality standard for tea, authorization of export of tea, compilation of statistics on the export of tea and monitoring of export of tea under bilateral Free Trade Agreements (FTAs) of Sri Lanka.

3.2.1 Key Achievements

3.2.1.1 GMP Certification for Iran Exports.

A special operation has been caring out at the warehouses where tea consignments are prepared to export to Iran. Sri Lanka Tea Board has started this certification to assess the maintaining of good manufacturing practices of these through the assessment of the process blending, packing and warehouse storage places followed by final product evaluation using sensory analysis and scientific examination guided by national and international standard of tea.

3.2.1.2. 24hrs 7 days' operations at the Sri Lanka Tea Board Exports Division

Sri Lanka Tea board has been started to open the exports division 7 days 24 hours. At the initial stage, the operation hours extended until 10.00pm.This was started to facilitate the Tea Exporters for submitting their Cusdec any time and to get the respond immediately.

3.2.1.3 Sri Lanka Tea Board - Sri Lanka Customs Joint Investigation on the Tea Consignments at Sri Lanka Customs Exports Facilitation Center (EFC) to sustain the Superiority of tea Exportation.

The SLTB has established several measures to protect the image of Ceylon Tea at international and national levels by strengthening the investigation and evaluation procedures with a view to ascertaining whether the good quality made tea is moved across the border. Accordingly, a special investigating and trade facilitation unit has been opened at Exports Facilitation Center, No.478/3C, K Cyril C Perera Mawatha, Colombo 13 in collaboration with Sri Lanka Custom to conduct joint inspections on tea consignments been ready to export without hindering customs boarder procedures and export cargo clearance in more transparent manner to ensure the quality of tea.

3.2.2 Registrations

One of the key duties of the Tea Exports Section is registration and renewal of Exporters, Packers, Warehouses and Importers with valid business registration, registered warehouse (for storing, blending and packing of tea), a qualified tea taster with tea tasting facility and with a minimum capital (invested/paid up) of a least Rs. 1.0 Million are eligible to apply for the registration as a tea exporter.

In terms of the Sri Lanka Tea Board Regulation (Registration of Tea Packers) 1986, published in the Gazette Extra-ordinary no. 386/13 of 28th January, 1986, any person who engage in the business of packing tea in polythene bags for domestic consumption or in other forms of packaging it is essential to register with the Sri Lanka Tea Board. Every registration is valid only for one year period and required to renew the registration on annual basis.

Any entity registered as an exporter of tea under Tea (Tax & Control of Exports) Act no. 16 of 1959 is eligible to register as an importer of tea.

Table 3.8 Registration Statistics of Exporter, Packers, Warehouse, Produce Brokers and Importers (2015)

Registrations	As at 01.01.2015	During year 2015 (New Registrations)	Total No. as 31.12.2015
Exporters	460	35	495
Packers	583	134	717
Warehouse	543	32	575
Importers	205	10	215
Produce Brokers	8	-	8

In terms of the Sri Lanka Tea Board Regulation (Warehousing of Tea) 1984 published in Government Gazette Extraordinary no. 326/17 of 05th December, 1984 as amended by no. 410/11 of 10th September, 1986, no. 1280/8 of 20th March, 2003, warehouses used for the storage of any quantity of tea in excess of 1000 kgs of tea of any one time, and which the Sri Lanka Tea Board considers satisfactory for the purpose of storing tea, shall be registered with the Sri Lanka Tea Board in accordance with the provisions of the said regulations.

Retail containers which contain other origin specialty (not sufficient quantity available) tea blended with Sri Lanka Teas would export under the Sri Lanka Tea Board Regulations (Import & Export) 1981. Such containers/ packs should bear the narration "A Blend of Ceylon and other origin Teas packed in Sri Lanka" or "Other Origin Teas packed in Sri Lanka" only.

All registered tea exporters are required to submit CUSDECs with other required documents to the Tea Exports Section through ASYCUDA System in order to obtain the authorization for export. A team of SLTB officers inspects the tea consignment/s, ready to export to ascertain whether the tea in concern is in line with required standards for export.

3.2.3. Importation of Tea

The Sri Lanka Tea Board has issued 419 import permits for Importation of 4,646,607.90 kgs of tea. However, the actual quantity of import was 4,893,662.00 during the period under review.

Table 3.9: Sri Lanka's actual tea imports (January -December 2015)

Country	Type	Imported	CIF	Value
		Qty. (Kgs)	Value (Rs.)	Rs.
CHINA	Green Tea	1,818,178	386.70	703,082,673
	Special	120,892	740.04	89,465,170
	White Tea	11,558	659.65	7,624,227
	CTC	6,992	404.29	2,826,784
	Sub Total	**1,957,620**	**410.19**	**802,998,853**
INDIA	CTC	1,510,409	220.69	333,332,956
	Special (Black Tea)	662,979	540.76	358,510,544
	Green Tea	4,132	903.39	3,732,813
	Decaffeinated Tea	18,925	798.88	15,118,727
	Sub Total	**2,196,445**	**323.57**	**710,695,040**
KENYA	CTC	587,213	349.85	205,436,176
	Sub Total	**587,213**	**349.85**	**205,436,176**
TAIWAN	Green Tea	40	11,214.19	448,568
	Sub Total	**40**	**11,214.19**	**448,568**
MYANMAR	CTC	1,051	-	-
	Green Tea	3,690	-	-
	Special	15,966	631.83	10,087,862

	Sub Total	**20,707**	**487.17**	**10,087,862**
NETHERLAND	Decaffeinated Tea	1,000	1,060.40	1,060,400
	Sub Total	**1,000**	**1,060.40**	**1,060,400**
GERMANY	Decaffeinated Tea	287	1,318.75	378,480
	Green Tea	20	2,398.00	47,960
	White Tea	15	3,604.60	54,069
	Sub Total	**322**	**1,492.26**	**480,509**
MALAWI	CTC	23,200	270.68	6,279,776
	Sub Total	**23,200**	**270.68**	**6,279,776**
VIETNAM	Green Tea	71,080	299.75	21,306,534
	Sub Total	**71,080**	**299.75**	**21,306,534**
UGANDA	Special Tea	14,080	264.86	3,729,229
	Sub Total	**14,080**	**264.86**	**3,729,229**
MOZAMBIQUE	CTC	20,000	281.00	5,620,000
	Sub Total	**20,000**	**281.00**	**5,620,000**
JAPAN	Green Tea	1,210	400.08	484,100
	Sub Total	**1,210**	**400.08**	**484,100**
NEPAL	Green Tea	745	1,704.00	1,269,480
	Sub Total	**745**	**1,704.00**	**1,269,480**
	GRAND TOTAL	**4,893,662**	**361.67**	**1,769,896,527**

3.2.4. Maintenance of Minimum Quality Standard ISO 3720 for Made Tea

The Expert Panel of Tea Tasters appointed by the Sri Lanka Tea Board examine all the offered tea samples and samples drawn from tea factories, the unloaded consignments after import, consignments prepared for export in order to ascertain whether the made tea in concern falls under the permitted categories, conforms to ISO 3720 and free of any contamination, thereby permitting only the suitable made tea for export.

Table 3.10 no. of quality defects at each sampling level(2015)

Type of sampling	no. of samples withdrawn	no. of cases detected as below ISO and contamination
Pre auction	1337	260
Post auction	9906	58

3.2.5. Denaturing of tea due to unsuitability for consumption

Made tea found to be unsuitable for human consumption at the levels of pre-auction, pre-shipment and special investigations is denatured under the supervision of the Export Section. This section has denatured 131735 kgs of made tea identified at all levels above in 2015

3.2.6 Performance of Exports under the FTAs

Sri Lanka enjoys preferential Tariff Rate Quota (TRQ) for tea under the Indo-Sri Lanka Free Trade Agreement (ISFTA) and Pakistan-Sri Lanka Free Trade Agreement (PSFTA). However, a substantial utilization of TRQ has not been recorded in 2014.

Table: 3.11 Utilization of TRQ under the FTAs (2015)

FTA	Quota per annum kg	Total exports kg.
India – Lanka	15,000,000	3,139,463.90
Pakistan – Lanka	10,000,000	541,653.70

3.2.7. Retrieval of Tea

If a consignment of tea is not accepted by the overseas buyer, the local exporter has to retrieve the same with the approval of the Sri Lanka Tea Board. The consignment is re-inspected by the SLTB prior to granting the authorization for export /Re-use.

3.3. Tea Promotion Division

3.3.1. Main Objective / Task of the Division

Tea Promotion Division is responsible for the implementation of Ceylon Tea promotion programs locally and in foreign markets on behalf of Sri Lanka Tea Board under the following broad categories;

I. Uni national Promotion of Ceylon Tea.
II. Generic Promotion for tea.
III. Participation at International Food & Beverage Trade Fairs and Exhibitions.
IV. Compilation & dissemination of strategic market profiles on all important tea consuming countries.
V. Assisting Ministry of Plantation Industries on policy formulation for the Tea Sector.
VI. Analysis of competitor activities.
VII. Lion Logo registration and monitoring.

VIII. Protection of Ceylon Tea & other Regional Tea Growing names/logos as Geographical Indications.

IX. Ozone friendly Pure Ceylon Tea Logo registration and franchising to the private sector packers.

X. Local Tea Promotion.

3.3.2. Overseas Tea Promotion Offices & Market Coverage

Sri Lanka Tea Board presently maintains three regional overseas Tea Promotion Units attached to Sri Lanka Missions in UAE, Russia and China. The office in UAE is responsible for tea promotion in Middle East/ Gulf/North Africa regions while the office in Moscow handles the tea promotion work in Russian Federation & CIS markets. Newly established Tea Board representative office to promote & enhance market share of Ceylon tea in China. The Ceylon tea promotional activities in other markets are handled by the Tea Promotion Division-Colombo in collaboration with the respective Trade Officers/Sri Lanka Missions overseas.

3.3.3. Trade Fair Participation

Sri Lanka Tea Board to assists the Sri Lankan tea exporting companies to participate at International Food & Beverage Fairs in selected tea markets promotion of Ceylon Tea brands. SLTB participated at the following trade fairs and coordinated the logistics of a Group Stand for Tea enabling private sector to enhance volume and value of their export portfolio of Ceylon Tea in 2015.

1. Prodexpo 2015 - Russia - February
2. India International Tea & Coffee Expo 2015 (26th February – 1st March 2015)
3. Foodex - Japan – 2015 - March
4. International Food & Drink Exhibition -2015 - London - March
5. WORLD FOOD WARSAW 2015.Warsaw, Poland 14th -16th April 2015
6. SIAL Canada - April 2015
7. SIAL China 2015 - May
8. World Tea Expo USA - May 2015
9. Seoul Food, Korea - May
10. Taifex, Bangkok, Thailand - May
11. Malaysian International Food & Beverage Trade Fair - June
12. SAItex, South Africa - June
13. Food Taipei – Taiwan Trade Exhibition – June 2015
14. "CEYLON TEA WEEK" AT WORLD EXPO 2015 IN MILAN - August
15. World Food, Istanbul Turkey - September 2015
16. Sri Lanka Tea Board Participation at World Food Moscow 2015 – September
17. Fine Food, Sydney Australia - September 2015
18. Polagran Fair - Poznan Poland - September 2015
19. Hong Kong International Tea Fair 2015
20. ANUGA—GERMANY - October 2015 in Cologne, Germany
21. XIAMEN TEA EXPO – October, 2015 at Shanghai New International Expo Centre (SNIEC) Shanghai, China.
22. World Food Ukraine 2015 - October
23. KOREA TEA EXPO AND CONFERENCE -29th October to 1st November, 2015 in Soul, South Korea

24. FHC SHANGHAI –2015 November
25. CHINA TEA EXPO, BEIJING –China National Convention Center in Beijing, China - November

Picture 3.1 : Prodexpo 2015 - Russia – February

Picture 3.2 : Foodex - Japan - 2015 Exhibition from 3rd to 6th March 2015

Picture 3.3 : India International Tea & Coffee Expo 2015

Picture 3.4 : International Food & Drink Exhibition -2015 - London - March

3.3.4 Global Promotion Campaign

Sri Lanka Tea Board submitted a proposal to the Cabinet in the year 2011 to launch a Global promotional campaign for 'Ceylon Tea' and bids were called internationally. Accordingly CANC and TEC proposals were submitted to the Cabinet and the approval of the Cabinet of Ministers was received on 04.03.2015 to award the bids.

Accordingly, Phoenix O&M (PVT) Ltd to undertake the creative of the above-the-line (ATL), below the Line (BTL) and Social Media work of the Global campaign within the identified seven regions namely Russia/CIS Region, Middle East /Gulf region, African Region, Far East Oceania Region, European Region, Americas Region, South Asia Region with a total amount of USD 2.26 million for the first twelve months. On 6 November 2015, Secretary/Plantation Industries signed the award for the creative element of the campaign with Phoenix O&M.

3.3.5. Uni National Promotion of Ceylon Tea

Uni national Promotion of "Ceylon Tea" relates to the propaganda of Sri Lanka tea against other origin teas. The Tea Board launches Uni national Promotion campaigns for Ceylon Tea in foreign markets through the Overseas Tea Promotion Units and Commercial Sections of Sri Lanka Missions abroad. Media advertising, outdoor advertising, liquid tea services, tea workshops and seminars as well as other public relation activities are the main elements of Uni national Promotion activities carried out by the Board.

3.3.6. Generic Tea Promotion

The promotion of tea against other beverages falls under generic tea promotion activities. Sri Lanka Tea Board is a member of the Intergovernmental Group on Tea of FAO, USA Tea Association, International Tea Committee-UK and Japan Tea Association. Generic tea promotional work is undertaken through these organizations. The generic tea promotion mainly focuses on Tea & health concept, which is promoted through consumer education and public relation activities during 2015.

3.3.7. Registration of Ceylon Tea, Regional Names & Logos under Geographical Indications (GIs)

Sri Lanka Tea Board formulated necessary rules and regulations for protection of 'Ceylon Tea' and seven other agro-climatic regional teas (NuwaraEliya, Uva, Dimbula, UdaPussellawa, Kandy, Ruhuna & Sabaragamuwa) as Geographical Indications through the provisions available under TRIPS Agreement of World Trade Organization. This would not only help to prevent the misuse of 'Ceylon Tea' and other regional tea growing names particularly by overseas contract packers but also add value and a premium for Ceylon Tea marketed under GIs. Home registration of Ceylon Tea, Regional names and logos as Certification Marks were completed during the year.

The application for international registration of Ceylon Tea and seven agro-climatic regional names as Geographical Indications or as Certification Marks commenced during 2012 and are on going.

Applications for registration of 'Ceylon Tea" were filed in 20 countries namely EU, USA, Japan, Canada, Australia, UAE, Iran, Turkey , Jordan, Iraq, Libya, Kuwait, Saudi Arabia, Syria, Egypt, Lebanon, Tunisia, Russia, Ukraine, Azerbaijan. Registrations were completed in Syria, Lebanon, Tunisia and Jordan.

Applications for registration of Regional Tea names and logos (GI) were filed in 5 countries: EU, USA, Japan, Canada, Australia and the registration was completed in Japan and USA.

3.3.8. Trade Mark Protection

Registration of Lion Logo Trademark (712)

Sri Lanka Tea Board is the legal owner of **Ceylon Tea Lion Logo** Trade Mark. The registration / renewal of Ceylon Tea Lion Logo in Sri Lanka and other countries are carried out by Tea Promotion Division of the Board. By the end of the year 2015, Lion Logo has been registered in 92 countries and registration under process in 02 countries. The franchise to use the Lion Logo has been granted only for branded, value added tea products (Tea Bags & Tea Packs) which contains 100% Ceylon Tea and compliance with ISO 3720 Standard while being above a minimum reference standard to each destination and should be pre packed in Sri Lanka.

3.3.9. Registration of Ozone friendly Pure Ceylon Tea Logo

Sri Lanka Tea Board has registered the Ozone Friendly Pure Ceylon Tea logo in Sri Lanka as a Certification Mark in order to promote the production of Ozone Friendly tea. Under the Montreal Protocol, Sri Lanka implemented two projects to phase out the use of Methyl Bromide for non-quarantine & pre-shipment purposes. The project on tea sector was successfully completed in 2002 by adopting environment friendly technologies without use of Methyl Bromide in the tea plantation and Sri Lanka received the Montreal Protocol Implementers Award in 2007. Thus, Sri Lanka became the first tea producing country in the world to manufacture Ozone Friendly tea and still is the only tea producing countries to have achieved this accolade.

Ozone logo registration has been completed in Japan, EU, Malaysia, Kuwait, Syria, UAE, Lebanon, Japan, Russia, Chile and Jordan. Number of Sri Lankan Tea Companies have obtained franchisees right to use ozone logo from Sri Lanka Tea Board in 2015

3.3.10. Registration of "Ceylon Tea" and Seven Regional Tea

The registration of Ceylon tea name and the agro-climatic regional names as GIs or Certification Marks will increase the protection of the good name of Ceylon tea and discourage the misuse of Ceylon tea name by using other origin teas, particularly in offshore packaging by private label brands. Further, such registrations will enhance the value of the final product and offer the poor farmer a better price. It would also give flexibility of differentiating products and deliver authentic Ceylon Tea products to consumers.

Tea Board has been successful in registering the Ceylon Tea only in Jordan, Syria, Tunisia & Lebanon and registration of seven regional logos in Japan & USA has already been completed.

3.3.11. Promotional/Information Publications

Following promotional/informational publications were released during the year:

i. Bi-monthly newsletter (06).
ii. Quarterly Tea Market Review-2015 (04).

3.3.12. Local Tea Promotion

SLTB participated at following local trade exhibitions/events during the year under review and conducted promotional activities such as media campaigns, outdoor advertising, liquid tea services, sale of SLTB range of packs, distribution of promotional material.

3.3.12.1. Golden Foot Print of Tourism 2015 – University Of Kelaniya

Tourism club of University of Kelaniya was organized an educational exhibition for the second time "**Golden foot print of tourism – 2015**" under the theme of "**Enjoy Tourism with Multi Cultural Diversity**".

Sri Lanka Tea Board had conduct information desk about “Ceylon Tea Specialty” for the visitors as well as foreign students and provide tea service on 18th of November 2015 at Golden footprint of Tourism 2015at University of Kelaniya.

3.3.12.2. Galle Season – 2015

The Galle Season 2015 was held for five days from 27th to 31st December 2015, with exciting animated programs, events and extravagant creations focusing the city of Galle from 10.00 am till midnight. Sri Lanka Tea Board was conducted information desk and Tea Sales at Galle Season 2015.


3.3.12.3. Ceylon Tea Promotion through Esala Perahera in Kandy -2015

Sri Lanka Tea Board sponsored Rs. 500,000.00 for the Esala Perahera conducted during 20th – 30th August 2015. As per the tea promotional benefits of the sponsorship, hanging flags and other promotional activities has been carried out. SLTB outsourced installation of 50 numbers of hanging Flags in the Kandy city during Perahera season as Ceylon Tea promotion among tourists.

3.3.12.4. Tourism Fest 2015

Tourism Fest 2015 exhibition was held in 19th to 23rd December 2015 at Independence square, Colombo 07. Sri Lanka Tea Board had organized separate stall (10ft x 10ft) and tea service during exhibition period. Sri Lanka Tea board has distributed tea related information, promotional materials, displaying tea grades and liquoring seven region teas and educating “How to prepare a good cup of tea” and how to select quality tea from the market. The chief guest His Excellency Maithripala Sirisena and ministers who visited to Sri Lanka Tea board stall also.

3.3.12.5. Randalu Mahima 2015

“රන්දලු මහිම ප්‍රදර්ශනය සහ වැඩමුළුව 2015” was held in 29th and 30th June 2015 at Galle de Hall in Galle. Sri Lanka Tea Board organized stall within two days at Galle de hall and distributed Tea information, Promoting value added tea, Liquoring seven region teas and distributed tea samples during the event. Further Sri Lanka Tea board has educated importance of value added tea and how to maintain quality of tea manufacturing process to the audience and stakeholders in Sothern area of Tea industry.

3.3.13. Foreign Delegations

Sri Lanka Tea Board facilitated and hosted delegations from China, Japan, Argentina, Brazil, Chile and Korea during the year under review and arranged trade meetings with stakeholders of Sri Lanka tea industry with the objective of building trade relationships, exchanging ideas and sharing knowledge for the mutual benefit of both countries.

3.3.14. Tea Sales Centre

The Tea sales center located at the SLTB premises sell flag bearer range of Tea Board packs and selected tea products from twenty eight private sector tea companies. During the year 2015, revenue of Rs 82.1 million was generated through the sale of tea at the center, which shows an increase of sales only 25% compared to the previous year. The sale of SLTB packs earned Rs 25 million while private sector tea brands accounted for 57 million.

3.3.15. Sri Lanka Cricket Sponsorship

3.3.15.1 Bus Branding Campaign in Sydney Australia during ICC Cricket World Cup 2015

Since Sri Lanka Tea Board is the official overseas sponsor for Sri Lanka Cricket, SLTB and th High Commission of Sri Lanka in Australia implemented a special Ceylon Tea Branding campaign during 2015 ICC Cricket World cup season in Sydney, Australia.

With the recommendation from the High Commission of Sri Lanka in Sydney, Australia, Sri Lanka Tea Board implemented a bus branding campaign in Sydney to display Ceylon Tea advertisements on 30 buses exposing the Ceylon Tea Brand both to vehicular and pedestrian audience. Campaign period was from 2nd March to 29th March 2015. However, there was a restriction on the clothing worn by the cricketers in the advertisement according to SLC restrictions.

3.3.15.2. Commentator brief on Ceylon Tea for the International Cricket Commentators


With the support of the SLC officials another briefing on Ceylon Tea was arranged by the Tea Promotion Division for 03 famous International Cricket Commentators and for the Ten Sports Camera / Production Crew at Ceylon Tea Moments, Race Course, Reid Avenue, Colombo 07 on 30th June, 2015 in order to request the Commentators as well as the Camera / Production Crew of Ten Sports Media to showcase Ceylon Tea whenever possible.

Country Head Ten Sports Media, the Senior Vice President – Production Ten Sports Media, the Production / Camera Crew of Ten and 3 International Cricket Commentators namely Mr. Dean Johns, Mr Russel Arnold and Mr. Shikandar Bakhat participated with the officials of SLC.

3.3.15.3. A special ''Ceylon Tea'' Tour for the International Cricket Commentators


In addition a special ''Ceylon Tea'' Tour was organized by the Promotion Division for Senior Vice President – Production Ten Sports, Chief Cameraman Ten Sports and another Ten Sports Production / Media Official to the ''98 Acres'' Ella, Bandarawela for the Ten Sports Production / Camera Crew to practically experience a lush tea plantation and the manufacturing process. They surveyed the state-of-the-art tea factory and the estate owned Uve Halpe Watta Tea at no cost to the Tea Board.

3.3.15.4. A special ''Ceylon Tea Story'' documentary produced by the Tens Sports Media Crew

With the support of SLC, SLTB was able to produce HD quality Ceylon Tea documentary of 1.5 minute at no cost to the Tea Board. The video was telecasted on Tens Cricket International channel during the 1st T-20 at no cost and it was a great chance that the SLTB got to promote Ceylon Tea globally. Also a copy of the video was given to SLTB and it will be used in the future promotional campaigns which the SLTB is planning to carry out.

3.3.15.5. Sri Lanka vs. India, August, 2015

An opportunity was given to SLTB to award a souvenir to Mr. Kumar Sangakkara at his farewell match. The souvenir was awarded by our Director Promotion Mrs. Premala Srikantha to Mr. Kumar Sangakkara during the presentation time. In addition, it was telecasted on Max TV and a huge brand identity was given to SLTB and Ceylon Tea.

3.3.15.6. Embassy Cup Cricket Tournament, Moscow - 2015

Sri Lanka Embassy in Moscow, Russia organized its 8th consecutive "Embassy Cup Cricket Tournament" last year. The cricket tournament was held at the Sport –Ground of Lulumba University in Moscow on 27th June 2015. Four cricket teams (eleven - side) played for the Embassy Cup Championship and all the players were Sri Lankan students who were studding at the universes in Moscow and St. Petersburg. Sri Lanka Tea Board sent 60 nos of Ceylon Tea branded cricket t-shirts on complementary basis where 15 t-shirts were given to each team.

3.3.15.7. Free Distribution of Ceylon Tea Branded T-shirts among School Cricket Teams

A decision was taken by the Board to distribute Ceylon Tea branded cricket t-shirts (design 01) among local school cricket teams. This promotional campaign was organized by Sri Lanka Tea Board with the collaboration of Sri Lanka School Cricket Association (SLSCA) to motivate the talented school cricketers. It was selected 51 schools located in rural areas of central province and SLTB distributed 1020 t-shirts among the school cricket players. The event was held on 13th October 2015 at Asgiriya Cricket Stadium, Kandy.

3.3.15.8. Tea Service and Tea Tasting Session at ICC annual National Umpire Managers meeting

Sri Lanka Tea Board organized a special Ceylon Tea Service and a Tea Tasting Session at ICC annual National Umpire Managers meeting on 18th June 2015 at Heritance Hotel, Ahungalla. A good publicity for Ceylon Tea was given by displaying Ceylon Tea products and specialty teas at the event. Number of reputed International umpires tasted Seven Regional Ceylon Tea and was given a brief about Ceylon Tea.

6.3. Distribution of Complimentary Tea SLTB has issued Rs 4.8 Million worth of tea on a Complimentary basis in the following manner for the purpose of promotion of "Ceylon Tea"

I. Complimentary teas to 58 Sri Lankan Missions overseas.
II. Liquid tea service and distribution at International Trade Fairs.
III. Promotional give-away to VIPs/Official

3.4. Tea Tasting Unit

3.4.1. Major Task/Objective

Maintain the minimum quality standard/monitoring of ISO 3720 and ISO 11287 at any given point of dispose of tea. Issuing Lion Logo brand franchise certificates for branded Ceylon Tea products for consumer packs, monitoring and ratification Private Sales Direct Sales and forward contracts.

3.4.2. Expert Panel of Tea Tasters

The independent panel consisted two members.

Namely: Mr. C.N.G.de Silva (over 40 years tasting experience)
Mr.V.A.A.Perera (over 30 years experience)

Panel members representing the Stake-holders consist of each representative from the following Associations:–

- Colombo Tea Traders Association (CTTA)
- Colombo Brokers Association (CBA)
- Ceylon Planters Association (CPA)
- Sri Lanka Federation of Tea Small Holding Development Societies (SLFTSHDS)
- Tea Exporters Association (TEA)
- Private Tea Factory Owners' Association (PTFOA)

3.4.3 Adopted Tea Tasting Methodologies

SLTB adopt the methodology of ISO3102of tea preparation of liquor using in sensory tests. Tea Tasting Terminology ISO 6078 for Black tea vocabulary /Monograph on Tea Production in Ceylon –no: 4–Tea Manufacture in Ceylon.

3.4.4. Conduct of Expert Panel Tea Tasting Sessions

- Pre-auction Teas
- Special investigation Teas
- Pre imported samples
- Direct Sales
- Evaluating Tea Tasters for new export Companies.
- Daily Evaluation Pre-shipment monitoring

The decision of the panel is forwarded to the relevant divisions. TCD and DTC (exports) for necessary action.

3.4.5 Registration of Lion Logo Packs

Exporters who wish to depict the Lion Logo on branded consumer packs which is a symbol of quality and country of origin fully owned by the Sri Lanka Tea Board has to for-ward the application and the branded products for evaluation, as according to the destination and market.

To use the Lion Logo franchise Sri Lanka Tea Board charge Rs. 5,000/- + (VAT + NBT) per brand as registration fees for which a certificate is issued, which is valid for one year.

Granting franchise rights to use the Lion Logo on retail packets.940 applications were processed for new brands/ Renewals, additional packs for the year 2015.

3.4.6. Monitoring Of Quality–Lion Logo Depicted Packs (Local/ Overseas/ Tea Board Range of Packs)

3.4.6.1 Local Monitoring

Randomly samples from Colombo Super markets and re-tail shops evaluated particularly the brands using the Lion Logo. Mainly reputed the long standing packers registration with the Tea Board who are having a reasonable market share are granted to use the Lion Logo and monitored accordingly.

3.4.6.2 Overseas Monitoring

Under overseas monitoring system all exports samples including the samples with shipments with Lion Logo (80%) sampled under pre-shipment monitoring scheme by DTC (Exports) and forwarded to the Tasting Unit for monitoring purposes prior to shipment.

Also regularly lion logo depicted packs from overseas markets are forwarded by our overseas Bureaux and the Commercial Counselors of Sri Lankan embassies for evaluation and reporting.

3.4.6.3 Tea Board Range of Packs

Flag carrier packs of SLTB are mainly sold at our Sales Counter and sent to overseas Diplomat missions, Bureaux, and trade fairs. The teas are selected and brought on behalf of Sri Lanka Tea Board from Auction or Private Sale channel with the approval of the Tea Tasting Unit by the official packer. The purchased samples, prop samples and blend samples are also tested and approved prior to final packing by the TTU.

F.F.C.T.(500g),
Planters Punch (100g&250g),
Misty hills(200g),
Royal Ceylon (Metal Can –200g)
Family Pack(500g&250g),
Poly pack(250g),
Green Tea(100g),
Tea Plucker(250g&100g)
Luxury Blend–Wooden (125g)
Luxury Blend Carton (125g)
Connoisseur–(250g, 200g, 125g&100g)

3.4.7. Tasting of teas for Quality Control of Pre-Auction teas

Two weeks prior to the sale, the eight brokers forward their pre-auction samples for evaluation. Unit firstly visually evaluates the off-grade, Dust, Premium Flowery and BOP1A samples. Thereafter organeptical evaluation is done. Selected samples after the evaluation are offered to the panel to take a collective decision to be offered or not at the coming auction of which the decision is conveyed to the DTC (Exports)

no. of samples examined visually -158,680
Organoleptic-16,570
No. of Pre-auction samples rejected by the panel for suspected liquor contamination - 484
Siliceous matters-165
Crude Fiber- 466
Pre-auction samples forwarded by the DTC (Ex.)on random basis (BSL/ESL)
No. of Lots examined - 6,095
no. of samples suspected- 111

3.4.8. Tasting of teas for Quality Control of Pre-Shipment Teas

The above monitoring scheme samples are forwarded with a schedule by the DTC (Ex.) to evaluate the use of Lion Logo, ISO 3720 parameters or any other contamination prior to shipment.

Total no. of pre-shipment samples examined under pre-shipment monitoring scheme--26,624

3.4.9. Tasting of teas for Quality Control of Pre-Import Teas

Pre-Imported samples forwarded by the DTC (Ex.) accompanied with a form to evaluate its suitability for importation. With each application line samples details about the origin, grade etc. is marked.

The panel of tasters will evaluate the teas according to the guidelines of the SLTB circular no: OR/1/65 and to the amendments.

Total no. of samples examined- -1,312

3.4.10 Tasting of teas for Quality Control of Post-Import Teas

On arrival of imported tea consignment samples are drawn and forwarded by the Tea Exports Division to this unit under un-loaded reference samples for approval.

These samples are evaluated as against the offered sample as and when the samples on arrival at the Tea Tasting Unit by Deputy Director (Tech.) of the Tea Tasting Unit.

no. of samples examined -723

3.4.11 Tasting of teas under special investigation

Samples are forwarded by the Tea Commissioner or by DTC (Exports) for the Thursday panel, on a approved schedule to evaluate the grade, contamination, ISO or for any other remarks.

3.4.12 Ratification of Private Sale Panel Valuation Certificate

Ratification of private sale is done by this unit when the sample accompanied with the panel forwarded to this unit by the selling broker with the independent brokers approval. Ratification fees of Rs. 500/-+ (VAT + NBT) per line is charged for the above service. Presently, the above scheme is scale down to only for Green teas, Organic teas, specialty teas and for small breaks which are not sold through the Colombo Auctions.

Total no. of private sale lots examined and ratified - 8,059

3.4.13 Ratification of Forward Contracts

Ratification was done for few selected marks depending on the buyer’s requirement for a period of time. Seller, buyer, broker and the Tea Board ratified the contract of sale. Ratification fess of Rs. 500/-+ VAT + NBT) per line as charges for the above service too.

Total forward contracts lines ratified-482

3.4.14 Ratification of Direct Sale

The above scheme permits Producer cum Exporter to sell their products directly to the overseas buyers. In exception Green tea, Organic tea and Specialty Tea could be sold to the local buyers. Direct sales are ratified by the Thursday panel.

Total Direct sale Lines ratified- 2,166

3.5. Analytical Laboratory

During the intervening year 2015, Analytical Laboratory Division handled 8949 numbers of chemical, microbiological and pesticides residue testing on tea samples. Such tea samples for testing were received through two channels: Internal Monitoring Service (IMS) and External Certification Service (ECS). Tea Board directs its team of tea Inspectors to disperse and draw tea samples randomly on prior to auction and prior to shipment according to the established criteria. This IMS scheme covers all tea disposal points: tea manufacturer, tea broker's warehouses, tea blending & packetting and tea exporters' warehouses. Whereas, ECS covers tea exporters' certification requirements as per their buyers' requirements. During the period 2015, out of the total work done, 4034 tests (about 45.1%) carried out based on samples received under IMS, whereas total number of tests performed under ECS was 4915 (about 54.9%). Out of these, Chemical Analysis Unit handled 2659 number of tests (about 29.7%) & Microbiological Analysis Unit handled 2539 tests (about 28.4%). The rest of the tests, 3754 tests (about 41.9%) had been handled by the Pesticide Analysis Unit.

Analytical Laboratory charge fees for its rendered testing services while exempted the tea samples identified as best quality tea and total income of the laboratory generated during the year 2015 was Rs. 14,770,300.00. When the Exporter’s contribution was Rs. 10,445,900.00 (70.72%) the income share of internal divisions was Rs. 4,324,400 .00 (29.28%)

Table 3.12: Summary of tests performed during the year 2014/2015

Name of test	No. of tests	
	2014	2015
Chemical Analysis Unit		
1. Determination of moisture in tea	507	356
2. Determination of total ash in tea	523	342
3. Determination of water soluble ash in tea	523	335
4. Determination of acid in-soluble ash in tea	523	336
5. Determination of water extract in tea	524	340
6. Determination of alkalinity of water soluble ash in tea	536	374
7. Determination of Crude Fiber in tea	539	401
8. Determination of pH in tea brew	-	-
9. Qualitative Analysis of Cyanide contamination in tea	-	-
10. Qualitative Analysis of Arsenic contamination in tea	-	-
11. Basic Radiation Determination tests.	98	61
12. Other Tests (Added Color,Sugar,Gel,Liquor,Taint,flavour ,Chemical Identification, bicarbonate, extraneous)	200	46

13. Grade identification tests/ Sieve Analysis	-	49
14. Determination of Fe/Iron content in tea	**-**	**16**
Microbiological Analysis Unit		
01. Determination of Total Plate Count	322	472
02. Determination of Yeast and Mould Count	346	477
03. Microscopical examination for dead or live insects and other Impurities/foreign matter in tea	05	49
04. Determination of Genetically Modified Organisms (GMO) in tea	178	587
05. Detection and Enumeration of Faecal *Coliforms* & *Escherichia coli (E.coli)*	325	472
06. Detection and Enumeration of Total *Coliforms*	322	482
Pesticide Residue Analysis Unit		
01. Ethion	644	610
02. Malathion	644	610
03. Cypermethrin	644	610
04. Alfa Endosulfan	85	-
05. Beeta Endosulfan	85	352
06. Bifenthrin	85	-
07. 2,4 – D	-	-
08. MCPA	-	-
09.Bromopropylate	559	610
10. Tetradifon	559	610
11. Endo Sulphan sulphate	-	352
Total	**8776**	**8949**

3.5.1. Test Certificates

Total number of the issued certificates during the year 2015 was 1512.

Categories of Issued Certificates;

1. Test report on moisture analysis in tea
2. Certification of tea quality with ISO 3720 minimum quality parameters
3. Certification on tea for chemicals (and chemical adulteration) concerned parameters
4. Certification on siliceous matter quantification in tea, dust /powder particle analysis in tea and sieve analysis of tea
5. Certification on extraneous matters/ microscopical examination for dead and/or alive insects, foreign substance and debris in tea.
6. Certification on microbiological contamination in tea, especially on bacteria, fungus & mould growth, *E-coli*, *Coliform* and *Salmonella sp.*
7. Certification on genetically modified organisms (GMO) in tea.
8. Certification on pesticide multi residue in tea (Ethion,Malathion,Cypermethrin, Alfa Endosulfan, Beeta Endosulfan, Bifenthrin, 2,4 – D, MCPA)

3.5.2. Revenue collection through the testing services of the Analytical Laboratory.

Analytical Laboratory charge fees for its rendered testing services at the requests made by clients, as per the Tea Board circular No. OR/1/87 dated 06/08/2010. Total income of the Laboratory is combined with testing fees received directly from the Exporters (i.e. 70.72%) and fees recovered by the Tea Commissioners Division and Tea Exports Division under the category 'below standard teas' as confirmed by the Analytical Laboratory (i.e. 29.28%).

Table 3.13: Share of the Total Income: Internal Monitoring vs. External Certification

	2014(Rs.)	%	2015 (Rs.)	%
Internal Monitoring Service (IMS)	3,579,700	25.04	4,324,400	29.28
External Certification Service (ECS)	10,712,600	74.96	10,445,900	70.72
Total Income,	**14,292,300**		14,770,300	

Based on the finding of the laboratory analytical services, official actions were taken by the Tea Commissioner and the Deputy Commissioner (Exports) against those contaminated or below standard tea lots. Accordingly, 435 lots were treated as below standard and taken official actions during the intervening year 2015.

Table 3.14. Summary of the generated total Income by the Analytical Laboratory during 2014/ 2015

	2014 (Rs.)	2015 (Rs.)
Total Income	**14,292,300.00**	**14,770,300.00**

3.5.3 Work performances of the individual units of the Analytical Laboratory

3.5.3.1. Quality Inspection and Sampling Unit:

Maintaining a document control procedure is mandatory for any testing laboratory serving for international certification. Therefore, the main function of the Quality Inspection Unit is maintaining laboratory documentary procedure according to the international standards for laboratory accreditation, on ISO 17025 standards.

3.5.3.2. Chemical Analysis Unit:

The unit performed the following test on tea:

1. Chemical Assessment on inferior quality teas produced before auction and pre-shipment.

2. Chemical Assessment against the established ISO 3720 Standards. (It includes the parameters: Total Ash, Water Soluble Ash, Alkalinity, Acid insoluble ash, Water extract, Moisture and Crude Fiber contents)
3. Estimation of tea dust and powder contents using sieve analysis technique
4. Estimation of siliceous matter content in tea

Among the other important events, participating in Inter-laboratory Proficiency Testing program was highlighted. This program supports to improve competency of the working staff in Chemical analysis Unit.

In the Chemical Analysis Unit, members accommodated were with one Analyst (Chemical) as in-Charge, two Technical Assistants and a Laboratory Attendant under the supervision of the Director (Analytical services).

3.5.3.3. Microbiological Analysis Unit:

Microbiological tests are required to ensure the quality and safety of food products.

During the year 2015 under review, detection and enumeration of faecal *Coliform, E.coli* and detection and enumeration of total *Coliform* in made tea are very significant in microbiological testing compared to the other routing tastings; total plate count (total bacteria count) and yeast & mould counts.

The Microbiological Analysis Unit was comprised with an Analyst (Microbiology) as in-Charge, one Technical Assistant (contractual) and Laboratory Attendant under the supervision of the Director (Analytical services).

3.5.3.4. Pesticide Residue Analysis Unit:

As per the signed MOU between the Sri Lanka Tea Board and the Tea Research Institute, technology transfer of knowhow in pesticide residues analysis was introduced by two visiting Technical Experts under the supervision of the Director, Tea Research Institute. Accordingly, action has been taken to continue trial analysis required for import inspection certification for five pesticides: alpha-endosulphan, beta-endosulphan, bifenthrin, 2,4-D and MCPA. Under this trials, the existing method was upgraded to most widely used German method and test trails are carried out to implement new simplest ISO method named as ‘QuEChERS'.

In the Pesticide Analysis Unit, members accommodated with one Analyst (Chemical/ Pesticides) as in-Charge, two Technical Assistants and a Laboratory Attendant.

3.6. Administration Division

Administration Division of SLTB is responsible for formulation, implementation, monitoring and evaluation of all Human Resources Management and Human Resources Development activities, implementing and maintaining of Information Technology services, coordinating and facilitating of Planning, Monitoring & Evaluation activities of the Board, dissemination of Statistical information, Managing and Maintenance of SLTB Library, Procurement activities, Security and Transport activities of the Board.

3.6.1. Staff Strength of SLTB as at 31st December 2015

Table 3.15: Staff strength of SLTB as at 31st December 2015

Category	No of Staff		Total
	Male	Female	
Senior Level	05	02	07 (2.5%)
Tertiary Level	43	27	70 (25%)
Secondary Level	37	93	130(46.5%)
Primary Level	68	05	73 (26%)
Total	**153(54.6%)**	**127(45.4%)**	**280(100%)**

3.6.2. Performance and highlights of the Division during the financial year 2015 (as at 31st December 2015)

Table 3.16: Employee Turnover for the period of 01/01/2015 to 31/12/2015

HRM- Turnover		Unit	Nos
	Resignations		07
	Retirements	Staff	09
	Vacation of Post		-
	Cancellation		-
	Terminations		-
		Total	16

3.6.3. Human Resource Development

Table 3.17: Local Training

Category	No of Employees Trained

Senior Level	00
Tertiary Level	15
Secondary Level	62
Primary Level	06
Total	**83**

3.6.4. In- house Training Programme for Managerial level Staff of SLTB -2015

This in-house training program aimed at helping the participants to understand critical elements of the corporate plan of SLTB, and to agree to the annual activity plan – 2016.

Target Group: 75 Managerial level officers (Senior Managers, Middle Managers and Junior Managers)

No of Days: 1 day , Date: 11th December 2015

3.6.5. In-house Training Programmes -2015

Motivation & Skill Development Training for Management Assistant (non-technical staff)
No of Staff: 95 Management Assistant (Non Tech) Staff members
Date: 29-30th June 2015 Place: SLTB Auditorium

3.6.6. Foreign Training

Category	No of Employees Trained
Senior Level	00
Tertiary Level	10
Secondary Level	02
Primary Level	00
Total	12

3.6.7. Tea Board Day -2015 – Team building Event

Participants: All staff at SLTB,   Date: 22.03.2015   /   Place: Dampe Village - Piliyandala

3

Ir eview of activities as a service to all levels of Management. It is a control, which measures, evaluates and reports upon the effectiveness of internal controls, financial and non-financial, as a contribution to the efficient use of resources within an organization.

The Audit Committee of the SLTB, approved the Internal Audit Plan for 2015 & reviewed the Independence, Objectivity & Performance of the Internal Audit Function & the adequacy of its resources. Internal & External Audit Reports submitted to the Committee & audit findings presented in the reports were prioritized, based on risk levels.

Three Audit Committee meetings were held during the year under review & made recommendations to the Board of Directors along with the Minutes, to facilitate taking corrective measures / remedial actions.

3.8. Information Technology Division

During the year 2015, IT division has completed some important projects and played an imperative role in assisting and consulting all the divisions to overcome challenges in day today office work during the year. The launching the project of Tea Inspector (TI) Module is the major achievement of the past year, where system facilitated “Tea Inspectors” to feed inspection details in to the system through TAB in more accurate and efficient way. Also live implementation of Factory Modernization Subsidiary Scheme (FMSS) and Tea Replanting Subsidiary Scheme (TRSS) application where all regional offices are connected via web-based system to enhance the efficiency of SLTB is another major project completed during last year.

The initial phase of the Tea Reports was completed. Hence, SLTB itself now issues Market Related Reports.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	As at 31.12.2015 Rs.	As at 31.12.2014 Rs.
ASSETS			
Non-current assets			
Property, Plant and Equipment	D	696,486,417	694,587,526
Prepaid Leasehold Right to Land	E	26,079,904	29,046,023
Intangible Assets	F	11,228,182	12,485,605
		733,794,502	736,119,154
Current assets			
Inventories	G	34,570,459	36,873,056
Trade and Other Receivables	H	30,509,384	35,195,129
Deposits and Prepayments	I	120,928,205	108,543,296
Other Financial Assets	J	5,250,628,454	5,070,148,106
Cash In Hand and At Bank	K	143,260,038	42,876,516

Loans to RPC'S	K.(1)	492,096,500	-
		6,071,993,040	5,293,636,102
Total Assets		**6,805,787,542**	**6,029,755,256**
EQUITY AND LIABILITIES			
Contributed Capital		672,012,202	652,067,602
Retained Earnings		(272,557,746)	(350,567,922)
Promotion and Marketing Levy	L	5,512,850,782	4,904,992,818
Revaluation Reserve		481,933,543	481,933,543
Total Equity		6,394,238,780	5,688,426,040
Non-Current Liabilities			
Employee Benefit Obligations	M	55,562,838	43,952,223
		55,562,838	43,952,223
Current Liabilities			
Trade and Other Payables	N	355,985,924	297,376,993
		355,985,924	297,376,993
Total Equity and Liabilities		**6,805,787,542**	**6,029,755,256**

The accounting policies on pages 81 to 88 and Notes on pages 89 to 95 form an 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.

....	....	....	....
Asst.Director General(finance)	Director General	Chairman	Director

INCOME & EXPENDITURE STATEMENT

Year ended 31 December 2015

	Notes	2015 Rs.	2014 Rs.
INCOME	**A**	7,256,493,650	350,766,495
EXPENDITURE			
Tea sector development expenditure	**B**	(6,817,116,865)	(35,850,400)
Administrative expenses	**C**	(357,855,534)	(290,068,975)
Operating Surplus / (Deficit)		81,521,251	24,847,120
Finance expenses		(251,537)	(210,171)
Finance income		9,262,257	9,146,698

Surplus / (Deficit) for the period	90,531,971	33,783,647
Tax paid on Interest Income	(4,274,997)	(2,561,075)
	86,256,974	**31,222,572**

The accounting policies on pages 81 to 88 and Notes on pages 89 to 95 form an integral part of these Financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 **Rs.**	**2014** **Rs.**
Surplus / (Deficit) for the period	90,531,971	33,783,647
Other comprehensive income	(4,274,997)	(2,561,075)
Total comprehensive income for the period, net of tax	**86,256,974**	**31,222,572**

The accounting policies on pages 81 to 88 and Notes on pages 89 to 95 form an integral part of these Financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Contributed Capital **Rs.**	**Promotion & Marketing Levy** **Rs.**	**Revaluation Reserve** **Rs.**	**Accumulated Profit** **Rs.**	**Total** **Rs.**
Balance as at 01 January 2014	652,067,602	3,898,124,562	481,933,543	(374,108,286)	4,658,017,423
Promotion and Marketing Levy	-	1,006,868,254	-	-	1,006,868,254
Retained Earnings -	-	-	-	(10,243,284)	(10,243,284)
Surplus for the year 2014 -	-	-	-	33,783,647	33,783,647
Balance as at 31 December 2014	652,067,602	4,904,992,816	481,933,543	(350,567,922)	5,688,426,039
Balance as at 01 January 2015	652,067,602	4,904,992,816	481,933,543	(350,567,922)	5,688,426,039

Promotion and Marketing Levy (Note -L)	-	607,857,966	-	-	607,857,966
Govt. Grant for capital items	19,944,600	-	-	-	19,944,600
Retained Earnings	-	-	-	(8,246,798)	(8,246,798)
Surplus for the year 2015	-	-	-	86,256,974	86,256,974
Balance as at 31 December 2015	672,012,202	5,512,850,782	481,933,543	(272,557,746)	6,394,238,780

The accounting policies on pages 81 to 88 and Notes on pages 89 to 95 form an integral part of these Financial statements.

STATEMENT OF CASH FLOW

For the year ended 31st December 2015

	2015 Rs.	2014 Rs.
Cash Flows From Operating Activities		
Net Profit from Operations	**86,256,974**	**31,222,572**
Adjustments for		
Depreciation of PPE	25,880,398	26,294,267
Profit or Loss disposal of PPE	(531,525)	4,676,147
Amortisation of Lease hold lands	76,386	3,010,975
Amortisation of Intangible assets	879,169	837,591
Gratuity provision	18,144,513	9,213,376
Interest income received	(9,262,257)	(9,146,698)
	35,186,684	34,885,658
Operating Profit before Working Capital Changes	**121,443,657**	**66,108,230**
Decrease /(Increase) in Inventories	2,302,597	26,778,730
Decrease /(Increase) in Trade and Other Receivables	4,685,745	14,768,853
Decrease /(Increase) in Deposit & Prepayment	(12,384,909)	(82,142,435)
Decrease /(Increase) in Trade & Other Payables	58,608,931	63,280,271
Loans to RPC'S	(492,096,500)	-
	(438,884,136)	22,685,419
Cash Generated from Operations	**(317,440,479)**	**88,793,649**
Gratuity Paid	(6,533,899)	(8,344,727)
Net Expense for promotional activities	(554,081,796)	(488,686,586)
Net Cash From Operating Activities	**(560,615,695)**	**(497,031,313)**
Cash Flows (used in)Operating Activities	(878,056,174)	(408,237,664)
Cash Flows (used in) Investing Activities		
Interest Received on P & M levy	40,245,473	341,220,396
Finance Income Received	9,262,257	9,146,698
Acqusition Intangible Assets	(288,025)	(2,231,999)
Acqusition Leasehold Property	-	(17,606,120)
Acquisition of Property Plant & Equipment	(33,467,103)	(50,415,944)

Investments including P& M Levy	(180,480,349)	(1,037,366,868)
Net Cash Flows used in Investing Activities	**(164,727,747)**	**(757,253,837)**
Cash Flows Used in Financing Activities		
Cash received from sale of PPE	1,528,555	181,835
Govt. grant for Capital purchases	19,944,600	-
Levy collected from exporters	1,121,694,289	1,154,334,445
Net Cash Flows / (Used in) Financing Activities	**1,143,167,444**	**1,154,516,280**
Net Increase / (Decrease) in Cash and Cash Equivalents	100,383,522	(10,975,221)
Cash and Cash Equivalents at the beginning of the year	42,876,516	51,290,662
Cash and Cash Equivalents at the end of the year	143,260,038	42,876,516

The accounting policies on pages 81 to 88 and Notes on pages 89 to 95 form an integral part of these Financial statements.

1. CORPORATE INFORMATION

General

The Sri Lanka Tea Board (SLTB) was established on the 1st of January 1976, under the Sri Lanka Tea Board Law No.14 of 1975, as amended by Act No. 17 of 1985, No. 44 of 1990, No. 29 of 2003 and No. 44 of 2006. The Head office is located at No. 574, Galle Road, Colombo 3.

SLTB prepares financial statements for the twelve months period ended 31st December and these financial statements are authorized by the board of directors.

Principal Activities

The objectives of the Sri Lanka Tea Board are regulation, development of the tea industry in Sri Lanka and Promotion of Sri Lanka Tea (Ceylon Tea) globally. It is the authority responsible for regulating the activities of the tea industry, viz. production, cultivating new area and replanting, rehabilitating old gardens, the establishment of factories and their operation. It also regulates the conduct of the auctions, monitors quality standards and regulates the sales, exports, brokers, warehousing and shipping of tea. SLTB also regulate control and direct all institutions and organizations engaged in the management of tea estates and in the production and marketing of tea.

2. BASIS OF PREPARATION

2.1 Basis of preparation and adoption of SLAS (SLFRS and LKAS) effective for the financial period beginning on or after 01 January 2012.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS as issued by the Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31 December 2012, SLTB prepared its financial statements in accordance with SLASs effective up to 31 December 2011. These financial statements for the year 31 December 2012 are the first SLTB has prepared in accordance with Sri Lanka Accounting Standards effective for the periods beginning on or after 01 January 2012.

2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sri Lankan Rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Policies

The following are the significant accounting policies used by SLTB in preparing these financial statements.

3.2 Property Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the SLTB derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

3.3 Depreciation

Depreciation is calculated on pro rata basis. Estimated useful lives of Property Plant & Equipment are as follows.

Freehold Buildings	50 years
Office Equipments	02 - 20 years
Furniture & Fittings	01 - 20 years
Motor Vehicles	10 years
Computer Equipment	05 years
Library Books	05 years
Laboratory Equipments	03 - 10 years

3.4 Capital work in progress

Capital expenses incurred during the year, which are not capitalized as at the balance sheet date are shown as Capital work in progress, whilst the capital assets which have been capitalized during the year and put to use have been transferred to Property Plant & Equipment.

3.5 Leasehold Land

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Estimated useful lives of Lease assets are as follows.

Leasehold Land	50 years

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. Estimated useful lives of intangible assets are as follows.

Computer Software	15 years

3.7 Impairment of non-financial assets

SLTB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, SLTB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.8 Taxation

Sri Lanka Tea Board is liable for Tax on interests earned on investments. Provision has been made at 28% for the payment of taxation.

Sri Lanka Tea Board has paid Rs.149,012,768 as income tax on investment income during the financial year under review.

3.9 Inventories

Inventories are recognized at cost and net realizable value whichever is lower after making due allowance for obsolete and slow moving items which are valued at 'First In First Out' basis.

3.10 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, other short-term highly liquid investments with original maturities of three months or less.

4. LIABILITIES AND PROVISIONS

4.1 Retirement Benefit Obligations

4.1.1 Defined benefit plan – Retirement Gratuity

SLTB is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983.The liability for gratuity to an employee arises only on completion of five years of continued service with SLTB. In order to meet this liability, a provision is carried forward in the Balance Sheet. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is dealt with in the Income Statement.

The principal assumptions used in the calculations are as follows.

Expected Annual Average Salary Increment Rate	-	1.01% to 1.03%
Discount Rate / Interest Rate	-	12.16%
Staff Turnover Factor	-	6%

The liability is not externally funded. The item is grouped under Non-Current Liabilities in the Balance Sheet.

4.1.2 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

SLTB contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

SLTB and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund

SLTB contributes 3% on gross salary to the Employees' Trust Fund.

5. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expenses method is adopted as it represents fairly the elements of corporation performance.

Government Grants

Government grants under the capital vote is entirely used for the payment of development subsidies. Government grants under the recurrent vote is used for the payment of salaries to employees.

5.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the SLTB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

Other Income

Other income is recognised on an accrual basis.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

5.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the surplus for the year. Repairs and renewals are charged to Income and Expenditure in the year in which the expenditure is incurred.

6. FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Assets

6.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The financial assets of SLTB include cash and short term investment, trade and other receivables, staff loans and other receivables.

6.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

6.1.2.1 Financial Assets at Fair Value through Surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. SLTB did not have any held –to- maturity investments during the years ended 31 December 2015.

6.1.2.2 Loans and Receivables

Loans and receivables are valued at the realizable value.

Sri Lanka Tea Board has granted loans - Rs.492,096,500 to Regional Plantation Companies to be recovered in 10 installments reference to the cabinet decision 15/1693/726/010 dated 09 November 2015.

6.1.2.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the SLTB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement.

6.1.2.4 Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through surplus or deficit. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in surplus or deficit. SLTB did not have any available for – sale financial investments during the years ended 31 December 2015.

6.1.2.5 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

i) The rights to receive cash flows from the asset have expired

ii) The SLTB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the SLTB has transferred substantially all the risks and rewards of the asset, or (b) the SLTB has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6.1.2.6 Impairment of Financial Assets

The SLTB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6.1.2.7 Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the SLTB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the SLTB determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

6.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. SLTB determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. SLTB's financial liabilities include trade and other payables.

Subsequent measurement

Subsequent measurements of financial liabilities are at amortized cost.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

A	INCOME		YE 31.12.2015 Rs.	YE 31.12.2014 Rs.
	Grant from Treasury - Payment of Salaries		143,000,000	132,000,000
	-Capital & Development activities		71,000,000	50,000,000
	-Green Leaf Subsidy		6,738,000,000	-
	Income from laboratory	Note 1	13,529,400	13,087,279
	Interest transferred from P & M Levy		132,909,000	-
	Registration and Renewal Income	Note 2	140,986,243	146,724,177
	Net profit from commercial activities	Note A.1	17,069,008	8,955,039
			7,256,493,650	350,766,495

A.1	NET PROFIT FROM COMMERCIAL ACTIVITIES	YE 31.12.2015 Rs.	YE 31.12.2014 Rs.
	Tea Sales	25,209,911	21,548,960
	Commission on exporter pack sales	9,689,137	5,945,205
	Monopole rental	1,962,499	1,450,000
	Sale of Cloth Bag	68,970	42,334
	Sale of Tea & Health Book	8,100	10,250
		36,938,616	28,996,748
	Less : Cost of sales	(19,219,724)	(19,562,226)
	Commission on credit card	(659,251)	(481,972)
	Income on sales in foreign currency	9,366	2,487
	Net profit from commercial activities	17,069,008	8,955,039

B	TEA SECTOR-DEVELOPMENT EXPENSES	YE 31.12.2015 Rs.	YE 31.12.2014 Rs.
	Green Leaf Subsidy	6,738,000,000	-
	Issue of product quality certificates	137,358	312,574
	Tea Factory Modernization Subsidy Scheme	10,079,088	10,960,085
	Tea Replanting Subsidy scheme	60,920,912	19,039,915
	Minimize post harvest damage	4,870,142	4,501,322
	GMP Improvement	3,109,365	1,036,505
		6,817,116,865	**35,850,400**

C	ADMINISTRATION EXPENSES		YE 31.12.2015 Rs.	YE 31.12.2014 Rs.
	Personnel emoluments	Note 3.1	216,571,164	142,673,856
	Other administrative expenses	Note 3.2	37,527,026	34,587,624
	Travelling expenses	Note 4	7,432,960	7,677,842
	Supplies and requisites	Note 5	12,151,455	11,352,214
	Repairs and maintenance	Note 6	20,698,182	17,373,384
	Depreciation of PPE		25,880,398	26,294,267
	Amortisation of Intangible assets		879,169	837,591
	Amortisation of Leasehold Properties		76,386	3,010,975
	Utilities and other expenses	Note 7	36,638,795	46,261,222
			357,855,534	**290,068,975**

D PROPERTY, PLANT AND EQUIPMENT

Notes to the financial statements
Year ended 31st December 2015

	COST OR VALUATION AS AT 1-1-2015	ADDITIONS	DISPOSALS/ TRANSFERS	ADJUSTMENTS	COST OR VALUATION AS AT 31-12-2015
FREE HOLD LAND	350,017,000	-	-	-	350,017,000
BUILDINGS	264,509,623	1,057,590	-	(523,652)	265,043,561
OFFICE EQUIPMENT	59,600,998	17,396,408	(2,023,459)	-	74,973,946
FURNITURE & FITTINGS	35,620,766	2,038,048	(49,593)	-	37,609,222
MOTOR & OTHER VEHICLES	50,983,454	5,795,000	(2,407,562)	-	54,370,892
LIBRARY BOOKS	383,044	-	-	-	383,044
COMPUTER - HARDWARE	33,287,489	9,510,186	(2,773,680)	(581,025)	40,023,995
LABORATORY EQUIPMENTS	92,331,716	6,631,863	-	-	98,963,579
	886,734,091	42,429,095	(7,254,294)	(1,104,676)	921,385,239
WORK IN PROGRESS					
BUILDING / OTHER	15,115,090	6,631,749	15,647,242	-	6,099,596.90
COMPUTER HARDWARE	-	-	-	-	-
	15,115,090	6,631,749	15,647,242	-	6,099,597
	901,849,181	49,060,844	8,392,948	(1,104,676)	927,484,836

PROVISION FOR DEPRECIATION	ACCUMULATED DEPEPRECIATION AS AT 1-1-2015	CHARGE FOR THE YEAR	DISPOSALS	ADJUSTMENTS	ACCUMULATED DEPEPRECIATION AS AT 31-12-2015
BUILDINGS	32,843,534	5,347,854	-	-	38,191,388
OFFICE EQUIPMENT	41,726,462	5,880,660	(2,023,459)	-	45,583,663
FURNITURE & FITTINGS	15,618,059	3,555,647	(49,593)	-	19,124,113
MOTOR & OTHER VEHICLES	18,627,800	5,558,493	(1,450,732)	-	22,735,560
LIBRARY BOOKS	382,632	412	-	-	383,044
COMPUTER - HARDWARE	25,293,385	3,800,756	(2,773,680)	-	26,320,461
LABORATORY EQUIPMENTS	72,769,782	5,890,408	-	-	78,660,190
	207,261,655	30,034,229	(6,297,464)	-	230,998,420
NET BOOK VALUE	694,587,526				696,486,417

E PREPAID LEASEHOLD RIGHTS TO LAND

	As at 31.12.2015 Rs.	As at 31.12.2014 Rs.
Opening Balance	29,046,023	2,935,383
Addition leashold Property	-	29,121,615
Amortisation	(2,966,119)	(3,010,975)
Closing Balance	**26,079,904**	**29,046,023**

INTANGIBLE ASSETS

	Cost or valuation as at 1-1-2015	additions	disposals/ transfers	Adjustments	cost or valuation as at 31-12-2015
Computer software - ho	**11,520,433**	1,841,475	301,500	(670,484)	12,389,924
Computer software -tea house	-	-	-	670,484	670,484
Computer software work in pro:	**2,529,500**	255,000	2,384,500	-	400,000
	14,049,933	**2,096,475**	**2,686,000**	**-**	**13,460,408**

Provision for depreciation	Accumulated depepreciation as at 1-1-2015	charge for the year	disposals	Adjustments	Accumulated Depepreciation as at 31-12-2015
Computer software - ho	**1,564,327**	879,169	(261,300)	(45,861)	**2,136,335**
Computer software - tea house	-	50,030	-	45,861	**95,891**
	1,564,327	**929,199**	**(261,300)**	**-**	**2,232,226**
Net book value	**12,485,605**				**11,228,181.65**

Lease hold property

	Cost or valuation as at 1-1-2015	additions	disposals/ transfers	Adjustments	Cost or valuation as at 31-12-2015
Lease hold property - ho	**3,819,280**	-	-	-	**3,819,280**
Lease hold property - tea house	**28,897,335**	-	-	-	**28,897,335**
	32,716,615	**-**	**-**	**-**	**32,716,615**

Provision for amotisation	Accumulated amotisation as at 1-1-2015	amotisation for the year	disposals	Adjustments	Accumulated amotisation as at 31-12-2015
Lease hold property - ho	**780,859**	76,386	**-**	**-**	**857,244**
Lease hold property - tea house	**2,889,733**	2,889,733	**-**	**-**	**5,779,467**
	3,670,592	**2,966,119**	**-**	**-**	**6,636,711**
Net book value	**29,046,023**				**26,079,904**

L Promotion & marketing levy

A sum of Rs 3.50 on every kg of tea shall be levied from every registered exporter of tea, at the time at which CUSDEC is authorized permitting the exportation of such tea, by the director general of Sri Lanka Tea Board (SLTB). All sum collected in terms of the provisions of regulation, shall be credited to a designated account as it is determined by the SLTB and form part of the capital fund of the Board.

On the coming into the operation of these regulations,(Gazette No.167714 of 27th Oct: 2010) the money lying to the credit of the SLTB in the designated account shall be used exclusively by the Board for the purpose of engaging in activities related to tea

F	**INTANGIBLE ASSETS**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Opening Balance		12,485,605	10,034,678
	Addition Computer Software		1,841,475	9,636,099
	Less: Adjustments / Disposal		(301,500)	(8,877,081)
	Amortisation		(667,899)	(837,591)
	Computer Software Work In Progress		(2,129,500)	2,529,500
			11,228,181	**12,485,605**
G	**INVENTORIES**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Laboratory consumables	Note 8.1	5,940,928	5,365,391
	Promotion materials & Others	Note 8.2	7,039,392	7,992,540
	Tea & other Stocks	Note 8.3	7,629,361	8,995,285
	Others	Note 8.4	13,960,779	14,519,841
			34,570,459	**36,873,056**
H	**TRADE AND OTHER RECEIVABLES**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Trade Receivables	Note 9	2,780,125	6,465,504
	Staff Receivables & other advances	Note 10	27,729,259	28,729,625
	Receivable - JEDB		25,000,000	25,000,000
	Prepaid Staff Expense		-	-
	Less: Provision for bad & doubtful debts		(25,000,000)	(25,000,000)
			30,509,384	**35,195,129**
I	**DEPOSITS & PREPAYMENTS**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Deposits & Prepayments	Note 11	120,928,205	108,543,296
			120,928,205	**108,543,296**
J	**OTHER FINANCIAL ASSETS**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Investments	Note 12	5,250,628,454	5,070,148,106
			5,250,628,454	**5,070,148,106**
K	**CASH IN HAND AND AT BANK**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Cash in hand and at Bank	Note 13	143,260,038	42,876,516
			143,260,038	**42,876,516**
K. (1)	**Loans to RPC'S**		**As at 31.12.2015 Rs.**	**As at 31.12.2014 Rs.**
	Loans to RPC'S	Note 13.A	492,096,500	-
			492,096,500	**-**

promotion and marketing strategy, within and outside Sri Lanka.

			31.12.2015	31.12.2014
			Rs.	**Rs.**
Opening Balance			4,904,992,816	3,898,124,564
Tax paid on Interest Income Previous Year			(109,895,192)	(32,195,048)
Amount collected from exporters			1,121,694,289	1,154,334,445
Interest on investment		317,892,244		341,220,396
Less: Tax paid on Interest Income		144,737,771		(97,243,945)
Interest Transferred to HO		132,909,000	40,245,473	
Sale of cricket T-shirts			2,192,359	3,388,842
G I Registration			4,877	-
Income from Tea House	Note L.1		34,969,125	18,497,762
			5,994,203,747	5,383,370,961
Complementary tea to Missions ,Other gift teas & giveaways			5,237,437	5,713,158
Participation of Local exhibition & Trade fairs			6,199,999	35,841,597
Production cost of communication material (ATL/BTL)			218,534	134,566
Participation at International Trade Fairs & Exhibitions			62,371,757	17,965,079
Events			7,989,601	3,006,292
Intellectual Property matters, memberships of councils,int.Sponsorship			2,611,744	3,577,281
Market Intelligence & Research			729,937	8,986,174
Bank Charges			77,213	150,037
Sponsorship for Sri Lanka Cricket			207,793,725	212,928,896
Operation of Tea House expenses	Note L.1		54,655,379	32,006,962
G.I. Registration			-	426,265
Grants to Tea Museum			1,500,000	1,500,000
Expenditure -TB Moscow			7,470,314	2,975,380
Expenditure -TB UAE			11,827,788	7,957,328
Expenditure -TB China			259,533	-
Establishing of new overseas offices			441,204	-
Annual Estate Tea of the Year			2,842,041	-
Travelling Expenses - Foreign			5,862,378	7,097,993
Joint Promotion with other National Bodies			1,036,219	-
National Level Programme			-	625,934
Above the line Advertising on TV/Radio/Press			69,460,706	2,174,308
Below the line Advertising outdoor			29,438,884	30,983,650
Public relation Campaign			2,520,823	4,531,902
Programme with Embassies			933,319	2,173,410
Difference in exchange			(125,569)	377,987
			481,352,966	**381,134,199**
P & M Levy Fund balance as at 31.12.2015			**5,512,850,782**	**4,904,992,816**

Notes to the financial statements

Year ended 31 December 2015

Notes to the financial statements

Year ended 31 December 2015

L.1 Ceylon tea house

	2015 Rs.	2014 Rs.
Income		
Food & Beverage Sales	32,859,715	14,905,892
Tea Exporter Packs Sale Commission (Net)	1,245,611	1,183,051
SLTB Tea Sales (Net)	83,799	(931,179)
Shelf Rent Income	780,000	3,340,000
Gross Operating Income	**34,969,125**	**18,497,764**
Expenditure		
Salaries & Allowances	6,997,871	7,612,273
UDA Rent	4,403,419	4,443,206
Electricity / Water / Telephone / Gas	4,187,878	4,452,820
Management Fee	3,600,000	3,000,000
Advertising	368,603	5,083,420
Transport Cost / Others	35,097,607	7,415,243
Total operating Expenses	**54,655,379**	**32,006,962**
Operating Expenditure Over Income	**(19,686,253)**	**(13,509,198)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

M	EMPLOYEE BENEFIT OBLIGATIONS	As at 31.12.2015 Rs.	As at 31.12.2014 Rs.
	Gratuity opening balance	43,952,223	43,083,574
	Gratuity charges for the year	18,144,513	9,213,376
	Benefit paid/ payables during the year	(6,533,899)	(8,344,727)
		55,562,838	**43,952,223**

N	TRADE AND OTHER PAYABLES		As at 31.12.2015 Rs.	As at 31.12.2014 Rs.
	Trade Payables	Note 14.1	89,326,429	35,676,662
	Other Payables	Note 14.2	231,153,426	217,858,639
	Accrued expenses	Note 14.3	35,506,070	43,841,692
			355,985,924	297,376,993

CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2015.

REVALUATION RESERVE

Board has created a revaluation reserve amounting Rs.481,933,543 after the revaluation of the land and buildings and motor vehicles of the Colombo Head office.

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 672,012,201.85 as at 31 December 2015.

Detailed schedules to the financial statements

Year ended 31 December 2015

O LIABILITIES AND PROVISIONS.

1 **LABORATARY INCOME**

	2015 RS.	2014 RS.
ISO 3720 STANDERED TEST	1,125,600	1,271,900
CHEMICAL ANALYSIS TEST	10,500	85,000
TOXIC/HEAVY METAL ANALYSIS TEST	1,800	
PHYSICAL EXAMINATION TEST	743,000	352,000

A court case heard by the Arbitral Tribunal was given against SLTB for an award of Rs 15,556,355 during the year. However, SLTB has appealed against this award and proceedings are in process.

SLTB has been advised by the legal council on the legal cases including the above case pending as of 31st December 2015 that it is only possible, but not probable that the action will succeed. Accordingly no provision has been made in these financial statements.

P RELATED PARTY TRANSACTIONS

P.1

In the normal course of its operations, SLTB enters into transactions with related parties. Related parties include the Government of Sri Lanka (State: as the ultimate owner of SLTB), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by SLTB with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

Nature of the Transaction	2015 Rs.	2014 Rs.
Transactions:		
Revenue	143,000,000	132,000,000
Utility expenses	20,494,586	21,060,410
Outstanding Balances:		
Receivables		
JEDB (Plantation Ministry)	25,000,000	25,000,000

P.2 Key Management Compensation

SLTB's key management personnel include the Board of Directors.

	2015 Rs.	2014 Rs.
Short term employment benefits	953,900	754,500

Q EVENTS AFTER THE BALANCE SHEET DATE

All the material events after the balance sheet date have been considered and appropriate adjustment and disclosures have been made in to the financial statement, where necessary.

	MICROBIOALOGICAL ANALYSIS TEST	2,339,500	1,587,679
	OTHER TEA SAMPLE TEST	9,309,000	9,790,700
		13,529,400	**13,087,279**
2	**REGISTRATION & REVENEWAL INCOME**		
	DEALERS LICENSE FEES	11,955,525	11,914,970
	PENALTIES	3,696,484	3,103,911
	INTEREST ON STAFF LOANS	1,099,597	1,140,516
	SUNDRY INCOME	1,196,041	545,169
	SALE OF STATISTICAL SUMMARY	145,003	126,250
	SALE OF ANNUAL REPORT	8,000	4,500
	LICENSE FEES FOR PRODUCE BROKERS	1,625,000	1,625,000
	REGISTRATION OF SUPPLIERS	280,500	236,000
	REG. OF TEA EXPORTERS DIRECTORY ADS	-	25,000
	REGISTRATION OF LION LOGO	2,336,859	1,447,898
	NEWS LETTER	334,375	380,000
	SALE OF POSTERS, DIRECTORIES & OTHERS	178,270	194,455
	REFUSE TEA REGISTRATION FEES	2,961,953	3,218,750
	REGISTRATION OF TEA EXPORTERS	1,200,000	1,125,000
	REGISTRATION OF TEA PACKERS	1,059,000	1,497,000
	RENEWAL FEE OF TEA EXPORTERS	25,860,000	25,095,320
	RENEWAL FEE OF TEA PACKERS	3,510,432	4,017,876
	PRIVATE SALE PANEL VALUATION	4,386,500	4,098,500
	DIRECT SALE RATIFICATION FEES	1,079,500	1,106,500
	ISSUE OF QUALITY & OTHER CERTIFICATES	102,500	158,400
	ISSUE OF PERMIT FOR IMPORTATION OF TEA	23,123,684	32,238,909
	SALE OF IMPORT APPLICATION FORMS	11,960	15,360
	ANALYTICAL COST	37,520	42,575
	FACTORY REGISTRATION	4,000,000	1,000,000
	WAREHOUSE REGISTRATION	845,000	1,425,000
	LOCAL PACKER RENEWAL	446,500	
	RENEWAL OF WAREHOUSE	2,664,800	2,440,000
	ESTATE OF THE YEAR ENTRY FEE	-	1,102,500
	PERMIT FOR REFUSE TEA PURCHASE	37,171,638	40,273,604
	REGISTRATION OF TEA IMPORTERS	150,000	110,000
	PERMIT FOR RELEASE OF BANK GUARANTEE	247,000	314,000
	INCOME FROM TASTING OF TEA SAMPLES	728,300	619,215
	OZONE FRIENDLY LOGO REGISTRATION	185,578	85,000
	REG. OF TEA PACK / OTHER ORIGIN TEA	264,000	273,000
	TEA FACTORY REGISTRATION RENEWAL	4,945,638	4,965,000
	FIXED ASSETS DISPOSAL -PROFIT	531,525	-
	RENEWAL OF TEA IMPORTERS	425,000	385,000
	LOCAL PACKER REGISTRATION	665,561	365,000
	GMP CERTIFICATION FEE-WH/BED & PAK	1,527,000	
	CALLING PROPOSALS FOR CEYLON TEA EXPO 15	-	9,000
		140,986,243	**146,724,177**

3 **ADMINISTRATION EXPENSES**

3.1 PERSONNEL EMOLUMENTS

SALARIES	77,191,539	65,606,650
LIVING ACCOMMODATION - OVERSEAS	8,357,518	2,403,940
OTHER ALLOWANCE (INTERIM / OTHER)	42,944,247	15,414,983
OVERTIME & HOLIDAY PAY	3,692,215	3,399,726
HOLIDAY WARRANTS & SEASON TICKETS	-	4,440
DAILY PAID WAGES	1,161,005	322,485
OTHER ALLOWANCE - UAE	6,361,869	2,142,861
OTHER ALLOWANCE - MOSCOW	3,577,972	840,316
OTHER ALLOWANCE - CHINA	1,459,433	-
COL ALLOWANCE	25,911,059	24,728,283
AFTER OFFICE EXPENSES - EXPORTS	2,056,844	
EPF CONTRIBUTIONS	21,421,496	15,394,468
ETF CONTRIBUTIONS	4,284,996	3,091,239
PENSIONARY CONTRIBUTIONS	6,458	111,089
STAFF GRATUITY	18,144,513	9,213,376
	216,571,164	**142,673,856**

3.2 OTHER ADMINISTRATION EXPENSES

MEMBERSHIP SUBSCRIPTION (PROFESSIONAL)	40,472	42,963
BONUS TO STAFF	4,000,000	4,000,000
MEDICAL BENEFITS/PERSONAL ACCI. CLAIMS	15,810,247	15,503,615
LIQUID TEA TO STAFF	1,697,137	1,899,172
SUPPLY OF PACKETED TEA TO STAFF	2,296,855	1,947,845
STAFF WELFARE	593,056	1,314,955
WELFARE LIBRARY BOOKS	-	100,000
DEATH DONATION	250,000	250,000
SPORTS / RECREATION FACILITIES	100,000	260,135
INTEREST ON STAFF PROPERTY LOAN	1,073,645	1,234,265
INCENTIVE TO SALES STAFF	1,235,656	1,188,739
STAFF TRAINING / SEMINARS / WORKSHOPS	3,849,580	1,751,781
FEES TO BOARD / COMMITTEE MEMBERS	953,900	754,500
BOARD MEETING EXPENSES	49,996	91,047
ANALYTICAL LABORATORY - CONSUMABLES	5,507,363	4,059,499
MARKET RESEARCH / CONSULTATION FEES	-	-
EXAMINATION FEES	68,120	186,468
INTTERVIEW PANEL FEES	1,000	2,641
	37,527,026	**34,587,624**

4 TRAVELLING EXPENSES

TRAVELLING EXPENSES (LOCAL)	7,417,960	6,481,401
CHANGE OF STATION	-	1,190,916
TRANSPORT & HIRE CHARGES	15,000	5,525
	7,432,960	**7,677,842**

5 SUPPLIES & REQUISITES

	PRINT STATIONERY & OFFICE REQUISITES	5,129,613	4,564,932
	FUEL & LUBRICANTS	4,011,807	5,490,046
	MECHANICAL, ELECTRICAL & GENERAL GOODS	290,608	179,400
	BOOKS, PERIODICALS & NEWSPAPERS	1,769,709	582,634
	COMPUTER STATIONERY	-	34,099
	UNIFORM	890,033	464,443
	TEA TESTING ROOM REQUISITES	23,545	9,890
	TEA EXPORT UNIT REQUISITES	36,140	26,770
		12,151,455	**11,352,214**
6	**REPAIR. & MAINTENANCE OF CAPITAL ASSETS**		
	R/M OF VEHICLES	4,307,995	3,662,893
	R/M OF PLANT & MACHINERY	1,768,265	1,163,618
	R/M OF BUILDINGS	3,059,359	1,218,497
	R/M OF OFFICE EQUIPMENT	6,730,520	6,549,937
	R/M OF FURNITURE & FITTINGS	43,050	19,145
	OTHER UTILITY SERVICES	183,555	276,713
	JANITORIAL SERVICE	3,739,065	3,878,149
	LAB.ACCREDIATION & INSTRUMENTS MAINTENANCE	866,373	567,264
	LIBRARY MATERIALS	-	37,168
		20,698,182	**17,373,384**
7	**UTILITIES & OTHER EXPENSES**		
	PRESS NOTICE	2,300,791	3,615,466
	TELEPHONE, FAX & INTERNET	6,038,968	5,628,565
	ELECTRICITY	11,033,179	12,115,618
	RATES & TAXES	1,176,020	1,261,146
	RENT	1,228,000	1,391,143
	INSURANCE - BUILDINGS, VEHICLES, ETC.	1,834,169	1,808,384
	SECURITY SERVICES	7,561,535	7,145,166
	AUDIT FEES	350,000	200,000
	LEGAL FEES	324,600	77,795
	OTHER FEES	942,232	1,203,361
	TEA SAMPLE TESTING FEES	395,211	463,841
	POSTAGE	1,293,718	1,209,131
	WATER SUPPLY & HEATING	952,702	845,950
	LOSSES - FIXED ASSETS DISPOSAL / Written. OFF	-	4,676,148
	TEA TASTING PANEL FEES	1,157,745	837,500
	SUNDRY EXPENSES	49,926	94,700
	MATUGAMA OPENING CEREMONY EXPENSES	-	1,126,233
		36,638,795	**46,261,222**

		2015 RS.	2014 RS.
8	**STOCKS**		
8.1	Laboratory		
	LABORATORY CONSUMABLES	5,940,928	5,365,391
		5,940,928	5,365,391
8.2	Consumables		
	STATIONERY	2,586,635	1,517,726
	PROMOTIONAL MATERIALS	4,452,757	6,474,814
		7,039,392	7,992,540
8.3	Tea & Other Stocks		
	TEA - MAIN STORES	2,045,503	3,528,275
	TEA - SALES COUNTER	68,435	154,521
	TEA - TEA HOUSE	12,147	30,044
	STAFF TEA	70,413	182,580
	EMPTY CARTONS	5,153,317	4,941,631
	TEA STOCK-TEA SERVICE	81,450	-
	CARRIER BAGS	68,996	92,789
	CORRUGATED BOXES	79,200	15,445
	NECK TIES	49,900	50,000
		7,629,361	8,995,285
8.4	GOODS IN TRANSIT	13,960,779	14,519,841
		34,570,459	36,873,056
9	**TRADE RECEIVABLE**		
	SUNDRY DEBTORS	567,541	850,294
	DEBTORS - CRICKET T-SHIRT	875,800	4,496,650
	DEBTORS CONTROL	50,714	(214,797)
	DEBTOR -INCOME RECEIVABLE	738,356	861,040
	PACKETED TEA SALES	475,402	350,580
	SHORTAGES	72,311	121,736
		2,780,125	**6,465,504**
10	**LOANS & ADVANCES**		
	CONSOLIDATED LOANS - TCD	9,123,511	10,577,186
	CONSOLIDATED LOANS - TPB	3,744,240	3,939,728
	CONSOLIDATED LOANS - HO	13,285,746	11,951,346
	SETTLING IN ADVANCE - OVERSEAS	171,550	1,048,980
	ADVANCE - FESTIVAL	322,120	375,120
	ADVANCE - SPECIAL SALARY	246,530	264,030
	STAFF TEA RECOVERIES	204,582	242,547
	STAFF DEBTORS	9,196	1,210
	PAYMENTS IN ADVANCE	621,785	329,479
		27,729,259	**28,729,625**
11	**DEPOSITS & PRE - PAYMENTS**		
	DEPOSITS	1,180,606	1,172,606
	STAMP DEPOSIT	160,000	160,000
	PARCEL POSTAGE DEPOSIT	15,600	68,000
	DEPOSITS & PREPAYMENT - UAE	4,983,337	4,035,692
	DEPOSITS & PREPAYMENT - MOSCOW	2,920,126	15,777

PRE - PAYMENTS	106,877,390	98,300,074
RENT DEPOSIT - POLAND	207,360	207,360
RENT DEPOSIT - CBS BLDG.	583,786	583,786
BASE PAYMENT-TEA HOUSE	4,000,000	4,000,000
	120,928,205	**108,543,296**
12 INVESTMENTS		
FIXED DEPOSIT - SLTB AT BOC 2nd BRANCH	90,000,000	100,052,091
FIXED DEPOSIT - P & M LEVY AT BOC BAMBALAPITIYA	4,773,467,811	4,541,085,293
SHORT TERM INVESTMENT - BOC,CORPORATE BR.	-	53,009,272
CENTRAL BANK TEMPORARY SURPLUS TRUST FUND - SLTB	49,877,857	47,030,455
CENTRAL BANK TEMPORARY SURPLUS TRUST FUND - P & M LEVY	333,060,466	323,362,723
HOUSING LOAN DEPOSITS - SMIB	4,222,320	5,608,271
	5,250,628,454	**5,070,148,106**
13 CASH & BANK BALANCES		
PETTY CASH IMPREST - COUNTER	20,000	20,000
PETTY CASH IMPREST - STAMP	10,000	-
CASH IMPREST FOR TOUR GUIDE - TEA HOUSE	13,574	-
COLLECTION ON SALES IN HAND	287,240	212,471
BANK OF CEYLON - COLPETTY 2ND	12,841,407	16,433,017
BANK OF CEYLON - CORPARATE (HO)	26,852,574	107,186
BANK OF CEYLON - BAMBALAPITIYA - **P & M LEVY**	19,277,737	7,798,702
BANK OF CEYLON - CORPORATE (TCD)	16,772,880	6,042,107
BANK OF CEYLON - TEA SUBSIDY	65,071,352	-
BANK OF CEYLON - INDEPENDENCE SQUARE	(1,960,305)	7,394,044
EMBASSY ACCOUNT - UK	109,288	875,542
EMBASSY ACCOUNT - GERMANY	81,280	190,126
EMBASSY ACCOUNT - JAPAN	11,473	18,571
EMBASSY ACCOUNT - FRANCE	275,585	447,837
EMBASSY ACCOUNT - POLAND	50,111	78,560
EMBASSY ACCOUNT - BANGKOK	9,155	9,155
EMBASSY ACCOUNT - CHINA	84,764	84,764
CURRENT ACCOUNT - UAE	2,178,780	1,622,578
CURRENT ACCOUNT - MOSCOW	46,518	1,225,111
CURRENT ACCOUNT - CHINA	84,733	-
REGIONAL OFFICE C / A - GALLE	-	38,217
REGIONAL OFFICE C / A - MATARA	-	27,006
REGIONAL OFFICE C / A - RATNAPURA	-	27,276
REGIONAL OFFICE C / A - GAMPOLA	-	108,889
REGIONAL OFFICE C / A - BANDARAWELA	-	71,243
REGIONAL OFFICE C / A - MATUGAMA	-	34,115
BANK OF CEYLON - C/A GALLE	83,536	-
BANK OF CEYLON - C/A MATARA	66,320	-

BANK OF CEYLON - C/A RATNAPURA	28,316	-
BANK OF CEYLON - C/A GAMPOLA	94,258	-
BANK OF CEYLON - C/A BANDARAWELA	87,360	-
BANK OF CEYLON - C/A MATUGAMA	3,907	-
BANK OF CEYLON - COLLECTION A/C -GALLE	1,715	-
BANK OF CEYLON - COLLECTION A/C -MATARA	18,442	-
BANK OF CEYLON - COLLECTION A/C -RATNAPURA	206,437	-
BANK OF CEYLON - COLLECTION A/C -MATUGAMA	(94,352)	-
BANK OF CEYLON - COLLECTION A/C -BANDARAWELA	(226,151)	-
BANK OF CEYLON - COLLECTION A/C -GAMPOLA	172,107	-
	143,260,038	**42,866,516**

Year ended 31 December 2015

13. (A) Loans to RPC'S

	Name of Estate	Loan Granted Rs.
01	Agalawatte Plan. PLC	19,876,500.00
02	Agarapatana Plan. LTD	40,348,000.00
03	Balangoda Plan. PLC	26,400,500.00
04	Bogawantalawa Tea Estates	30,394,000.00
05	Elpitiya Plan. PLC	18,221,000.00
06	Hapugastenne Plan. PLC	24,839,500.00
07	Horana Plan. PLC	18,627,000.00
08	Kahawatte Plan. PLC	16,786,000.00
09	Kegalle Plan. PLC	12,792,500.00
10	Kelani Valley Plan. PLC	29,718,500.00
11	Kotagala Plan. PLC	27,832,000.00
12	Madulsima Plan. PLC	25,067,000.00
13	Malwatte Valley Plan. PLC	26,887,000.00
14	Maskeliya Plan. PLC	37,968,000.00
15	Maturata Plan. PLC	21,574,000.00
16	Namunukula Plan. PLC	17,381,000.00
17	Pussellawa Plan. LTD	22,813,000.00
18	Talawakelle Tea Estate	22,253,000.00
19	Udapussellawa Plan. PLC	21,661,500.00
20	Watawala Plan. PLC	30,656,500.00
	Total	**492,096,500.00**

		2015 RS.	2014 RS.
14	**Creditors & Provisions**		
14.1	**Trade Payables**		
	Creditors - Sub Note No. Xvi (1)	24,736,603	35,441,890
	Creditors Control	13,563	13,563
	Credit Tea Order	8,827	8,767
	Creditors & Provisions - UAE	109,280	114,395
	Creditors & Provisions - China	46,557	-
	Creditors & Provisions - Moscow	2,259	98,047
	Subsidy Green Leaf Payable	64,409,338	-
		89,326,429	**35,676,662**

14.2 Other Payables

Income tax payable - p & m levy	88,359,539	78,270,501
Income tax payable - sltb	2,557,004	1,667,692
General deposits	457,904	1,543,053
Refundable tender deposit	367,994	332,994
Retention monies deposits	4,630,487	4,702,672
Green leaf dealer deposits	14,570,743	14,678,243
Sltb official packer	8,670,252	12,485,773
Staff creditors	6,870,457	4,455,490
Provision for audit fees	740,318	958,083
Provision - data processing charges	2,000	2,000
Provision - printing of annual reports	714,339	1,123,036
Provision for staff travelling	51,602	51,602
Arrears - green leaf deposit	8,498,784	5,683,501
Shelf rent deposit - sales counter	1,320,000	2,315,000
Shelf rent deposit - tea house	2,270,000	1,020,000
Cusdec deposit	161,400	161,400
Retention incentive - sales counter	77,865	75,999
Nation building tax	910,542	774,901
Vat payable	2,876,508	5,175,922
Estate tea of the year	-	10,000
Receipts in advance	91,592	5,921
Received in advance (trade fair)	12,650,000	14,379,685
Receipts in advance - license fee	9,022,500	10,220,525
Receipts in advance - refused tea	2,414,926	2,466,798
Receipt in advance-renewal of warehouse	2,060,000	1,929,800
Receipt in advance-license fee for produce brokers	1,750,000	1,625,000
Receipt in advance-lion logo reg.	1,248,000	1,096,059
Receipt in advance-news letter	-	4,375
Receipt in advance-renewal of tea importer	310,000	220,000
Receipt in advance-registration of tea exporter	150,000	325,000
Receipt in advance-registration of tea packer	60,000	84,000
Receipt in advance-renewal of tea exporter	19,672,500	15,837,500
Receipt in advance-renewal of tea packer	2,010,000	1,815,000
Receipt in advance-registration of tea warehouse	100,000	170,000
Receipt in advance-registration of tea importers	10,000	40,000
Receipt in advance-local packer renewal	100,000	80,000
Receipt in advance -p& m levy	34,305,957	30,751,117
Receipt in advance - ozone logo registration	134,862	170,000
Receipt in advance - g i registration	13,683	-
Receipt in advance - monopole rental	941,668	1,150,000
	231,153,426	**217,858,639**

14.3 Accrued Expenses

Accrued Expenses	22,102,327	20,288,011
Accrued Expenses - P & M Levy	2,389,474	13,049,048
Accrued Expenses - Tea House	11,014,269	10,504,632
	35,506,070	**43,841,692**

15 - Property plant & equipment

	2015 RS.	2014 RS.
Free hold land	350,017,000	350,017,000
Buildings	265,043,561	264,509,623
Plant & machinery	39,981,752	25,901,564
Office equipments	23,281,482	22,959,659
Furniture,fitt. & household equipment	25,251,187	24,091,768
Motor & other vehicles	50,332,473	46,945,035
Water, electricity & telephones	1,815,753	1,790,253
Decoration & display items	2,369,884	2,369,884
Library books	383,044	383,044
Computer - hardware / software	39,442,970	33,287,489
Lease hold properties	3,819,280	3,819,280.00
Laboratory equipments	98,963,579	92,331,716
Intangible assets	12,389,924	11,520,433
Office equipment - UAE	1,159,889	765,729
Furniture & fittings - UAE	540,742	322,284
Motor & other vehicles - UAE	2,366,735	2,366,735
Office equipment -Moscow	717,366	585,743
Furniture & fittings - Moscow	177,868	177,868
Motor & other vehicles - Moscow	1,671,684	1,671,684
Office equipments -china	104,527	-
Furniture,fitt. - china	51,129	-
Lease hold properties - tea house	28,897,335	28,897,334.82
Plant & machinery - tea house	5,424,166	5,109,038
Office equipments - tea house	119,128	119,128
Furniture,fitt. & household equ.-tea house	11,588,297	11,028,847
Computer - software - tea house	670,484	-
Computer - hardware - tea house	581,025	-
	967,162,262	**930,971,138**

16 Provision for depreciation

Pro. For dep. - buildings		38,191,388		32,843,534
Pro. For dep. - plant & machinery		19,671,569		18,025,423
Pro. For dep. - office equipments		19,670,264		19,009,172
Pro. For dep. - furniture & fittings		15,116,339		13,423,025
Pro. For dep. - vehicles		20,580,667		16,526,410
Pro. For dep. - water/elect./tele.		1,627,815		1,556,282
Pro. For dep. - decoration & dis. Items		873,859		754,476
Pro. For dep. - library books		383,044		382,632
Pro. For dep. - computer h.w./s.w.		26,146,153		25,293,385
Pro. For dep. - lab. Equipments		78,660,190		72,769,782
Pro. For dep. - intangible assets		2,136,335		1,564,327
Pro. For amotisation - lease hold land		857,244		780,859
P/d - office equipment - UAE		801,987		754,361
P/d - furniture & fittings - UAE		298,818		287,111
P/d - vehicles - UAE		483,208		429,705
P/d - office equipment - Moscow		540,228		478,124
P/d - furniture & fittings - Moscow		158,305		147,442
P/d - vehicles - Moscow		1,671,684		1,671,684
P/d - furniture & fittings -china		2,556		-
Pro. For amotis.- lease hold land-tea house		5,779,467		2,889,733
Pro. For dep. - plant & machinery -tea house		2,360,340		1,133,700
Pro. For dep. - office equipments - tea house		37,602		14,926
Pro. For dep. - computer soft ware - tea house		95,891		-
Pro. For dep. - computer hard ware - tea house		174,307		-
Pro. For dep. - furniture & fittings - tea house		3,548,096		1,760,481
	239,867,357		**212,496,574**	
	727,294,905		**718,474,564**	

17 Capital work in progress

Work in progress - building/other	6,099,597	15,115,090
Work in progress - software development	400,000	2,529,500
	6,499,597	**17,644,590**
	733,794,502	**736,119,154**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

	Cost or valuation as at 01-01-2015	Additions	Disposals	Adjustments	Cost or valuation as at 31-12-2015
Free Hold Land	**350,017,000**	-	-	-	**350,017,000**
Buildings	**264,509,623**	1,057,590	-	(523,652)	**265,043,561**
Plant & Machinery	25,901,564	15,134,023	(1,053,836)		39,981,752
Office Equipments	22,959,659	1,291,447	(969,624)	-	23,281,482
Office Equipment - UAE	765,729	394,161	-	-	1,159,889
Office Equipment -Moscow	585,743	131,622	-	-	717,366
Office Equipment -China	-	104,527	-	-	104,527
Water, Electricity & Telephones	1,790,253	25,500	-	-	1,815,753
Decoration & Display Items	2,369,884	-	-	-	2,369,884
Plant & Machinery - Tea House	5,109,038	315,128	-	-	5,424,166
Office Equipments - Tea House	119,128	-	-	-	119,128
	59,600,998	**17,396,408**	**(2,023,459)**	**-**	**74,973,946**
	-				
Furniture,Fitt. & Household Equipment	24,091,768	1,209,012	(49,593)	-	25,251,187
Furniture & Fittings - UAE	322,284	218,458	-	-	540,742
Furniture & Fittings - Moscow	177,868	-	-	-	177,868
Furniture & Fittings - China	-	51,129	-	-	51,129
Furniture & Fittings - Tea House	11,028,847	559,450	-	-	11,588,297
	35,620,766	**2,038,048**	**(49,593)**	**-**	**37,609,222**
	-				
Motor & Other Vehicles - Ho	46,945,035	5,795,000	(2,407,562)	-	50,332,473
Motor & Other Vehicles - Moscow	1,671,684	-	-	-	1,671,684
Motor & Other Vehicles - UAE	2,366,735	-	-	-	2,366,735
	50,983,454	**5,795,000**	**(2,407,562)**	**-**	**54,370,892**
	-				
Library Books	**383,044**	**-**	**-**	**-**	**383,044**
Computer - Hardware	**33,287,489**	**9,510,186**	**(2,773,680)**	**(581,025)**	**39,442,970**
Computer - Hardware - Tea House	**-**	**581,025**	**-**	**-**	**581,025**
Laboratory Equipments	**92,331,716**	**6,631,863**	**-**	**-**	**98,963,579**
-					
Total	**886,734,091**	**43,010,120**	**(7,254,294)**	**(1,104,676)**	**921,385,239**

Provision for depreciation	Accumulated depepreciation as at 01-01-2015	Depreciation 2015	Disposals 2015	Adjustments	Accumulated depepreciation as at 31-12-2015
Pro. For Dep. - Buildings	32,843,534	5,347,854	-	-	38,191,388
Pro. For Dep. - Plant & Machinery	18,025,423	2,699,981	(1,053,836)	-	19,671,569
Pro. For Dep. - Office Equipments	19,009,172	1,630,716	(969,624)	-	19,670,264
Pro. For Dep. - Water/Elect./Tele.	1,556,282	71,534	-	-	1,627,815
Pro. For Dep. - Decoration & Dis. Items	754,476	119,383	-	-	873,859
Pro. For Dep. - Office Equipment - UAE	754,361	47,626	-	-	801,987
Pro. For Dep. - Office Equipment- Moscow	478,124	62,104	-	-	540,228
Pro. For Dep. - Plant & Machinery- T/H	1,133,700	1,226,641	-	-	2,360,340
Pro. For Dep. - Office Equipments - T/H	14,926	22,676	-	-	37,602
	41,726,462	5,880,660	(2,023,459)	-	45,583,663
Pro. For Dep. - Furniture & Fittings - Ho	13,423,025	1,742,907	(49,593)	-	15,116,339
Pro. For Dep. - Furniture & Fittings - UAE	287,111	11,706	-	-	298,818
Pro. For Dep. - Furniture & Fittings - Moscow	147,442	10,862	-	-	158,305
Pro. For Dep. - Furniture & Fittings - China	-	2,556	-	-	2,556
Pro. For Dep. - Furniture & Fittings - T/H	1,760,481	1,787,615	-	-	3,548,096
	15,618,059	3,555,647	(49,593)	-	19,124,113
Pro. For Dep. - Vehicles - Ho	16,526,410	5,321,819	(1,267,562)	-	20,580,667
Pro. For Dep. - Vehicles - UAE	429,705	236,674	(183,170)		483,208
Pro. For Dep. - Vehicles - Moscow	1,671,684	-	-	-	1,671,684
	18,627,800	5,558,493	(1,450,732)	-	22,735,560
Pro. For Dep. - Library Books	382,632	412	-	-	383,044
Pro. For Dep. - Computer H.W./S.W.	25,293,385	3,684,551	(2,773,680)	58,102	26,262,358
Pro. For Dep. - Computer H.W- T/H	-	116,205	-	(58,102)	58,102
Pro. For Dep. - Lab. Equipments	72,769,782	5,890,408	-	-	78,660,190
Total	207,261,655	29,918,024	6,297,464	58,102	230,998,420
Work In Progress	15,115,090				6,099,597
	694,587,526				696,486,417

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