

Annual Report

2018



SRI LANKA TEA BOARD

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VISION

*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. Lucille Wijewardena
Chairman, Sri Lanka Tea Board

Secretary to the Board

Mr. S. A. Siriwardane
Director General, Sri Lanka Tea Board

Members

Minister's Nominee

Mrs. B.B. Gamage (*up to Mar 2018*)
Mr. J.B. Attapattu (*from Apr 2018 to Sep 2018*)

Ministry of Plantation Industries

Mrs. W.M.D.T. Wickremasinghe (*from May 2017*)
Additional Secretary (Development)

Colombo Brokers Association

Mr. Yshan Fernando (*up to Mar 2018*)
Mr. Anil Cooke (*From Apr 2018*)

Department of Development Finance

Mr. A.M.P.M.B. Atapattu
Director General

Colombo Tea Traders' Association

Mr. Anselm Perera
Chairman

Ceylon Planters' Association

Mr. Sunil Poholiyadda
Chairman

Tea Small Holdings Development Authority

Mr. D.M. Wijeratne
Chairman

Sri Lanka Federation of Tea Small Holdings Development Societies

Mr. Neville Rathnayake (*up to May 2018*)
Chairman
Mr. K.L. Gunaratne (*from Jun 2018*)

Ministry of Industry and Commerce

Mr. R.S.K. Doolwalage (*up to May 2018*)
Mr. L.G. Premasiri (*from Nov 2018*)

Sri Lanka Tea Factory Owners' Association

Mr. Harith Ranasinghe
Chairman

Observers

Mr. B.W. Harrison Silva (*up to Mar 2018*)
Mr. H.D. Hemaratne (*up to Sep 2018*)
Mr. Niraj de Mel (*Up to Sep 2018*)
Mr. Ajith N. Silva (*from Apr 2018*)
Dr. M.M.J.P. Gawarammana (*up to Mar 2018*)
Mr. Anil Perera (*up to Mar 2018*)
Mr. D.M. Kobbakaduwa (*from Apr 2018 to Sep 2018*)

Mr. T.S.R. Mendis (*from Nov 2018*)
Working Director

Members & Observers of the Audit Committee - 2018

Chairman

Mr. A.M.P.M.B. Attapattu
Director General
Department of Development Finance
Ministry of Finance

Members

Ministry of Plantation Industries

Mrs. W.M.D.T. Wickramasinghe *(from May 2017)*
Additional Secretary (Development)

Sri Lanka Tea Factory Owners' Association

Mr. Harith Ranasinghe *(from Dec 2017)*
Chairman

Observers

Colombo Tea Traders Association

Mr. H.D. Hemarathne
Consultant

Auditor General's Department

Mrs. S.D. Katuwawala
Superintendent of Audit

Convener

Sri Lanka Tea Board

Mr. S.A. Siriwardane
Director General

Senior Management Staff

Director General

Mr. S.A. Siriwardane

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

Senior Internal Auditor

Mr. H.D.K. Jayasinghe

Accountant

Mrs. W. Rajakaruna

Members of the Promotion & Marketing Committee - 2018

The Promotion & Marketing Committee is a sub-committee appointed to guide the board on promotional and marketing activities for Ceylon tea

Sri Lanka Tea Board	Mr. Lucille Wijewardena <i>Chairman</i>
	Mr. S.A. Siriwardane <i>Director General</i> Mrs. Premala Srikantha <i>Director (Promotion)</i> Mr. Hasitha de Alwis <i>Director (Promotion)</i>
Tea Research Board	Dr. M.M.J.P.Gawarammana <i>Chairman</i>
Department of Commerce	Mrs. S.N.I Wijeratne <i>Director General of Commerce</i>
Representing Tea Exporters' Association	Mr. Rohan Fernando Mr. Muffadal Jafferjee Mr. Avi De Silva
Tea Exporters' Association	Mr. Jayantha Karunaratne <i>Chairman</i>
Asia Siyaka Commodities (Pvt) Ltd.	Mr. Anil Cooke <i>President</i>
Planters' Association of Ceylon	Mr. Lalith Obeyesekere <i>Secretary General</i>
Representing Sri Lanka Tea Factory Owners Association	Mr. Pasindu Peiris
Sri Lanka Federation of Tea Small Holdings Development Societies	Mr. Neville Ratnayake <i>Chairman</i> Mr. K.L. Gunaratne <i>Chairman</i>
Akbar Brothers	Mr. Tyeab Akbarally <i>Director</i>
MJF Group	Mr. Malik Fernando <i>Director (operations)</i>
Basilur Tea	Dr. Gamini Abeywickrama <i>Managing Director</i>
Sunshine Holdings PLC	Mr. Vish Govindasamy <i>Group Managing Director</i>
Lumbini Tea Factory (Pvt) Ltd.	Mr. Chaminda Jayawardana <i>Managing Director</i>
Euro - Scan Exports (Pvt) Ltd.	Mr. Birendra Perera <i>Director</i>

CHAIRMAN'S MESSAGE



I have pleasure in presenting the review for the year 2018. Year under review indicates a slight decline in terms of export income, production, auction prices and export prices of tea, when compared to the previous year. The decline of the production was around 1% and the value of the exports accounted for USD 1.4 billion which is a 7% decrease over the previous year. Some major indicators of the tea industry became favorable mainly due to the better agro climatic conditions throughout the year.

Maintaining the market share and the quality of Ceylon tea and competitive auction prices were some challenges that the industry faced in the year under review. Sri Lanka Tea Board made extra efforts to protect the industry and promote Ceylon Tea internationally.

TEA PRODUCTION

Sri Lanka's tea production in 2018 recorded 303.9 million kilograms, slight decrease from the preceding year's production by 3.1 million kilograms or 1%. Low-grown contributed most, with 191.8 million kilograms followed by high-grown at 65.0 million kilograms and mediums at 47.1 million kilograms. Green tea production decreased by 2.3%, from 2.7 million kilograms in 2017 to 2.6 million kilograms in 2018. Likewise, CTC production increased by 10.15%, from 21.8 million kilograms in 2017 to 24.0 million kilograms in 2018. The tea small holders continued to be dominant amongst producers by contributing over 75% of national production.

COLOMBO TEA AUCTIONS & FOB PRICES

The volume of tea sold through the Colombo Tea Auction in 2018 decreased by 3.4% in comparison to 2017. All three elevations viz., high, mid and low grown, registered a decline in volume. The total auction average in 2018 was Rs 579.66 per kilogram, as against Rs 617.17 per kilogram in 2017. This is a 6% decrease compared to the previous year.

The Colombo Tea Auction averaged US \$ 3.57 per kilogram, which was substantially higher than other auction centers. However, it was significantly lower than US \$ 4.05 achieved in 2017. The average export price (FOB) increased by 1.65% to Rs 820.75 per kilogram in 2018, from Rs 807.44 per kilogram in 2017.

TEA EXPORTS

Sri Lanka's exports decreased from 288.9 million kilograms in 2017 to 282.4 million kilograms in 2018, 2.29% decrease in volume. Tea exported in bags totaled 23.41 million kilograms in 2018, as against 23.48 million kilograms in 2017, recording a decline of 0.06 million kilograms. A decline was also recorded in Bulk, Packets (1Kg-3Kg), (4g-1Kg), (5Kg-10Kg) during 2018 while other categories recorded an increase.

Export earnings in 2018 totaled Rs. 231.7 billion as against Rs 233.3 billion in 2017. This is a decrease of 1.6 billion or 0.68%, while the depreciation of the rupee against the US dollar is 6.6 percent. The prime destination for Ceylon Teas was Iraq followed by Turkey and Russia importing 38.4, 35.6 and 30.6 million kilograms, respectively.

REPLANTING & TEA FACTORY MODERNIZATION

The development activities relating to replanting and tea-factory modernization did not record significant growth despite the availability of subsidies. The downturn in production limited the capacity of stakeholders to infuse adequate counterpart funds for capital development. The slow rate of replanting draws into question the sustainability of the industry, and unless new incentives can be found to replant ageing tea bushes, a progressive decline in production should be expected. With well over two-thirds of production now deriving from smallholders, the lack of financial incentives or mechanisms to promote replanting is a matter of serious concern. Cost of replanting now is around Rs. 2 million per hectare and is a viable investment. The cost of replacing the targeted 2.5 percent of the national estate demands an investment of some Rs 8 billion annually, not an impossible task given the present tea prices.

GLOBAL CAMPAIGN

During the year under review, the Board introduced a Brand Promotion Campaign for the period 2018/2019 to further develop the "Ceylon Tea Nation Brand" across the market territories. The principal promotion activities, however, focused on trade fairs and exhibitions rather than reach-out to consumers through an effective media campaign. While such a campaign has long been planned, little progress was made during first half of 2018. While Russia, Japan, China, Ukraine and Germany has been targeted for launching the global campaign next year 2019, USA, Australia, Saudi Arabia, Turkey, Iran, UAE & Chile has been scheduled for commencing by 2020.

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 steadily eroding in the world. The Board is addressing this issue by emphasizing to the discerning consumer the unique attributes of Pure Ceylon Tea, its purity and its 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 terms of net value. 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.

CHALLENGES

The future sustainability of the industry will depend on improving the quality of both green-leaf and manufactured tea, increasing yields, building the reputation of the 'Ceylon' origin, controlling the rising cost of production and devising an effective response to climate change. Progress, especially regarding the last challenge, is handicapped by trivially low levels of investment in research. Given the procedural difficulties involved, the ability of the Board to deliver an effective global promotion campaign that is well-targeted and adaptive to the rapid changes being seen both in our target markets and in digital media, becomes increasingly open to question.

ACKNOWLEDGEMENTS

I wish to place on record that the hard work of the Board of Directors, Team from Sri Lanka Tea Board and the guidance of the Hon Minister, Deputy Minister and the Secretary of the Ministry of Plantation Industries all of whom contributed to the progress of the industry in the year 2018.

I thank the Board of Directors and the employees of the SLTB for their invaluable contribution and look forward to working closely with all stakeholders in the year to come.



Lucille Wijewardena
Chairman
Sri Lanka Tea Board

KEY HIGHLIGHTS

Category	Unit	2016	2017	2018*	Comparison 2017 Vs 2018 (%)
Tea Production					
Total Tea Production	(mn.kg)	292.6	307.71	303.94	-1.22
Classification by Elevation					
High	(mn.kg)	64.4	64.64	64.97	0.51
Medium		44.5	45.65	47.13	3.24
Low		183.6	197.42	191.84	-2.82
Classification by Processing Method					
Orthodox(includes Bio, Instant, Re-claimed teas)	(mn.kg)	271.9			
			283.25	277.33	-2.09
CTC		18.3	21.81	24.02	10.12
Green		2.4	2.66	2.6	-2.23
Tea Sales					
Tea Sales -Quantity	(mn.kg)	276.3	294.7	284.7	-3.39
High		55.8	56.3	53.7	-4.62
Medium		43.9	47.8	46.8	-2.09
Low		176.5	190.6	184.2	-3.36
Tea Sales -Price	(Rs./kg.)	466.4	617.17	579.66	-6.08
High		442.7	597.81	563.96	-5.66
Medium		414.9	560.5	514.56	-8.2
Low		486.8	636.86	600.76	-5.67
Tea Exports					
Tea Exports-Volume (Without Re export)	(mn.kg)	280.9	278.2	271.8	-2.3
Classification by Category					
Black	(mn.kg)	276.4	273.7	266.9	-2.48
Green		2.4	2.4	2.4	-
Instant		2	2.1	2.5	19.05
Tea Exports - Value(Without Re export)	(Rs. Bn.)	176.2	222.4	271.8	22.21
Total Tea Exports-Volume	(mn.kg)	288.8	289	282.4	-2.28
Total Tea Exports - Value	(Rs. Bn.)	184.8	233.3	231.8	-0.64

*Revised excluding Instant Tea

Tea Production
303.94 Mn.kg

Tea Export
Volume
282.4 Mn.kg

Tea Export
Earnings
Rs.231.8 Bn

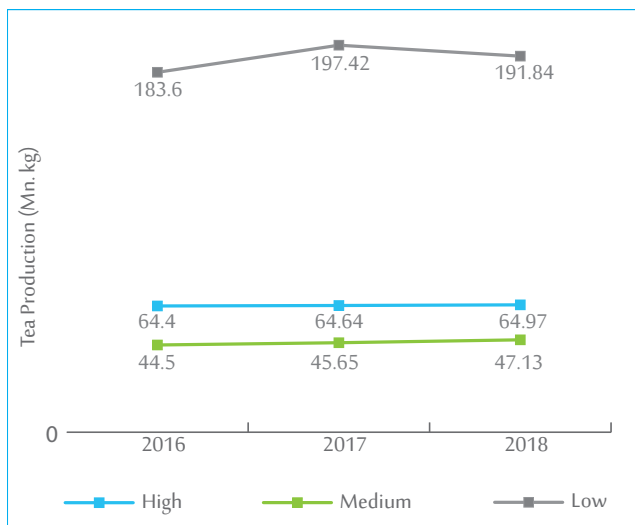


Chart I : Elevation wise Tea Production

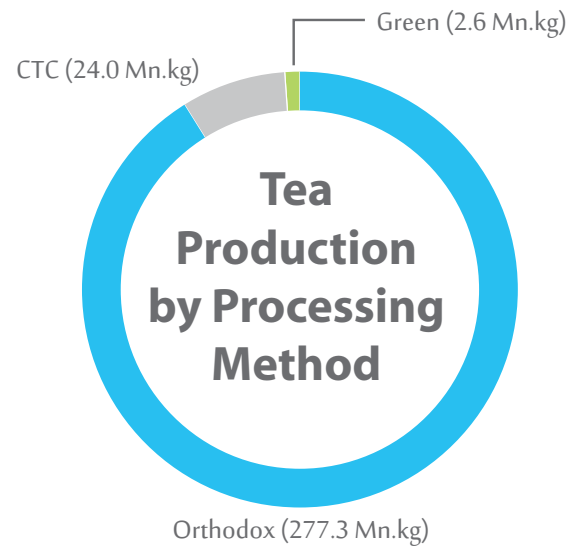


Chart II : Tea Production by Processing Method

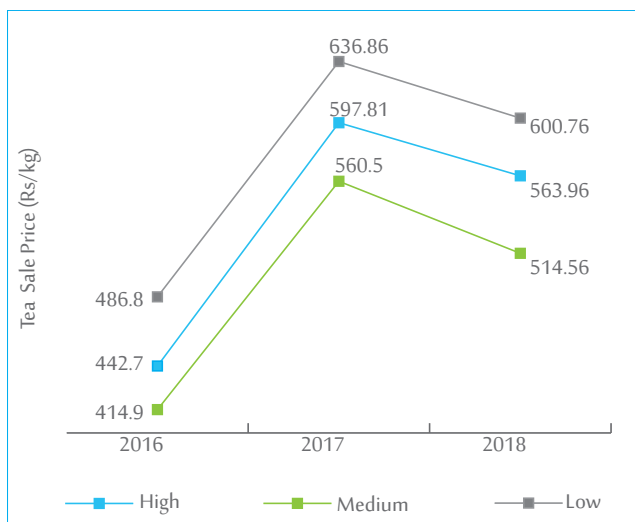


Chart III : Elevation wise Tea Sale Prices



Chart IV: Tea Export Quantity and Revenue

1. CORPORATE BACKGROUND

The Sri Lanka Tea Board was established on 1st January 1976 by amalgamating Tea Control Department-Tea Control Act No 51 of 1957, Tea Export Commissioner's Department-Tea (Tax and Control of Export) Act No 16 of 1959, Tea Research Institute of Ceylon-Tea Research Ordinance 1925 and Ceylon Tea Propaganda Board-Tea Propaganda ordinance 1932 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, No 44 of 2006 and No.13 of 2018. In 1993 Tea Research Institute of Sri Lanka came under the management of the Tea Research Act No.52 of 1993. Amendments to Sri Lanka Tea Board Law and Tea Control Act are in progress based on industry requirements to align the current laws and regulations to fulfil the global needs.

Prior to the establishment of Sri Lanka Tea Board, promotion of Sri Lanka Tea (Ceylon Tea) was handled by the Tea Propaganda Board in the global context, which was run by the private sector. In 1976 Tea Propaganda was voted out by the parliament and Tea Propaganda was converted to the Sri-Lanka Tea Board with the powers to the tea industry.

As the regulatory body, Sri Lanka Tea Board is responsible for regulating the activities of tea industry, viz. production, increase of cultivation, replanting, rehabilitating old gardens, establishment of factories and monitoring their operations. 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 locally and overseas. The whole process has been monitored and evaluated from factory to the shipment to maintain the "Quality of Ceylon tea" and many actions have been initiated to intensify the monitoring of quality standards of tea at the point of sale, pre-shipment, warehouses of brokers, blenders and exporters and providing advisory services on hygienic blending and storing.

Under development functions, SLTB facilitates the subsidies for upgrading factories and replantation of Tea, awareness programs on minimizing post-harvest damage and productivity enhancement. Additionally, Certification of quality of tea through sensory and chemical analysis is another main responsibility under tea development.

Promotional activities cover the marketing and promotion of Ceylon tea globally, collection and interpretation of tea statistics and delivering competency of the actual markets and ability to retain and expand Ceylon tea among leading markets.

Function of Sri Lanka Tea Board is monitored and advised under the purview of Ministry of Plantation Industries. Financial functions are closely monitored by the Department of Public Enterprises and especially they provide the recommendations and approvals for treasury grants.

2. STRUCTURE & ACTIVITIES UNDERTAKEN

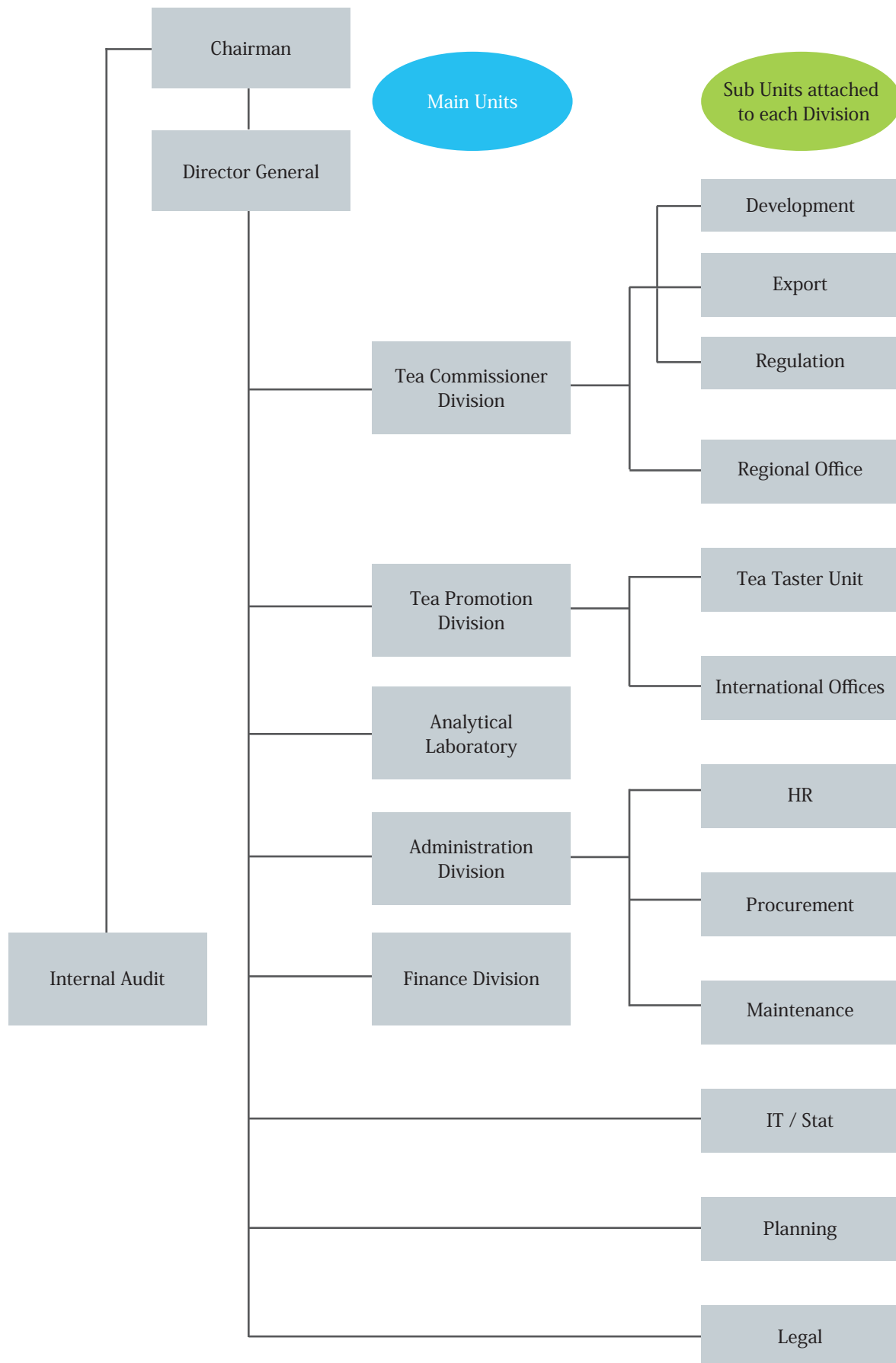


Figure 2.1 : Structure of SLTB

Director General & Main Secretariat

Responsible for overall supervision of all the functions with regard 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, planning, statistics, internal audit, secretariat, tasting and analytical laboratory, information technology and library.

Tea Commissioner's Division

All matters pertaining to regulatory functions in the areas of Cultivation, Tea Production and Quality Development are functioning under the Tea Commissioner's Division. There are seven regional offices under this division.

The tea export division, which is under the control of the tea commissioner, is responsible for all matters relating to the disposal, storage, packing, export and importation of tea.

Tea Promotion Division

All matters connected with promotion of Sri Lanka tea locally and internationally, are handled by the Promotion Division while providing periodical market intelligent reports as per the demand of the Industry. In this respect the division is responsible for local and global media advertising, participation at international Food & Beverage Fairs, Brand Promotion Schemes, and Generic Promotion with the assistance of overseas Tea Promotion Officers and Sri Lanka Missions abroad; Liaison with International Tea Councils & Tea Associations, Inter-governmental Group on Tea of FAO.

A Tea Sales Counter beneficial to the locals and foreigners is in operation with the guidance of the Promotion Division.

The 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.

Analytical Laboratory

The division is responsible for testing and issuing quality parameters of chemical, microbiological and pesticide waste using high-tech equipment to maintain tea quality.

Therefore, each unit contributes individually to quality assurance matters, thereby helping to protect the image of Ceylon Tea.

Administration Division

The Administration Division is responsible for the overall administration of human resource management, development, procurement and storage, maintenance, infrastructure development and transportation.

Finance Division

The Finance Division is responsible for the overall financial control and management of the Sri Lanka Tea Board. Other major activities of the Finance Division are the preparation of financial policies for the Board, preparation of annual budgets, annual financial statements, monthly accounts and periodic reports, inventory maintenance and annual verification and submission of annual accounts to the Auditor General.



2.1 Tea Commissioner's Division



The Tea Commissioner Division is one of the main divisions of the Sri Lanka Tea Board and is operated by the Tea Commissioner appointed under the provisions of the Tea Board Law No. 14 of 1975. The division administers all matters connected with the regulatory & supervisory 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 and Regulations of tea industry. Functions of the 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 performs the following activities to enhance tea production and maintain quality of tea for the benefit of the tea industry.

- Registration/licensing and renewal of tea manufacturers and factories
- Registration and monitoring of green tea leaf dealers
- Registration and monitoring of refuse tea processing centers and dealers
- Implementing programs for improvements of green tea leaf standards
- Granting subsidies for factory modernization and replanting (Including infilling and new planting)
- Monitoring of reasonable price payments for factories and dealers
- Special monitoring of Good Manufacturing Practices (GMP)
- Conducting SLTB/SLSI product quality certification programs
- Collection of statistics related to production of tea
- Conducting special investigations on malpractices of tea sector
- Registration of Tea Lands & updating those information

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)

2.1.1 Key Achievements

- All the details pertaining to the Tea Land Registration were converted to a new database and report generation software was completed.
- Successfully celebrated the New tea festival at historic Gatabaru Rajamaha Viharaya, Kotapola, Matara for the 2nd time which was commenced in parallel to 150 years celebration of tea industry in Sri Lanka.
- Distributed Rs.30.9 million among 62 tea growers (184.35 Hectares) for the replantation of 184.35 hectares under Tea Replanting Subsidy Scheme (TRSS).
- Tea Factory Modernization Subsidy Scheme (FMSS) offered Rs.19.16 million for modernization of 31 tea factories.
- To manage the rush crop at festive season the Rush Crop Management programs were conducted for the tea manufacturers.
- Education fairs & exhibitions were conducted parallel to the celebration of 150 years of Ceylon Tea Industry.
- Introductory awareness programs were conducted to the tea manufactures about the new project to be implement on “High tech Japanese machineries to the tea factories of Sri Lanka under the scheme of concessionary rates” in collaboration with Japanese companies.

2.1.2 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 manufacturing of tea and the prescribed particulars relating to the tea factories of such manufacturers to be registered. The division is having the authority to decide whether any person is entitled to be registered as a manufacturer in terms of the Act. Every tea manufacturer should register with the Tea Board for manufacturing and selling teas through Colombo auction.

All the factories that manufacture made tea are essential to register with the Tea Board in order to ensure that the building, equipment 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 2.1

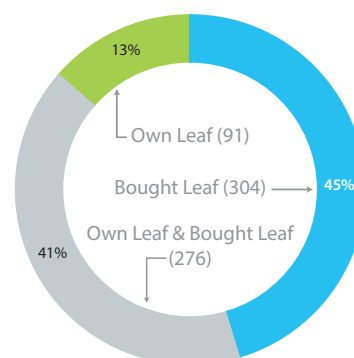


Chart 2.1: Classification of Tea Factories

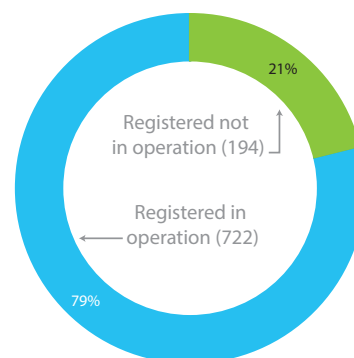


Chart 2.2: Operational states registered Tea Factories

Table 2.1 : Classification of Tea Factories by their nature of operation

Status	No. of Factories			
	High	Medium	Low	Total
Confined to Own leaf	64	17	10	91
Own leaf & Bought leaf :				
a) Own leaf less than 50% of total production	16	35	104	155
b) Own leaf more than 50% of total production	69	32	20	121
Bought leaf only	07	30	267	304
Registered but in operation	170	133	419	722
Registered but not in operation	29	73	92	194
Total number of registered Tea Factories	199	206	511	916

2.1.3 Reasonable Price Payable for Bought Leaf

Table 2.2 : Status of Defaulted Payment (Rs.Mn)

Region	Amount for 2017	Amount during 2018	Amount Recovered & paid	Balance payment at end of 2018	Amount due	
					functioning Factories	closed Factories
Ratnapura	117.09	48.14	3.60	158.86	44.75	114.11
Matara	36.14		0.06	36.08	33.55	2.53
Gampola	59.25		0.02	59.23	28.04	31.20
Galle	26.11	19.98	5.87	40.22	21.71	18.51
Baduraliya	38.88			38.88	22.52	16.35
Hatton	5.45	4.31	0.66	9.10	4.60	4.50
Bandarawela	1.00	-	-	1.00	0.90	0.11
Total	283.92	72.44	10.21	343.38	156.06	187.31

Under the provisions of the Tea Control Act, the factories which are engaging in bought leaf manufacture are required to pay for the 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 is determined on the basis of monthly net sale average of such factories.

The proceeds from made tea 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 ratio of 50: 50. The formula is based on an out turn ratio of 21.5% from green leaf to made tea.

2.1.3.1 Defaulted Payment

During the year under review the total defaulted payment for green leaf suppliers remained at Rs. 343million as at 31st December 2018. We also recovered Rs 10 Million during the year 2018. Further accumulation of defaulted payment interrupted by suspending their registration. If any factory found as a defaulted payment for reasonable price of green tea leaf, the factory will be warned and if the defaulted amount not be paid the registration of the factory will be suspended or cancelled.

Restoration of registration of such factories considered only after the settlement of the total defaulted payment.

2.1.4 Quality Control of Green Leaf

The quality control of green leaf is vital fact for the manufacturing operations undertaken 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.

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

2.1.4.1 Quality Improvement Activities

The appropriate conditions of the buildings, equipment, 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

By 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 been designed and implemented in order to improve the quality of made tea & green leaf.

- SLSI – SLTB Quality Certificate
- The “B Leaf 60” program to improve the green tea leaf standard
- Rush Crop Management program during festival season
- Low NSA Strategy
- Factory Modernization subsidy scheme & Tea Replanting Subsidy Scheme
- Quality Monitoring System(Task Team Operation- TTO)
- Establishment of GMPS in Tea Factories & warehouses
- Licensing of Dealers in Green Tea Leaf
- Processing of Refuse Tea

a) SLSI – SLTB Quality Certificate

The Sri Lanka Tea Board (SLTB) in association with Sri Lanka Standards Institution (SLSI) operates a Product Certification Scheme for tea factories 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” program to improve the green tea leaf standard

This program has been implemented to improve the leaf quality by minimizing the post-harvest damage and by improving the plucking standards. Now this program is being executed successfully at the field. There can be seen a massive progress of this project at the field. At the beginning of this program the green leaf standard prevailed as 33% of Best Leaf, 32% of Below Best and 35% of Poor. The current green leaf standard at the field is the Best Leaf 39%, Below Best 24% and Poor 37%. The “B Leaf 60” was implemented with the target of maintaining best green leaf standards (Best leaf standard) at minimum of 60% at the field.

The following strategies have already been implemented to achieve this target.

1. Awareness Program for Stakeholders
2. Impose regulations on handling of leaf
3. Financial assistance for improving post-harvest techniques
4. Subsidy scheme for minimizing post-harvest damage

c) Rush Crop Management program during festive 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 introduced 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) Subsidy scheme for Factory Modernization & Tea Replanting

Under Domestic funds, a fund has been allocated by the Treasury 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 Re-planting during the year.

Funds were available for the corporate and private sectors for replanting and factory modernization for the year 2018. Following table show the payment made for the replanting and factory modernization subsidy scheme in year 2018.

f) Quality Monitoring System (Task Team Operation TTO)

146 Surprise inspections were carried out at tea factories by the officials of the Tea Commissioner’s Division during the year 2018.

Table 2.4 : Task Team Operations details

Region	No of Inspections done
Bandarawela	01
Gampola/Hatton	44
Ratnapura	11
Matara	32
Galle	50
Baduraliya	08
Total	146

Table 2.3 : Subsidy Payment Details

Region	Replanting Subsidy Scheme			Factory Modernization Subsidy Scheme		
	No of Applications	Amount Paid	Extent Hec.	No.of Applications	No of Factories Paid	Amount Paid
Bandarawela	-	-	2	11	1	-
Hatton/Gampola	56	24,920,341.00	139.57	23	8	2,899,916.66
Ratnapura	45	3,615,000.00	12.02	16	11	4,684,886.25
Matara	13	1,603,650.00	15.38	19	15	9610820.31
Galle	2	487,250.00	11.9	12	7	4,708,165.82
Baduraliya	3	320,000.00	3.48	14	6	1,055,000
Total	119	30,946,241.00	184.35	95	48	19,158,999.92

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

Under this scheme, 570 tea factories were evaluated and actions were taken to improve the standards of tea manufacturing process.

Table 2.5 : Region Wise GMP Assessments

Region	Assessments of GMP
Bandarawela	65
Gampola/Hatton	140
Ratnapura	38
Matara	50
Galle	103
Baduraliya	174
Total	570

h) 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 licenses from the Tea Commissioner's Division. Tea commissioner division monitors the every registered green tea dealer.

Following table shows the distribution of regional wise green tea leaf dealers.

Table 2.6 : Green tea Dealer information 2018

ATC – Regions	Licensed dealers for 2017	Renewals for 2018	New Licenses For 2018	Total Licensed Green Tea Dealers for 2018
Bandarawela	170	157	16	173
Gampola/Hatton	283	248	35	283
Matara	305	278	13	291
Galle	313	284	15	299
Ratnapura	537	486	51	537
Baduraliya	233	211	42	253
Total	1841	1664	172	1836

i) 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 as per the no.51 of the Tea Control Act. Of 1957. The table no. 3.7 illustrates the regional wise total permits issued during the year 2018.

Below given list of HACCP status and other international certifications obtained by tea factories.

Table 2.8 : No. of HACCP awarded factories

Region	HACCP	Other International Certification
Bandarawela	10	23
Gampola/Hatton	36	83
Ratnapura	06	18
Matara	06	18
Galle	14	14
Baduraliya	06	12
Total	72	139

Table 2.7 : No of refuse tea processing centers and No of permits issued in 2018

Region	Registered Processors for 2017	Renewals during 2018	New Registrations for 2018	Total Refused Tea Processing Centers	No of Permit Issued for 2018
Bandarawela	01	01	-	01	1131
Gampola/Hatton	262	238	24	262	4149
Matara	04	05	04	09	636
Galle	31	29	03	32	890
Ratnapura	07	05	02	07	799
Baduraliya	05	04	01	05	235
Colombo					309
Total	310	282	34	316	8149

2.2 Tea Exports Section



The powers and functions vested in 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.

Export division paid attention to carry out the following special projects since 2015 and to continue for the year 2018 too to improve the effectiveness and efficiency in the tea exports of Sri Lanka.

1. GMP Certification for Iran Tea Exports.
2. 24hrs 7 days operations at the Sri Lanka Tea Board Export Division
3. Sri Lanka Tea Board - Sri Lanka Customs Joint Investigation on Tea Consignments at Sri Lanka Customs Exports Facilitation Center (EFC) to sustain the Superiority of tea Exportation.

2.2.1 Registrations

All the stakeholders linked with the tea export process (Exporters, Packers, Warehouses and Importers) need to be registered under the SLTB by satisfying conditions assigned by the Board. Every registration is valid only for a period of one year and it is mandatory to renew their registrations at the beginning of the each calendar year if they are willing to continue their process during particular year.

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.

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 kg of tea at a certain 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.

Table 2.9 Registration and Renewal details of stake holders during 2018

Category	Renewals	New Registration	Total Stake Holders
Exporters	319	24	343
Packers	448	116	564
Warehouse	239	36	275
Importers	114	07	121
Produce Brokers	-	-	8

Table 2.10 : Actual Imports during 2018

Country	Type	Imported Qty. (Kg)	CIF Value (Rs.)	Value (Rs.)
China	Green Tea	1,981,660	392.71	778,225,638.77
	Special	219,286	646.43	141,752,234.71
	White Tea	16,800	896.17	15,055,581.00
	CTC	22,000	490.97	10,801,370.00
	Sub Total	2,239,746	422.30	945,834,824.48
India	CTC	3,298,263	261.36	862,030,366.81
	Special (Black Tea)	798,069	576.68	460,234,114.78
	Green Tea	4,058	1,815.94	7,369,081.40
	Decaffeinated Tea	9,420	627.91	5,914,892.80
	Sub Total	4,109,810	324.97	1,335,548,455.79
Japan	Special	97,994	780.22	76,456,859.42
	Green Tea	3,510	2,009.54	7,053,500.00
	Sub Total	101,504	822.73	83,510,359.42
Germany	Special	1,600	2,341.13	3,745,800.00
	White Tea	248	5,007.59	1,241,882.00
	Green Tea	3,143	2,600.31	8,172,772.50
	Sub Total	4,991	2,636.84	13,160,454.50
Taiwan	Special	75	8,403.31	630,248.00
Vietnam	Green Tea	65,500	304.57	19,949,137.00
Myanmar	Green Tea	5,280	623.44	3,291,757.50
Rwanda	CTC	13,100	-	-
Kenya	CTC	814,228	419.16	341,292,570.65
	Special	15,700	805.88	12,652,304.00
	Sub Total	829,928	426.48	353,944,874.65
U.S.A	Special	2,080	2,734.66	5,688,088.00
	Sub Total	2,080	2,734.66	5,688,088.00
South Korea	Special	160	2,204.77	352,763.20
	Sub Total	160	2,204.77	352,763.20
Ethiopia	CTC	28,632	321.34	9,200,521.00
	Sub Total	28,632	321.34	9,200,521.00
Indonesia	CTC	100	1,720.40	172,040.00
	Sub Total	100	1,720.40	172,040.00
Grand total		7,400,906	374.45	2,771,283,523.54

Retail containers which contain other origin specialty tea blended with Sri Lanka teas would export under the Sri Lanka Tea Board Regulations (Import & Export) 1981. Such containers or 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” and all containers shall be registered with the Sri Lanka Tea Board.

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 inspect the tea consignment/s, ready to export to ascertain whether the tea in concern is in line with the required standards for exporting.

2.2.2 Importation of Tea

711 imports permits were issued for importation of 7.9Mn kg during the 2018, but actual imports were reported as 7.4Mn.kg

2.2.3 Maintenance of Minimum Quality Standard ISO 3720 for Made Tea

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

Table 2.11 : No. of quality defects at each sampling level in 2018

Type of sampling	No. of samples drawn	No. of cases detected as below ISO and contamination
Pre auction sample drawn by export division	6470	2458
Pre auction withdrawals (by the panel)	2400	
Post auction	12836	25

2.2.4 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 Division. 112 MT of made tea identified at above mentioned points were denatured during 2018.

2.2.5 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 2018.

Table 2.12 : Utilization of TRQ under the FTAs (2018)

FTA	Quota per annum (kg)	Total exports (kg)
India – Lanka	15,000,000	634,662.24
Pakistan – Lanka	10,000,000	13,193.00

2.2.6 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 or re-use.

2.3 Tea Promotion Division



The Tea Promotion Division mainly focuses to increase the Ceylon tea export share in value term and quantity term by increasing Ceylon tea awareness and through increased facilitation for exporters. There are many programs which are successively implemented locally and in foreign markets to achieve the aforementioned objectives.

- Uni national Promotion of Ceylon Tea
- Generic Promotion for tea
- Brand promotion for Sri Lanka owned Lion Logo brands
- Participation at International Food & Beverage Trade Fairs and Exhibitions
- Compilation & dissemination of strategic market profiles on all important tea consuming countries
- Assisting Ministry of Plantation Industries on policy formulation for the Tea Sector
- Analysis of competitor activities
- Lion Logo registration and monitoring as well as franchising to the private sector packers
- Protection of Ceylon Tea & other Regional Tea growing names/logos as Geographical Indications
- Ozone friendly Pure Ceylon Tea Logo registration and franchising to private sector packers
- Local Tea Promotion

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 Dubai is responsible for tea promotion in Middle East / Gulf / North Africa regions while the office in Moscow handles the tea promotion work in the Russian Federation & CIS markets. A representative office was established in Beijing during 2015 to promote & enhance market share of Ceylon tea in China which is identified as a growing market. The Ceylon tea promotional activities in other markets are handled by the Tea Promotion Division in Colombo in collaboration with the respective Sri Lanka Missions overseas.

2.3.1 Trade Fair Participation

Sri Lanka Tea Board facilitated the participation of Sri Lankan tea exporting companies in international trade fairs in selected markets promoting 'Ceylon Tea' as a national brand and also the individual brands of participating companies. SLTB participated at the following 33 trade fairs in 2018 organizing a group stand for Ceylon Tea along with private sector participants. The Trade fair subsidy scheme was utilized by 121 participants during the year 2018.

Table 2.13 : Trade Fair Participation list in 2018.

No.	Trade Fair	Country	Duration
1	Prodexpo, Moscow	Russia	5 - 9 Feb
2	Gulfood, Dubai	UAE	18 - 22 Feb
3	Foodex, Tokyo	Japan	6 - 9 Mar
4	Natural Organic show	UK	22 - 23 Apr
5	World Food Uzbekistan, Tashkent	Uzbekistan	4 - 6 Apr
6	FHA Singapore Expo	Singapore	24 - 27 Apr
7	World Food Warsaw	Poland	10 - 12 Apr
8	SIAL Canada, Montreal	Canada	2 - 4 May
9	Food West Africa, Lagos	Nigeria	8 - 10 May
10	SIAL China, Shanghai	China	16 - 18 May
11	World Food Azerbaijan	Azerbaijan	16 - 18 May
12	Seoul Food, Seoul	South Korea	1 - 4 May
13	World Tea Expo, Las Vegas	USA	11 - 14 Jun
14	Agrofood & Beverage, Teheran	Iran	24 - 27 Jun
15	Saitex, Johannesburg	South Africa	24 - 26 Jun
16	Food Taipei, Taipei	Taiwan	27 - 29 Jun
17	Summer Fancy Food, New York	USA	30 Jun - 2 Jul
18	Malaysia Int. Food & Bev. Trade Fair	Malaysia	27 - 29 Jun
19	Int. Tea Fair, Hong Kong	Hong Kong	16 - 18 Aug
20	World Food, Istanbul	Turkey	5 - 8 Sep
21	Fine Food, Melbourne	Australia	10 - 13 Sep
22	World Food, Moscow	Russia	7 - 20 Sep
23	World Tea & Coffee Expo, Mumbai	India	29 Nov - 01 Dec
24	COTECA, Hamburg	Germany	10 - 12 Oct
25	SIAL Paris	France	21 - 25 Oct
26	Saudi HORECA, Riyadh	Saudi Arabia	27 - 29 Nov
27	Xiaman Tea Fair, Xiaman	China	18 - 22 Oct
28	World Food, Kiev	Ukraine	23 - 25 Oct
29	FHC Shanghai, Shanghai	China	13 - 16 Nov
30	World Food, Almaty	Kazakhstan	31 Oct - 2 Nov
31	World of Tea, Teheran	Iran	3 - 5 Dec
32	Foodex Saudi, Jeddah	Saudi Arabia	12 - 15 Nov
33	West Africa Agrofood & Plastprintpack	Ivory Coast	20 - 22 Nov

2.3.2 Global Promotion Campaign

Sri Lanka Tea Board execute the spadework for the largest marketing budget in history for promotion and marketing of Ceylon tea globally by launching Global Marketing Campaign and the total estimated budget for the campaign was Rs.4.5 Billion. The campaign is divided in to three major components as

- Media Advertising Campaign
- Creative Developments
- Public Relation Campaign

a) Media planning, scheduling and buying

Dentsu Grants (Pvt) Ltd was selected to undertake the Consultancy Services for Media Planning, Scheduling and Buying for a three years period from 21st March 2018 to 20th March 2021. The campaign focused on 12 identified markets under two slabs and is expected to launch according to priority basis in 2019 & 2020 respectively.

Priority (I) – Russia, China, Japan, Germany, Ukraine

Priority (II) - Iran, Turkey, Saudi Arabia, Australia, UAE, USA, Chile

b) Creative Part

One of the major parts in campaign is Creative Part. Phoenix O&M (PVT) Ltd was awarded to undertake the Creatives of the Above-The-Line (ATL), Below-The-Line (BTL) and Social Media activities of the Global campaign within the identified seven regions. Phoenix is working on the website, Brochures, leaflets and give-away souvenir items.

c) PR Campaign

Several PR campaigns were organized in Russia during 2018

- Embassy of Sri Lanka in Moscow organized Ceylon Tea PR events - Ceylon Tea Party and Gala Dinner Reception for the Celebration of 70th Independence Anniversary of Sri Lanka.
- Ceylon Tea billboard campaign was launched in the city limit of Moscow during the FIFA World Cup 2018.
- Documentary Video (42 minutes) on Ceylon Tea was telecasted through the NTV channel and YouTube in Russia.
- The procurement for the selection of suitable PR agencies for handling the PR campaign in Russia, Ukraine, China, Turkey, Iran and Saudi Arabia was initiated.



Picture 2.1 :Billboard campaign at City limit of Moscow



Picture 2.2 : Ceylon tea demonstrate at Coffee and Tea Festival in Moscow, Russia

2.3.3 Brand Promotion Scheme

Under the global promotion campaign, the awareness about Ceylon Tea will be increased. The link between Ceylon Tea and Quality Symbol of Lion Logo and Sri Lanka will also be developed. The effects and benefits of the above campaign should be passed to the individual local tea brands and the introduction of the brand promotion subsidiary scheme will further facilitate this process. Sri Lanka Tea Board introduced a brand promotional subsidy scheme for 2018/2019. As per the scheme, Pure Ceylon Tea brands which carry Lion Logo will be promoted by providing matching grants (50 % of the promotional spend). Only Sri Lankan owned tea brands which have been registered in Sri Lanka by the Director General, National Intellectual Property Office, are eligible for promotional assistance under this scheme. The scheme will be funded from the Promotion and Marketing Levy contributed by tea exporters under Gazette No. 1677/14 of 27 October, 2010. A budgetary provision of Rs.500 Mn has been allocated for that scheme covering the period of 2018/2019. The actual implementation is expected to take place in 2019.



Picture 2.3 : Coffee and Tea Festival in Moscow, Russia

2.3.4 Promotional Events and Activities

Several Events and activities were conducted locally and internationally with the aim of Promotion of Ceylon Tea and are listed below.



Picture 2.4 : Tea Sampling session in Auchan supermarket in Moscow



Picture 2.5 : Tea Sampling and tasting session in Auchan supermarket in Moscow

- Ceylon Tea Forum and Ceylon Tea tasting Events were Concluded in some Institutions and some places by Honorary Tea Ambassador for Ceylon Tea in USA
 - Ventura Collegiate Systems
 - Franchises from Hawaii
 - 70th Celebration of Sri Lankan Independence taken place at UCLA Collage , USA
 - Scottsdale Arizona
 - Jewish Synagogue in Ventura Country
 - World Tea Expo 2018
 - VC innovates from Ventura Country California
 - Tapovanaya Buddhist Temple
- Dubai Global Tea Forum
- Cultural Event in Russia
- Ceylon Tea Promotional Event in Ankara, Turkey
- FAO / IGG on Tea in China
- Ceylon Tea Promotional Event at Travel Industry Exhibition in Darling Harbor in Sydney, Australia
- 70th anniversary of independence of Sri Lanka celebration in France
- Ceylon Tea Promotion at Coffee & Tea Festival at Sokolniki Park in Moscow, Russia
- Ceylon Tea Sampling / Tasting sessions with the collaboration of Tea Promotion Unit in Moscow at Auchan Hypermarkets in Moscow
- Supplied Ceylon Tea samples to the Tea & Herbal Association of Canada to be used in number of educational programs conducted in 2018

Advertisements and sponsorships

- Full page advertisement on Gulf Food Magazine
 - Ceylon Tea advertisement in ITC Annual Bulletin of Statistics
 - Advertisement on Stir Magazine
 - Sponsoring for Asian Netball Champions 2018 in Singapore
- Ceylon Tea- the Official Clothing Partner



Picture 2.6 : Sponsorship for Sri Lankan Netball Team



- Sponsored and supplied Ceylon Tea Samples for International Tea Festivals held at the Toronto, Canada
- Telecasted Ceylon Tea advertising banners in both on a regular and online TV of Europa Plus TV

2.3.5 Uni National Promotion of Ceylon Tea

Uni-National Promotion of “Ceylon Tea” relates to the publicity and advertising of Sri Lanka Tea against other origins. 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 among the main elements of uni-national promotion activities carried out by the Board. Ceylon Estate Tea of the Year Competition & Charity Tea Auctions at identified overseas destinations after the completion of the preliminary round in Sri Lanka has gained momentum.

2.3.6 Generic Tea Promotion

The promotion of tea against other beverages for the share of the throat falls under generic tea promotion activities. Sri Lanka Tea Board is a member of the Intergovernmental Group on Tea of the FAO, USA Tea Association, International Tea Committee-UK, Canada Tea & Herb Association 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. SLTB contributed towards the advertising budgets of Tea Associations and Councils for generic tea promotion work in selected countries in 2018 as mentioned above.

2.3.7 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, Uda Pussellawa, Dimbula, Uva, Kandy, Sabaragamuwa & Ruhuna) as Geographical Indications through the provisions available under TRIPS Agreement of World Trade Organization. This would not only help prevent the misuse of ‘Ceylon Tea’ and other regional tea growing names particularly by overseas contract packers, but also add value and a premium price for Ceylon Tea marketed under GIS.

2.3.8 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. Lion Logo has been registered in 98 countries as at 2018. 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 are in compliance with ISO 3720 Standard while being above a minimum reference standard to each destination and should be pre packed in Sri Lanka. During the year under review, Lion Logo registration renewals in Armenia, Azerbaijan, Belarus, Japan, Kazakhstan, Tajikistan, Uzbekistan, Ukraine, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Republic, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Ivory Coast, Mali, Mauritania, Niger, Senegal and Togo were completed.



2.3.9 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 plantations (nurseries) 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 country to have achieved this accolade.

Twelve tea exporters have obtained franchise rights from SLTB to use the Ozone friendly Pure Ceylon Tea logo for their brands during the year 2018.

2.3.10 Promotional/Information Publications

Quarterly Tea Market Review is industry seeking publication done by Sri Lanka Tea Board and during 2018; four reports have been issued covering all local and international tea trends. Bi-monthly newsletter is also published by Promotion division and it provides market information

2.3.11 Local Tea Promotion

Expanding local promotions, number of local trade exhibitions/events SLTB participated during 2018 and conducted media campaigns, outdoor advertising, liquid tea services, sale of SLTB range of packs and distributed promotional material and successfully awarded local communities about impotency of Ceylon tea and its incomparable taste is under this.

- Tea corner at NIPM - Athurugiriya
- Educational Tea Fair and Tea Service - Kotmale and Matale
- Tea Service at "Morape Kusaladhamma Thero's funeral" - Nuwara Eliya
- Tea Service at Gangaramaya Temple
- Fresh Tea Festival in Gatabaruwa Rajamaha Viharaya - Deniyaya
- Fresh tea Festival at Saman Devalaya- Ratnapura
- Tea service at Galgoda Sri Maha Viharaya - Panadura
- Educational and Trade Exhibition Tea Service at Manthrinda Pirivena - Matara
- Tea Corner at 5th International Conference on Agriculture "AGRICO-2018" Taj Samudra Hotel
- Tea Stall at "Enterprise Sri Lanka" Exhibition - Monaragala
- Tea Stall at Defence Seminar - BMICH
- Tea Service at Molligoda Temple - Wadduwa
- Tea Stall at "Agriculture Beyond Horizon" Exhibition - Mahailuppallama

2.3.12 Sponsorship / Advertisement on Magazines

- Souvenir Advertisement to Katana ST. Francis Church
- Sponsorship for Poor Children Foundation
- Contribution for National Symposium of Sustainable Plantation Management
- Sponsorship for Sri Lanka Sakala Kala Sansadaya Magazine
- Sponsorship for May Day Special Program
- Newspaper advertisement - Late Hon. Lalith Athulathmudali Supplement
- Publishing Ceylon Tea advertisement and Article in Coffee & Tea Magazine
- Sponsorship for Dilantha Malagamuwa
- Sponsorship for 26th Annual NCE Export award ceremony
- Ceylon Tea advertisement in Oxford Business Group

2.3.13 Foreign Delegations

Sri Lanka Tea Board facilitated and hosted for the delegation from Russia during the year under review and arranged trade meetings for the visiting delegations with the objective of building trade relationships, exchanging ideas and sharing knowledge for the mutual benefit of both countries.

- Visit of Mr. Alexander Savenkov, the Head of Orimi Trade
- Russian delegation to Sri Lanka (Rosselkhoznadzor & Russian Plant Quarantine Research Center)

Sri Lanka Tea Board arranged the ministerial delegations for China, Japan, Poland, Latvia & Lithuania and France during 2018.

In January 2018, Mr. Marian Jarosz, Film Project Coordinator and Mr. Remigiusz Jakubowski who is a Director, Screenwriter and Dialogue writer visited Sri Lanka to produce a film on Ceylon tea. The purpose of this film is to promote Sri Lankan - "Ceylon Tea and Tourism" as initiated by the Embassy of Sri Lanka in Warsaw, Poland.

2.3.14 Tea Sales Centre

The Tea Sales Centre located at the SLTB premises market flag bearer range of Tea Board packs and selected tea products from twenty eight private sector tea companies. During the year 2018, revenue of Rs.107.4 million was generated through the sale of tea at the center which shows an increase of sales by 5.4% compared to the previous year. The sale of SLTB packs earned Rs.25 million while private sector tea brands accounted for 82.4 million.

2.3.15 Distribution of Tea for promotional purposes

SLTB issued Rs.6.47 Million worth tea on a complimentary basis for promotional purposes of "Ceylon Tea". It is including with Complementary teas which were distributed among 47 Sri Lankan missions in overseas, teas distributed for Liquid tea service at International Trade Fairs and teas distributed as promotional give-away to VIPs/Officials.

2.4 Tea Tasting Unit



The unit work as the one of major quality assurance bodies of Ceylon Tea. It is responsible for assessing the quality of tea prior to auction and export. The appearance and the flavor of the made tea shows huge variation due to some factors like different clones of the *Camellia Sinensis* plant, impact of climatic characteristics (such as rainfall, sunshine hours and temperature) nature of topography and the variety of manufacturing process. Based on the characteristics of tasted samples, trained tasters assure the price and quality of tea samples. Unsatisfactory samples are directed for the Analytical Laboratory of SLTB for further analysis.

The tasting team of Sri Lanka Tea Board consists of an expert panel of tea tasters from public and private sector. They represent all stakeholders such as Colombo Tea Traders Association (CTTA), Colombo Brokers Association (CBA), Ceylon Plantation Association (CPA), Sri Lanka Federation of Tea Small Holdings Development Societies (SLFTSHDS), Tea Exporters Association (TEA), Sri Lanka Tea Factory Owners Association (SLTFOA), and there are independent Panel members to avoid any biased decisions.

The Major activities of the unit can be listed as follows.

- Maintaining the minimum quality standard and ISO 3720 and ISO 11287 at any given point of dispose of tea.
- Monitoring and ratification of Private Sales, Direct Sales and forward contracts
- Facilitating the issuing of Lion Logo certificates for branded products and for the consumer packs
- Evaluating Tea Tasters for new export Companies

2.4.1 Maintaining the minimum quality standard and ISO standards at tea disposing points

Ordinary tea tasting sessions are held twice a week mainly on Mondays and Thursdays with the participation of the expert tea panel. During the sessions, following tea samples which are directed from tea export unit of SLTB and tea samples directly received to the TTU are considered for evaluations.

- Pre-auction Teas
- Special investigation Teas
- Pre imported samples
- Direct Sales
- Daily Evaluation Pre-shipment monitoring
- Daily Evaluation of Pre Shipment Monitoring

The panel's decision on samples are forwarded to the Tea Commissioner Division and Tea Export Unit to further regulations.

2.4.1.1 Pre-Auction teas

Two weeks prior to the sale, the eight brokers forwards their pre-auction samples for the evaluation. As the first step, visual evaluation is carried on to identify the off-grade, Dust, Premium Flowery and BOP1A samples. Parallel to this random evaluation is being conducted for the High & Medium, Leafy, and Tippy samples of Brokers.

Tea Tasting Concept and Methodology

●ISO 3103 of 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.

Then samples are directed for organoleptic evaluation and selected samples are offered to the panel to take the collective decision on “to be offered or not to be offered” for the upcoming auction. The decision has been conveyed to the Deputy Tea Commissioner in Export Division.

During the year 2018, following pre auction samples were evaluated and decision were forwarded for the relevant parties.

Table 2.14 : Tested and suspicious sample details in 2018

Description	No of Samples Tested	No of Samples Suspected
Visual Examinations	182,077	
Organoleptic	19,118	
Pre-auction samples		
Panel rejections for suspected liquor contamination		604
Siliceous matters		391
Crude Fiber		908
Random basis(BSL) evaluation	6,470	155

2.4.1.2 Pre-Shipment Teas

Usage of Lion Logo, ISO 3720 parameters or any other contamination prior to shipment are been tested under pre shipment sample testing. Under this monitoring scheme 12,836 pre-shipment samples had been examined during 2018 .

2.4.1.3 Pre-Import Teas and Post-Import Teas

Pre-Imported samples directed through Export unit of SLTB are accompanied with a form to evaluate its suitability for importation. Each application consists with line samples details about the origin, grade and etc.

The tasting panel will evaluate the teas according to the guidelines of the SLTB Circular No: OR/1/65 and its amendments. For the year 2018, TTU examined 732 samples as pre import samples.

Samples are drawn from onarrival imported tea consignments which are forwarded by the Tea Exports Division under the reference of un-loaded samples for approval of Tea tasting. These samples are evaluated as against the offered sample as and when the samples on arrival . Under this scheme 902 samples are examined.

2.4.2 Ratification of Private Sale and Panel Valuation Certificate

a) Ratification of private sale

The samples accompanied with the panel have been forwarded for Tea tasting evaluations by the selling brokers with the independent broker's approval. There are standard charges for the service and Rs. 500 (+VAT and NBT) is charged per line as ratification fees.

At present, the above scheme is scaled down to only for Green teas, Organic teas, and specialty teas and for small grades which are not sold through the Colombo Auctions. Total no. of 9,993 Private sale lots were examined and were ratified for the year 2018.

b) 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 fees of Rs. 500/-+ VAT + NBT) per line as charges for the above service too.

Total forward contracts lines ratified in 2018 - 48

c) Ratification of Direct Sale

The above scheme permits to 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. Panels held at Thursdays ratified the direct sales and for considered year, sales lines 1774 are ratified and the ratified quantity was 1.88Mn.kg.

2.4.3 Registration for Lion Logo

The Lion Logo - which is a symbol of quality and country of origin fully owned by the Sri Lanka Tea Board. Exporters



who wish to depict the Lion Logo on branded consumer packs has to forward the application and there by branded products are evaluated according to the destination and markets.

The validation period of a Lion Logo certificate for Brands is three years. SLTB Grants franchise rights to use the Lion Logo on retail packets. In 2018, 940 applications were processed for new brands, renewals and additional packs by the TTU together with supervision of Tea Promotion Division.

The monitoring processes for lion logo usage in overseas markets and local markets are being conducted to maintain quality, prestigious name of the logo and mainly for the hunting of fraudulent usage of Lion Logo. During the pre-shipment monitoring, more than 80% shipments with Lion Logo are evaluated on random sample basis. In addition Overseas Bureaus and Commercial Counselors of Sri Lankan embassies forwards Lion logo depicted packs from overseas markets for the evaluation and reporting. Brands which use the Lion logo in domestic market are also randomly selected and evaluated for infringement usage of the Lion logo. Mainly, reputed and long standing packers who are registered with the Tea Board and are having a reasonable market share are granted to use the Lion logo and monitored accordingly.

2.5 Analytical Laboratory



Analytical Laboratory of Sri Lanka Tea Board is the sole leading tea specific accredited testing and certification laboratory which is operating among the government institutions and also in private sector testing service providers in Sri Lanka. The scope of accreditation of the laboratory was certified by Sri Lanka Accreditation for Conformity Assessment (SLAB) under its mutual recognition of ILAC (International Laboratory Accreditation Cooperation) in 2014 and was re-certified in 2018 for chemical, pesticide residues and microbiology analysis based on the ISO / IEC 17025: 2005 international standard.

The laboratory is operated with three major units which handled the entire testing and relevant reporting without any biases and delay.

- a) Pesticide Analysis Unit
- b) Microbiology Analysis Unit
- c) Chemical Analysis Unit

In addition to above units Quality Inspection Unit play major role by inspecting quality in stakeholders such as warehouses, exporter and factories for their quality assurance.

2.5.1 Achievements of the testing service

During 2018, testing services were increased by 5% compared to the previous year. Testing requirements reach the laboratory through two channels as Internal Monitoring Services (IMS) and External Certification Services (ECS). IMS covers testing requirements imposed under regulatory function of SLTB based on Tea Control Act. ECS is referring to the outside clients including tea manufacturers, tea brokers, tea exporters and tea importers who represent their tea samples for testing. Samples received through ECS channel covered more than 67% of the total testing (No of Tests-9939) in 2018.

Table 2.15 : Summary of tests performed by the Analytical Laboratory

Units and Tests	No. of tests	
	2017	2018
Chemical Analysis Unit		
1. Determination of moisture in tea	349	344
2. Determination of total ash in tea	291	329
3. Determination of water soluble ash in tea	291	312
4. Determination of acid in-soluble ash in tea	291	319
5. Determination of water extract in tea	293	316
6. Determination of alkalinity of water soluble ash in tea	299	312
7. Determination of Crude Fiber in tea	396	379
8. Basic Radiation Determination tests	164	186
9. Other Tests (Added Color, Sugar, Gel, Liquor, Taint, flavour ,Chemical Identification, bicarbonate, extraneous)	73	12
10. Grade identification tests/ Sieve Analysis	51	44
Microbiological Analysis Unit		
1. Determination of Total Plate Count	629	547
2. Determination of Yeast and Mould Count	631	648
3. Microscopical examination for dead or live insects and other Impurities/foreign matter in tea	51	33
4. Determination of Genetically Modified Organisms (GMO) in tea	951	801
5. Detection and Enumeration of Faecal Coliforms & Escherichia coli (E.coli)	629	547
6. Detection and Enumeration of Total Coliforms	633	552
Pesticide Residue Analysis Unit		
1. Ethion	1006	1074
2. Malathion	1006	1074
3. Cypermethrin	1006	1074
4. β Endosulfan	1006	1074
5. Bifenthrin	1006	1074
6. Bromopropylate	1006	1074
7. Tetradifon	1006	1074
8. Endo Sulphan sulphate	1006	1074
9. Sugar (HPLC RI Detector method)	-	140
Total	14070	14785

Furthermore, Analytical Laboratory introduced new laboratory testing to meet the tea industry requirement after the amendment of accreditation status of the laboratory performed with SLAB. Accordingly, testing of Ethion, Malathion, Cypermethrin, Endosulfan sulphate and β endosulfan been introduced by the pesticide residues analysis unit, a major requirements comply for maximum residues levels (MRLs) established by tea importing countries.

2.5.2 Involvement in facilitation to the tea industry

Analytical Laboratory is responsible for testing and reporting on minimum quality of tea sample according to the:

- ISO minimum quality criteria especially for ISO 3720
- Definition and basic requirement of black tea and ISO 11287
- Definition and basic requirement of green tea

Analytical Laboratory releases technical advices to the Tea Commissioner's Division and Tea Export Division when taking decisions on the tea quality over the officially drawn suspected tea samples.

The chemical analysis unit issues its certificates on the status of minimum quality. Total 1200 samples of below the ISO minimum quality standard have been identified out of 4389 total tests performed during 2018.

Table 2.16 : Details of rejected Tea lots

Analysis Unit	no. of tests **
Microbiology	935
Chemical	237
Pesticide residual	28

** : Below with ISO minimum quality standard

2.5.3 Performance of the Pesticide Residues Analysis Unit

As per the Tea (Tax and Control of Export) Act No. 16 of 1959 and its related regulations, SLTB produce pesticide clearance certificate for all other origin teas planned to import Sri Lanka for value addition and re-export thereafter. There were 8592 test requests for import teas in 2018 and it was about 58.1% out of total tests performed by the laboratory. The samples from imported teas prior to import are tested by the Pesticide Residue Unit to check whether those meet requirement given by Tea Commissioner for importation of tea. Therefore, if any detection of residues than the accepted minimum residue limits (MRLs) in any pre-importation sample, the Tea Commissioner is taken action to reject the import

permits. The competent technical staff of the unit performs in best using its high-sophisticated equipments to meet the industry requirements.

Table 2.17 : No. of tests performed at Pesticide Analysis unit

Type of pesticide test	Below Standard Guideline (No. of tests)
Ethion	9
Cypermethrin	17
Malathion	1
β endosulfan	1

The unit involved for inspection in sugar/sugar like contaminates in suspected tea samples taken from factories which was the most outburst news in the tea industry during 2018. The unit upgraded the existing facilities by purchasing a Refractive Index (RI) Detector to perform the test more precisely.

Based on the results of pesticide analysis, 28 samples which were represented for import shipments had been rejected due to not achieving prescribed standards and not being complied with the guidelines.



Picture 2.7 : Testing at Pesticide Residue Unit

2.5.4 Performance of the Microbiology Analysis Unit

Following the Tea Board Standards/ Guidelines – 2010, tea samples suspected as microbiologically contaminated, microbiology analysis unit of the Analytical Laboratory has been working for its optimum capacity and had significant contribution to the Sri Lankan Tea trade by evaluating and issuing accredited test certificates. During the year 2018 there were 2327 tests (about 15.7%) handled by its competent technical staff.

There were 935 number of test samples identified as microbiologically contaminated out of these categories of samples are as described below.

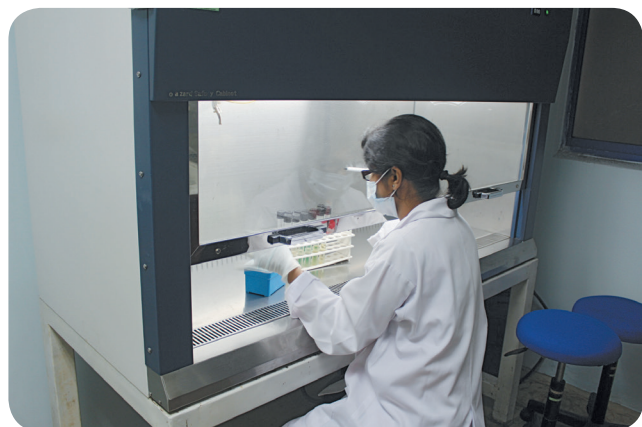
Table 2.18 : Information of Microbiology test

Type of microbiology test	Below Standard/Guideline (No. of tests)
Total Plate Count	255
Yeast and Mould	389
Coliform	265
E-coli	26

As above, samples identified as below standards/ not suitable for consumption through the internal certification service, have been proceeded to denature and removed from the system following the regulatory procedure of the Tea Board.

2.5.5 Performance of the Chemical Analysis Unit

The unit mainly evaluates tea samples for their minimum quality based on ISO 3720 for Black tea and ISO 11287 for Green tea. In 2018, the unit performed 2553 tests and identified 237 samples as below standards. There are seven compulsory chemical parameters to test for minimum quality of tea samples. They are Crude fiber content, Alkalinity content, Water extract, Siliceous matter acid, Insoluble, Total ash, Water soluble ash and sugar like components. Table 2.20 shows summary of year 2018 for the samples which had not achieved minimum quality based on the ISO standards and guidelines under each chemical test category.



Picture 2.8 : Testing at Chemical Analysis Unit

Table 2.19 : Samples not achieved minimum quality standards

Type of chemical test	Below Standard/Guideline (No. of tests)
Crude fiber content	167
Alkalinity content	34
Water extract	2
Siliceous matter-acid insoluble	13
Total ash	12
Water soluble ash	3
Sugar like components	6

2.5.6 Performance of the Quality Inspection Unit

The trained technical staff of the Analytical Laboratory should involve in field sampling on issues raised as suspected teas, categorized under shipment lots and collection of blend samples for SLTB-GMP (Good Manufacturing Practices) Certification scheme. Therefore scientific sampling should be performed by competent technical staff since the accuracy of all lab test results depends on the correctness of the drawn sample. The officials who involve for tea sampling in Tea Commissioners' Division, are always accompanied with scientific technical officer nominated from the Analytical Laboratory, i.e; Analysts, Quality Management Officer or Technical Assistants who are expert in use of special tools and sampling techniques in sampling.

2.6 Administration Division



Administration Division of Sri Lanka Tea Board is responsible for formulation, implementation, monitoring and evaluation of all human resources management and human resources development activities, managing and maintenance of SLTB Library, Procurement activities, Security and Transport activities of the Board.

There were 268 employees engaged with the Tea Board at the end of the 2018 and 16 employees turned over due to various reasons.

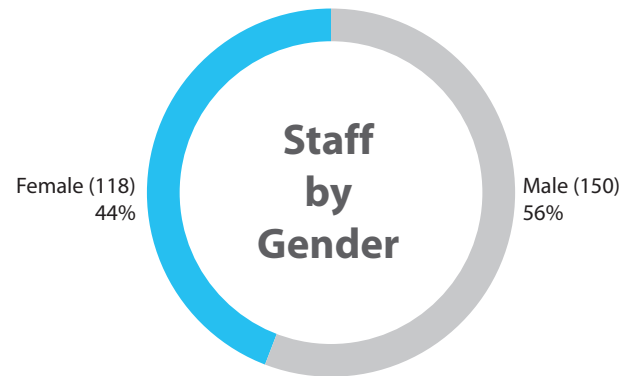


Chart 2.4: Strength of staff by gender

Table 2.20 : Staff Strength of SLTB as at 31st December 2018

Category	Number of Staff	
	Male	Female
Senior Level	06	01
Tertiary Level	39	21
Secondary Level	48	91
Primary Level	57	05
Total	150	118

Table 2.21 : Human Resource Turnover for the year 2018

Details	No of Staff
Resignations	05
Retirements	09
Terminations	00
Vacation of Post	02
Total	16

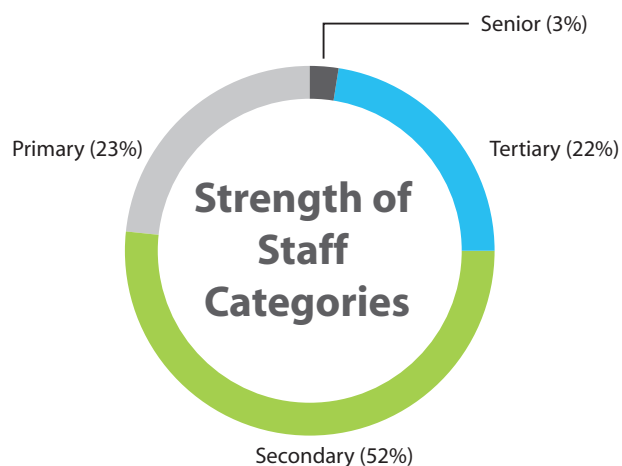


Chart 2.3: Strength of staff categories

2.6.1 Human Resource Development

To enhance the knowledge and the capacities of the employees, SLTB has undertaken various training programmes including local and foreign trainings covering all levels of employees.

Table 2.22 : Training participation of employees

Category	No of Employees Trained	
	Local	Foreign
Senior Level	04	18
Tertiary Level	27	32
Secondary Level	44	02
Primary Level	02	01
Total	77	53

2.6.1.1 In- house Training Programs

Three In - house training programs were conducted in 2018 and Personal development consultant Mr.Lakshman Gunathilake participated for attitude changing sessions in these programs.

(A) In-house Training Program for Field Staff attached to Tea Commissioner's Division

The in-house training program had been conducted to identify the activities of Action Plan, KPI's and knowledge sharing in Tea Industry including the regulatory and development functions carried out by the Board. An attitude changing program also had been arranged during the program. 70 staff members including Tea Commissioner, Deputy Tea Commissioner's, Assistant Tea Commissioners, Regional Tea Development Officers and Tea Inspector/Instructors participated at this programme which was conducted on 30th November to 01st December.



Figure 2.9: Memories of in-house training program conducted for Field Staff of Tea commissioner Division

(B) In-house Training Program for Management Assistants

The in-house training program had been conducted to improve the knowledge in Tea Industry, Regulatory and Development functions carried out by Sri Lanka Tea Board and with the objective to motivate the staff members. The training was conducted in June 2018 at National Plantation Management Institute at Bogawantalawa and 70 Management Assistants participated for the event.



Figure 2.10: Few captions from in-house training program conducted for Management Assistants

(C) In-house Training Programme for Primary Level Staff

The in-house training program has been conducted to improve their knowledge in Tea Industry, Local Tea Services provided by SLTB and enhance the Team work among the Primary Grade Staff members. 40 staff members participated for the training which was conducted on 04th to 06th October 2018 at Tea Research Institute, Thalawakelle.



Figure 2.11: Few captions from in-house training program conducted for Primary Level Staff

2.6.1.2 Team building Event - Tea Board Day 2018

This Annual Event of Team Building was aimed at helping the participants to empower their Team Bulling Sprit. All staff at SLTB participated in the event conducted on 09th June 2018 at Pegasus Hotel at Wattala.



Figure 2.12: Memories of Tea Board Day-2018

2.6.1.3 CSR Projects-Awareness Programme on Prevention in Alcohol, Tobacco & other Drug for School Children

Complying to National Drug Control Week in 2018, an awareness programme had been conducted for 300 School children in Sri Sangabodhi Vidyalaya, Colombo 14 under the theme of “Mathin Nidahas Ratak” on 09th August 2018.



Figure 2.13: Few captions from CSR event on Prevention in Alcohol, Tobacco & other Drugs

2.7 Internal Audit Division

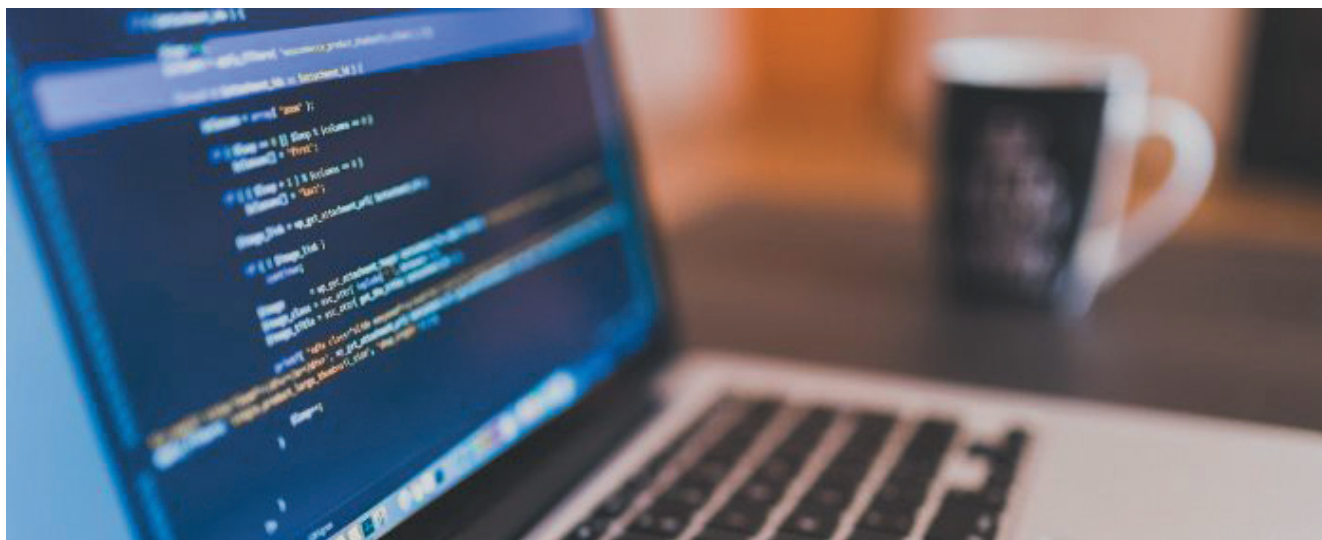


Internal Audit is an independent appraisal function within the Sri Lanka Tea Board, for the review of activities as a service to all levels of management. It is a control which measures, evaluates and reports upon the effectiveness of internal controls, financial and non-financial, as a contribution to the efficient use of resources within an organization.

The Audit Committee of the SLTB, approved the Internal Audit Plan for 2018 & reviewed the Independence, Objectivity & Performance of the Internal Audit Function & the adequacy of its resources. Internal Audit Reports except Special Investigations, submitted to the Committee & audit findings presented in the reports were prioritized, based on risk levels. The Committee reviewed the contents & answer to the Auditor General's Reports on the Accounts for the year 2016, prior to submission for Board Approval. The Minutes of the COPE Meeting held in September 2018 were also reviewed & assisted the Management to take remedial actions.

Audit Committee met three times during the year under review and respective Heads of Divisions / Offices attended the meetings of the Committee by invitation on need basis. Recommendations were made to the Board of Directors along with the Minutes & were followed-up to ensure that appropriate corrective action is taken.

2.8 Information Technology Division



This year can be introduced as a challenging but a fruitful year for the IT division. Many important decisions were executed and many information system developments were initiated and carried out.

In 2018 the IT division started and carried out many projects such as completion and deployment of Tea Land Registration System, completions and deployment of new HRM system. Development of inventory control system and POS system were initiated which were very essential requirement of the Tea Board. In addition, bid evaluation process of the Tea Value Chain System was carried out covering the whole stake holders in Tea Industry.

In order to provide a consistent and uninterrupted connectivity for the existent system, the IT division intends to move all Information systems to a cloud space. In this background, the Division has done a feasibility study and a detailed plan to deploy a Disaster Recovery (DR) solution for the Tea Board. The main objective of the DR plan was to mitigate the disaster so that the Sri Lanka Tea Board can continue the operations quickly to resume mission-critical functions. They collaborated with one of the leading international tech giant companies such as Microsoft, as the technology partner in order to provide the finalized solution for the upcoming year.

3. INDUSTRY PROFILE

National Tea Production of Sri Lanka for 2018 was 304 Mn.kg a marginal decrease (1%) compared to 2017. As in previous years, the highest production of the year was reported in May, and for February, June, July, August and September months were reported quite low production. The year 2018 showed a slight growth (10%) in CTC production and a slight decrease (2%) in Orthodox tea production with respect to year 2017.

The factors like temporary policy changes on the use of agro-chemicals at the national level, trade union action without wage negotiations and heavy rains for several months were led to limited tea production in 2018.

The cumulative average price at the Colombo Tea Auction in 2018 was US \$ 3.07 per kg, compared to US \$ 4.07 per kg in 2017. In 2018, there was a clear drop in the price of Colombo tea auctions.

Sri Lanka exported of 282Mn.kg of tea for Rs.232 billion (US \$ 1.42 billion) during the year. Total export volume decreased by 6,637 metric tons compared to 2017. The average FOB price reached LKR 820.75(US\$5.05) per Kg. The total export volume recorded a decrease of 6,620,745kg compared to the previous year.

3.1 Distribution of Tea Lands

The Total Extent of cultivation in Sri Lanka is 202,540 (provisional) hectares at present. According to the ownership of tea lands Private sector (60%) holds more lands than state sector (40%). Tea cultivation has spread within few districts in the country, mainly including in wet zone areas due to the suitable climatic conditions for tea cultivation.

3.2 National Tea Production for 2018

Table 3.1: Total Tea Production by Elevation -2018

Elevation	Production(kg)*
High	64,969,944
Medium	47,130,981
Low	191,843,309
Total	303,944,234

Source: Sri Lanka Tea Board

*Excluding instant tea

National tea production recorded as 303.9Mn.kg and it has a decrease of around 3Mn.kg (1.02%) compared to 2017. (Excluding Instant Tea)

Tea cultivation executed in a variety of elevations in Sri Lanka. The low region which ranging from sea level to 600 meters, which were considered as tea growing area with strong flavor and color. The high grown region which tea cultivated over 1,200 meters and are being considered as Tea growing area with superior quality, unique taste and aroma. Tea production in Low grown region contributed more than two third (63%) of national tea production whilst High and Medium accounted for 21% and 16 % respectively.

3.2.1 Monthly Tea Production

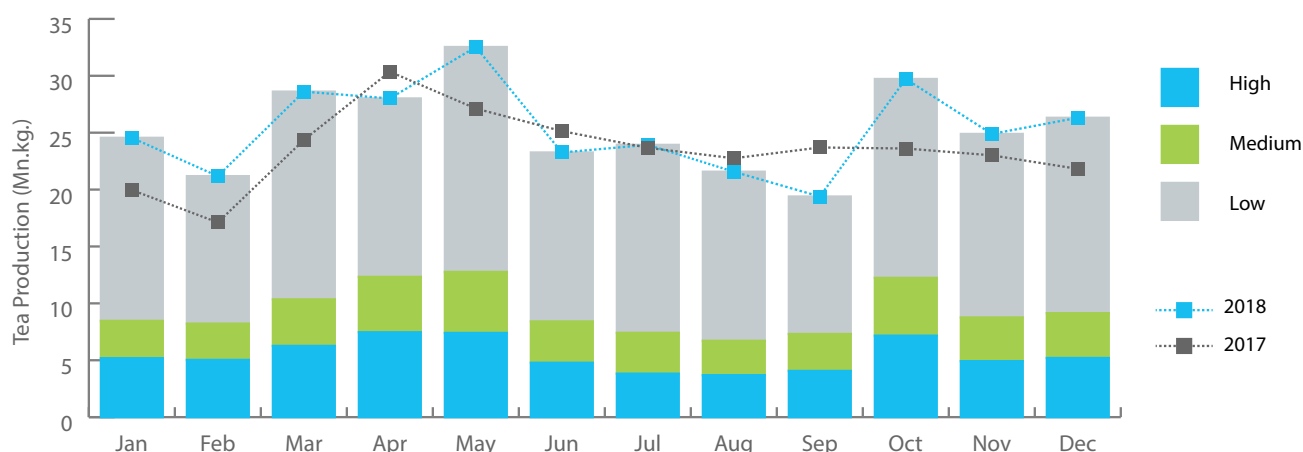


Chart 3.1 : Elevation wise Monthly Tea production 2018

Throughout the year Low Grown Region provided a major contribution to the national tea production for every months of the year. The highest monthly tea production of this year was recorded in May (32.5Mn.kg) while lowest was recorded in September (19.4 Mn.kg). However cumulative tea production in 2018 recorded a slight decrease of 1.02% (Excluding Instant Tea) when compared to the production in 2017.

3.2.2 District wise Tea Production

During the year under review, it was evident that highest tea production was reported from Ratnapura district and Nuwara Eliya as second highest. The lower production reported for Hambantota, Colombo and Matale districts among tea growing districts.

Table 3.2 : District wise Tea Production (in kg)

District	High	Medium	Low	Total
Badulla	14,780,825	11,550,933	-	26,331,758
Colombo	-	-	809,728	809,728
Galle	-	-	43,203,043	43,203,043
Hambantota	-	-	119,262	119,262
Kalutara	-	-	21,387,368	21,387,368
Kandy	851,096	21,882,925	12,981,170	35,715,191
Kegalle	472,567	1,125	10,257,991	10,731,683
Matale	-	1,098,665	338,039	1,436,704
Matara	-	349,201	35,698,781	36,047,982
Nuwara Eliya	48,865,456	10,174,133	827,540	59,867,128
Ratnapura	-	2,074,000	66,220,387	68,294,387
Total	64,969,944	47,130,981	191,843,309	303,944,234

Source: Sri Lanka Tea Board

3.2.3. Agro Climatic District wise Analysis

Western and medium Agro Districts showed a growth in tea production and low Agro Climatic Region showed a decline compare to 2017 production figures.

Table 3.3 : Agro Climatic District wise Tea Production (in kg)

Agro Climatic District	2018*(kg.)	2017*(kg.)	Change (kg.)	Growth %
Nuwara Eliya	3,493,233	3,320,577	172,656	5.2
Western				
Ramboda	1,947,092	1,370,999	576,093	42.02
Pundaluoya	3,521,850	3,342,694	179,156	5.36
Agarapathana	6,402,182	6,110,982	291,200	4.77
Nanuoya/Lindula/Talawakale	8,740,694	8,026,768	713,926	8.89
Patana/Kotagala	4,490,214	4,380,315	109,899	2.51
Hatton/Dickoya	6,964,004	7,130,411	-166,407	-2.33
Bogawantalawa	5,592,467	5,601,881	-9,415	-0.17
Upcot/Maskeliya	6,161,318	5,838,816	322,501	5.52
Total - Western	43,819,819	41,802,867	2,016,952	4.82
Medium				
Watawala/Ginigat/Nortonbridge	1,750,987	1,567,653	183,335	11.69
Pussellawa/Hewaheta	6,274,360	6,773,458	-499,098	-7.37
Kotmale	787,558	803,131	-15,573	-1.94
Gampola/Nawalapitiya/Dolosbage	17,848,466	15,090,296	2,758,170	18.28
Nilambe/Hantane/Galaha	1,535,574	1,489,940	45,634	3.06
Kadugannawa	6,170,927	6,736,249	-565,321	-8.39
Madulkelle/Knuckles/Ranagala	3,946,897	3,681,411	265,487	7.21
Hunasgiriya/Matale/Yakdessa	906,342	980,469	-74,127	-7.56
Balangoda/Rakwana	7,536,344	7,983,975	-447,631	-6.00
Total - Medium	46,757,455	45,106,580	1,650,875	3.66
Uda Pussellawa				
Udapussellawa/Halganoya	3,850,519	4,374,668	-524,149	-11.98
Maturata	1,570,248	1,249,877	320,371	25.63
Total-Uda Pussellawa	5,420,767	5,624,545	-203,778	-3.62
Uvas				
Koslanda/Haldumulla	564,761	697,884	-133,123	-19.08
Haputale	3,501,684	3,508,047	-6,363	-0.18
Bandarawela/Poonagalla	3,139,181	3,505,250	-366,069	-10.44
Malwatte/Welimada	3,249,363	2,838,710	410,654	14.47
Demodara/Haliella/Badulla	8,174,761	9,371,718	-1,196,957	-12.77
Ella /Namunukula	1,456,723	1,632,920	-176,197	-10.79
Passara/Lunugalla	3,002,366	3,216,138	-213,772	-6.65
Madulsima	2,643,930	2,849,564	-205,635	-7.22
Total-Uva	25,732,768	27,620,231	-1,887,463	-6.83
Low Grown				
Deniyaya	14,342,581	15,547,028	-1,204,447	-7.75
Galle	43,876,545	46,221,896	-2,345,351	-5.07
Kalutara	22,809,355	21,928,438	880,916	4.02
Kegalle	5,920,537	5,331,225	589,313	11.05
Kelani Valley	8,776,618	7,573,594	1,203,024	15.88
Kandy/Matale/Kurunegala	4,896,731	4,941,259	-44,527	-0.9
Matara	15,050,638	15,904,813	-854,174	-5.37
Morawake	5,899,496	6,463,600	-564,105	-8.73
Ratnapura	52,461,149	54,674,162	-2,213,013	-4.05
Balangoda	4,686,541	5,001,045	-314,505	-6.29
Total Low Grown	178,720,191	183,587,059	-4,866,868	-2.65
Total	303,944,234	307,061,858	-3,117,624	-1.02

Source: Sri Lanka Tea Board

*Revised

3.2.4 Production Analysis by Green Leaf Collection Method

Tea Factories produce “made tea” using the green tea leaf collected from their own estates, from other estates or through the tea dealers. District wise tea production according to leaf collection methods are shown in Table 3.4

3.2.5 Production Analysis by Processing Method

a) Black Tea and Green Tea Production

The Orthodox tea production recorded a decrease of 1.86% (5.3Mn.kg) in 2018, whilst CTC production showed an increase of 10.15% against year 2017. During the year under review, overall Black tea production has decreased by 3.0Mn.kg (1.0%). Green tea production showed a decrease of 0.06Mn.kg which is a decline of 2.3% comparatively previous year.

b) Instant Tea and Bio Tea Production

In comparison to year 2017, Instant tea showed an increase of its productions (893MT) and Bio tea reflected an increase of its production (125MT) in 2018.

3.2.6 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 a 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.

Table 3.4 : Green leaf collection by Districts

Admin District	Own Leaf	Estate Leaf	Bought Leaf	Total
Badulla	46,185,402	28,006,779	48,250,494	122,442,675
Colombo	0	0	3,765,235	3,765,235
Galle	2,876,722	1,895,480	196,121,949	200,894,151
Hambantota	0	0	554,568	554,568
Kalutara	2,058,627	383,560	97,009,075	99,451,262
Kandy	21,893,527	5,214,956	138,967,154	166,075,637
Kegalle	5,770,039	978,820	43,153,465	49,902,324
Matale	1,386,577	169,990	5,124,107	6,680,674
Matara	7,067,324	3,497,588	157,058,204	167,623,116
Monaragala	0	0	0	0
Nuwara Eliya	185,292,540	40,124,856	52,964,751	278,382,147
Ratnapura	21,682,455	8,696,666	287,189,779	317,568,900
Total	294,213,212	88,968,696	1,030,158,781	1,413,340,689

Source: Sri Lanka Tea Board

Table 3.5 : Tea production by processing method

Processing Method	2018 (kg)	2017 (kg)	2017 Vs 2018	
			Change(kg)	Growth (%)
Orthodox	277,325,592	282,594,433	-5,268,840	-1.86
CTC	24,017,884	21,805,673	2,212,212	10.15
Green	2,600,757	2,661,753	-60,995	-2.29
Total	303,944,234	307,061,858	-3,117,624	-1.02

Source: Sri Lanka Tea Board

The cost of production per kilogram of made tea has rapidly increased during the last decade. Increase in labor cost and high prices of inputs had significantly affected the production cost. The annual cost of tea production, compiled by the Department of Census and Statistics for 2017/18, was Rs.475.29 per kg which is an increase of 1.8% against 2017/18.

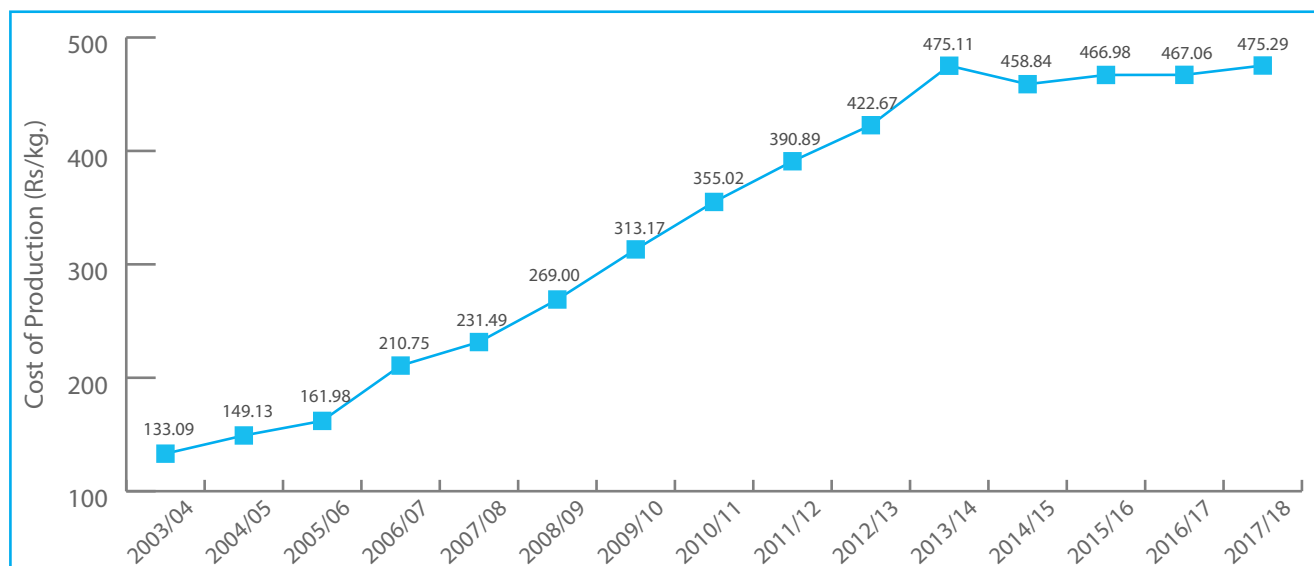


Chart 3.2 : Total cost per kilogram of made tea

3.3 Tea Sales

Generally the review year reported fairly good sales quantities and prices. Average price range was varied from maximum Rs.640.05 per kg. to minimum Rs.534.22 per kg throughout the year. Annual average tea price was Rs.581.93 per kg in the review year and it showed a decrease (5.86%) compare to the price in 2017 (Rs.618.19 per kg). Annual total sale quantity reported as 291.3Mn.kg of tea and it also showed a decrease (2.65%) compare to 2017 sale quantity (299.2Mn.kg).

3.3.1 Mode of Sales

Public auction is the main mode of sale of tea manufactured in factories. A quantity of 284.7 Mn.kg was sold under the Colombo Tea Auction in 2018. Private sales accounted for 4.7 Mn.kg and the rest about 1.9 Mn.kg sold through direct sales.

3.3.2 The Colombo Tea Auction

The Colombo Tea Auction is conducted by Ceylon Chamber of Commerce under Colombo Tea Traders Association. In year 2018 they handled 50 auctions. The public auction recorded a decrease of 10 Mn.kg (3.38%) while average price reported a decrease at the Colombo Tea Auction during 2018. Also it is observed that the annual price decreased from Rs.617.17 per kilogram to Rs.579.66 per kilogram.

3.3.3 Elevation-wise Sales

Table 3.6 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, resulting a negative turnover in year 2018.

Table 3.6 : Elevation-wise Tea Sales Quantities & Prices.

Elevation	Quantity (Mn.kg.)			
	2017	2018	Change	%
High	58.9	57.28	-1.62	-2.74
Medium	48.96	48.85	-0.11	-0.22
Low	191.38	185.17	-6.21	-3.24
Total Sales	299.24	291.31	-7.93	-2.65

Elevation	Unit Price (Rs./kg.)			
	2017	2018	Change	%
High	601.17	571.81	-29.36	-4.88
Medium	563.48	521.03	-42.45	-7.53
Low	637.41	601.13	-36.28	-5.69
Total Sales	618.18	581.93	-36.25	-5.86

Source: Sri Lanka Tea Board

3.4 Tea Export

In 2018, Sri Lanka exported 282.3Mn.kg of Tea (with re-exports) and earned Rs.231.8 billion foreign income while signifying the average FOB price as Rs.820.75 per kilogram. In world Tea market Sri Lanka were remained as third tea exporting country in volume and 2nd largest income gainer by exporting tea.

Intense competition from rivals has adversely affected the nation's competitive position and this has been exacerbated by the higher production cost of 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.

3.4.1 Category wise Tea Export

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 2018, Total tea exports of Black tea including re-exports showed a decrease in its volume and value while green tea reflected a decrease of its volume and an increase of its value. Instant tea reflected an increase of both volume and value. Total export volume showed 2.29% decrease with a 6.6 Mn.kg quantity change. Both exports and re-exports separately showed 2.3% decline and 1.9% growth in its volume. Exports value showed 0.96% decline and 4.89% growth respectively. However, cumulative exports earnings were ended up with US\$1,426 Million in 2018 relating to the US\$ 1,531 Million in 2017 and accomplished a 6.8% decrease.

3.4.2 Annual Tea Exports 2018

Table 3.7 : Annual Tea Export 2018

Package	Qty (kg)	Value (Rs)	FOB (Rs/kg)
Export			
Black			
Bags	17,278,795	25,453,537,509	1,473.11
Bulk	120,271,204	88,523,594,287	736.03
Packets (1kg-3kg)	966,072	844,729,738	874.4
Packets (3kg-5kg)	14,542,182	11,428,841,371	785.91
Packets (4g-1kg)	84,462,872	67,940,671,816	804.39
Packets (5kg-10kg)	29,406,593	18,762,770,094	638.05
Black Total	266,927,718	212,954,144,815	797.8
Green			
Bags	687,389	2,036,099,967	2,962.08
Bulk	859,513	758,339,709	882.29
Packets (1kg-3kg)	548	1,497,113	2,732.96
Packets (3kg-5kg)	2,473	4,629,540	1,872.03
Packets (4g-1kg)	771,297	1,144,109,718	1,483.36
Packets (5kg-10kg)	48,722	80,962,553	1,661.72
Green Total	2,369,942	4,025,638,600	1,698.62
Instant			
Bags	171	381,235	2,227.88
Packets (>3kg)	2,479,454	3,271,321,571	1,319.37
Packets (4g-1kg)	90	266,183	2,958
Instant Total	2,479,715	3,271,968,989	1,319.49
Export Total	271,777,375	220,251,752,404	810.41
ReExport			
Black			
Bags	4,299,583	4,584,347,783	1,066.23
Bulk	2,156,768	1,246,442,429	577.92
Packets (1kg-3kg)	25,900	17,577,485	678.67
Packets (3kg-5kg)	188,040	148,316,370	788.75
Packets (4g-1kg)	1,540,939	1,330,512,968	863.44
Packets (5kg-10kg)	123,945	113,990,215	919.68
Black Total	8,335,175	7,441,187,251	892.75
Green			
Bags	1,146,056	2,924,911,159	2,552.15
Bulk	256,080	147,273,294	575.11
Packets (1kg-3kg)	236	332,053	1,408.20
Packets (3Kg-5kg)	16,918	16,095,863	951.39
Packets (4g-1kg)	800,304	935,327,458	1,168.71
Packets (5kg-10kg)	30,150	31,412,338	1,041.87
Green Total	2,249,745	4,055,352,164	1,802.58
Instant			
Packets (>3kg)	452	519,913	1,151.52
Packets (4g-1kg)	777	1,635,458	2,103.75
Instant Total	1,229	2,155,371	1,753.90
Re export Total	10,586,148	11,498,694,786	1,086.20
Grand Total (Exports + Re exports)	282,363,523	231,750,447,190	820.75
RTD(Lt)	33,615	30,545,985	908.71

Source: Sri Lanka Tea Board

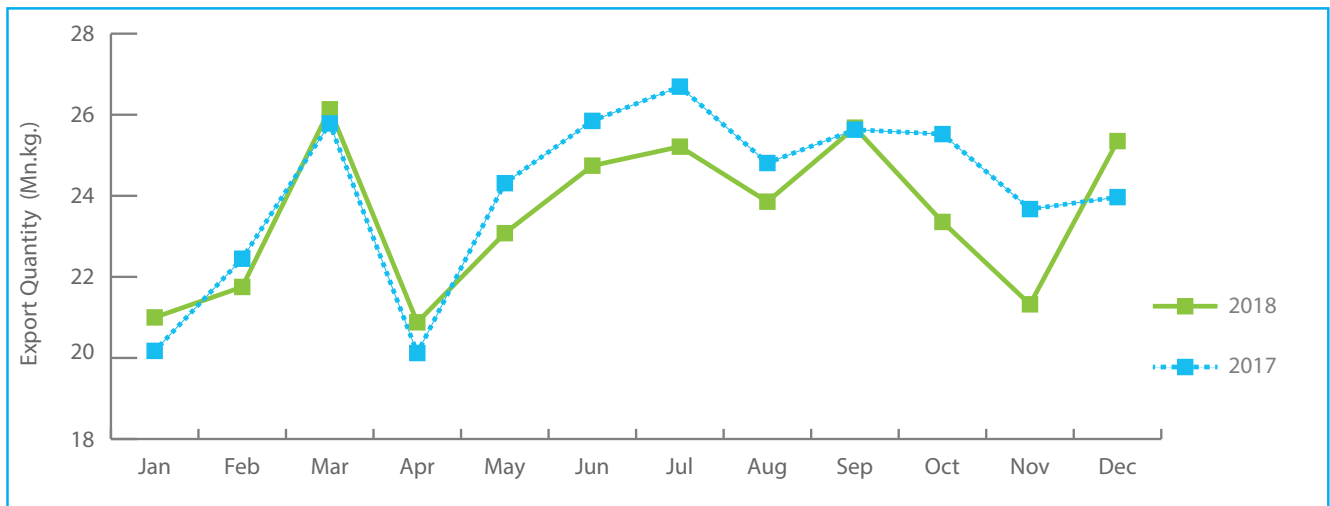


Chart 3.3 : Monthly Total tea exports 2017 & 2018

3.4.3 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 40% of the total export volume for year 2018 and it generated Rs.107.2 Bn export income remarking the value share as 46%.

Table 3.8 : Value added Tea Exports and Re-Exports

Category Type	Quantity (kg)	Value (Rs)	FOB (Rs/kg)
Export			
Black	102,707,740	94,238,939,063	917.54
Green	1,459,234	3,181,706,798	2,180.40
Instant	261	647,418	2,479.39
Sub Total	104,167,235	97,421,293,279	935.24
Re-Export			
Black	5,866,422	5,932,438,237	1,011.25
Green	1,946,596	3,860,570,669	1,983.24
Instant	777	1,635,458	2,103.75
Sub Total	7,813,795	9,794,644,364	1,253.51
Grand Total	111,981,030	107,215,937,643	957.45

Note : Without RTD Exports

Source: Sri Lanka Tea Board

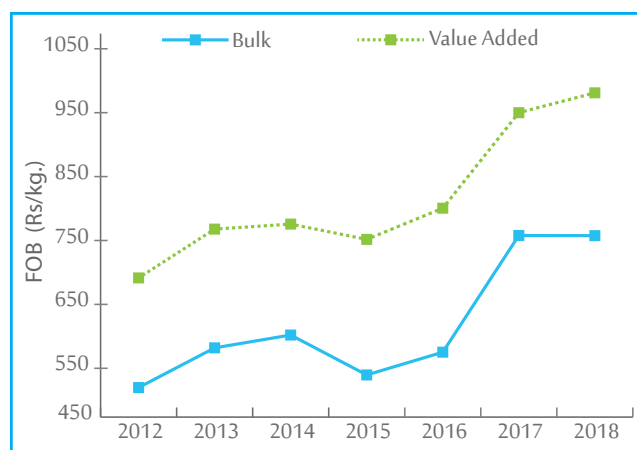


Chart 3.4 : FOB Price for Value added and Bulk Tea

FOB price for the value added tea is higher than bulk tea prices. Further, promotions on value added tea exports will positively contribute to the Sri Lankan economy than bulk tea exports. During the year under review, FOB prices for both value added and bulk teas have marked improvement.

3.4.4 Main Destinations of Sri Lanka Tea Exports

Europe and UK had a strong market for Ceylon Tea since past. However during 2018 Iraq snatched the first place among the main Sri Lankan tea export destinations by importing 13.61% of total Ceylon Tea exports while recorded 9.71% growth rate compare to 2017. Turkey was the largest export destination for Ceylon Tea in 2017 and had imported 13.09% of total tea exports. Iraq has come to the first place in 2018 surpassing Turkey's position in 2017.

Table 3.9 : Main Destinations of Sri Lankan Tea Exports Quantities 2018

Country	2017 (kg)	2018 (kg)	Growth (%)
Iraq	35,032,772	38,435,935	9.71
Turkey	37,815,700	35,634,255	-5.77
Russia	33,379,977	30,580,653	-8.39
Iran	27,418,910	23,914,223	-12.78
Libiya	11,609,461	13,686,442	17.89
UAE	15,785,266	11,077,796	-29.82
Azerbaijan	12,271,107	10,550,857	-14.02
Syria	7,399,616	10,180,344	37.58
China	9,903,199	10,020,245	1.18
Chile	7,096,964	7,540,045	6.24
Top 10 Total	197,712,972	191,620,795	-3.08

Source: Sri Lanka Tea Board

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 Russia to become the second largest export destination in term of volume in 2014. Again Russia became the 1st exports destination in 2015 and retained the same position for the year 2016 too. Again Turkey came to the first place in 2017 and in 2018 Iraq claimed the first place. The value gain of tea exports recorded, Turkey as the first major value earner of tea exports by contributing to 11.46% of the total turnover.

Turkey was the second export destination with the 12.62% export share in 2018 and it showed 5.77% decrease of export volume compared to 2017. The average FOB prices for Syria showed a high price among top ten countries in 2018. Becoming the eight export destination in review period 2018, Syria showed 37.58% increase of its Ceylon tea market meanwhile Chile, China and Libiya showed an increase of tea exports while Turkey, Russia, Iran, UAE, Azarbaijan showed a decrease of tea exports compare to 2017. In addition top 10 countries showed 3.08% decrease compare to 2017.

Russia secured the third place in the list of main destinations of Ceylon Teas, while UAE retained its position in the 6th place with an export volume share of 3.92%. The Middle East is Sri Lanka's largest export destination as a

region where demand has been expanding robustly due to strong oil prices. Top 10 pure Sri Lankan tea exporting destinations are accounted for around 67.87% of the totality. However, only Syria maintained the significantly the greater FOBs with respect to the average unit FOB price attained. Furthermore total export revenue exceeded Rs. 231 Bn with the higher global demand for the Tea. However, Sri Lankan bulk tea exports have now tilted towards the Middle East as result of increased use of tea bags.

3.4.4.1 Exports of Black Tea

Black tea recorded 97.5% (275.2 Mn.kg) of total tea exports and contributed to the total exports revenue of 95.10% (Rs.220.3 Bn). Among all black tea export destinations, Top twenty export destinations for Black tea represented 86.41% of volume and the value share is 82.69%. Russia remains as the prime Sri Lankan Black tea importer up to 2013 and Turkey came to the first place among black tea exporters in 2014. Russia came to the first place as prime Sri Lankan black tea exporter (11.9%) in 2015 by importing 35.74Mn.kg In 2016, Iran came to the 1st place by importing 33.90Mn.kg (12%) of Black Tea. In 2017, Turkey came to the 1st place among prime Sri Lankan black tea exporters contributing volume share of 13.41%. In the Review year Iraq has come to the first place among top black tea exporters contributing to 38.40Mn.kg.

Table 3.10 : Top 20 Black tea exports destination and market share 2018 (With Re ex)

Country	Quantity (Mn.Kg)	Value	FOB	Volume Share (%)	Value Share (%)	Qty Growth (%) ('17 Vs '18)
		(Rs.Bn)	(Rs/kg)			
Iraq	38.4	22.32	581.16	13.95	10.13	9.69
Turkey	35.6	26.51	744.66	12.93	12.03	-5.81
Russia	29.93	24.18	807.86	10.87	10.97	-8.58
Iran	23.91	20.9	874.15	8.69	9.48	-12.68
Libya	13.36	8.88	664.37	4.85	4.03	23.27
Uae	10.6	7.42	700.14	3.85	3.37	-30.8
Azerbaijan	10.54	8.51	807.65	3.83	3.86	-14.1
Syria	10.17	9.16	901.11	3.69	4.16	37.57
China	9.88	7.4	749.62	3.59	3.36	0.58
Chile	7.49	4.99	666.88	2.72	2.27	6.36
Japan	7.41	6.97	939.7	2.69	3.16	-6.41
Germany	5.92	4.92	830.69	2.15	2.23	-11.36
Saudi Arabia	5.52	5.72	1037.1	2	2.6	27.74
Hong Kong	4.86	3.78	778.18	1.77	1.72	-2.2
Usa	4.8	4.37	910.52	1.74	1.98	13.49
Jordan	4.7	4.33	920.44	1.71	1.96	0.48
Taiwan	4.38	3.01	687.03	1.59	1.36	3.75
Lebanon	3.56	3.4	953.23	1.29	1.54	-13.29
Belgium	3.49	2.41	689.14	1.27	1.09	32.8
Ukraine	3.32	3.07	923.17	1.21	1.39	-11.59
Top 20 Totals	237.85	182.25	766.23	86.41	82.69	-2.17

Source: Sri Lanka Tea Board

3.4.4.2 Exports of Green Tea

Table 3.11 : Top-Twenty Destinations of Green Tea Exports

Country	Quantity (⁰⁰⁰ kg)	Value (Rs.Mn)	FOB	Volume Share (%)	Value Share (%)	Qty Growth (¹⁷ Vs ¹⁸)
Russia	649	860	1,323.56	14.06	10.64	2
Usa	550	1,230	2,237.29	11.9	15.22	17
Uae	476	388	816.11	10.3	4.81	1
Ukraine	351	418	1,191.47	7.6	5.17	4
Libya	324	204	630.7	7	2.52	-58
Netherland (Holand)	248	741	2,985.32	5.37	9.17	9
United Kingdom	159	451	2,834.10	3.45	5.58	-4
Germany	121	141	1,163.51	2.63	1.75	-4
Australia	114	350	3,060.39	2.48	4.33	-11
France	101	222	2,211.74	2.18	2.75	-18
Poland	96	194	2,015.35	2.09	2.4	-5
Taiwan	86	102	1,176.53	1.87	1.26	-4
Nigeria	85	180	2,120.57	1.84	2.23	-8
Saudi Arabia	72	159	2,194.49	1.57	1.96	-24
China	66	162	2,447.07	1.43	2	-5
Uzbekistan	59	64	1,082.54	1.27	0.79	29
Belarus	57	79	1,399.08	1.22	0.98	-26
Chile	52	112	2,137.21	1.13	1.38	-3
Malaysia	49	76	1,546.75	1.07	0.94	10
New Zealand	44	111	2,552.03	0.94	1.37	-16
Top 20 Totals	3,760	6,244	1,660.76	81.39	77.27	-9.93

Source: Sri Lanka Tea Board

Green tea encountered 1.3% (3.7Mn.kg) of total tea exports while contributing to 2.7% (Rs.6.2 Bn) for total tea export revenue during 2018. Among all green tea export destinations, top twenty export destinations for green tea represented 81.39% of volume. Out of the leading twenty importers of Green teas, Russia recorded a considerable volume of 0.64Mn.kg for year 2018 out of total quantity 4.6Mn.kg.

3.4.4.3 Exports of Instant Tea

Ireland is playing a vital role for Ceylon Instant tea market being leading instant tea importing country from Sri Lanka and responsible for an import volume 2.2Mn.kg (87.1%) of Instant tea. USA, China and Taiwan maintained latter positions in the list of major instant tea exports destinations respectively. During the review year, Instant tea market showed a 16.95% volume increase and 23.32% of value increase compared to year 2017.

3.4.4.4 Exports of Ready to Drink (RTD) Teas

Sri Lankan RTD market showed a blooming market for RTD tea exports. For 2018, RTD exports abled to carry Rs.1,522Mn of export revenue by exporting litters of 14.4Mn. India played a vital role in RTD market by importing 14.0Mn litters for Rs.1,451Mn from Sri Lanka. Australia, Canada, Qatar, Bahamas and UK were other major markets for Ceylon RTD exports.

3.5 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 China, India, Kenya, Sri Lanka, and Vietnam. These five countries account for 84% of world production and 80% of global exports. While China was mainly instrumental for the surge in world tea crop, the African Continent particularly Kenya has also registered a bumper harvest. Considering the Sri Lankan scenario in the global tea industry, the year 2018 performed with much better exports and production quantities high unit prices (Auction) and revenue performances (exports) compared to the other tea producing members

China occupies the highest position with 2,616Mn.kg and India stayed at second with an annual production of 1,311.6Mn.kg. in 2018. Kenya is placed at 3rd with its manufacturing level at 493Mn.kg.

3.5.1 Global Tea Cultivation

Total land extent planted with tea in the world was estimated to be more than 4 million hectares at the end of the year 2017. According to the International Tea Committee (ITC), largest tea extent is found in China (62.5%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached a higher extent in 2010 to 2017. The top-ten countries of tea growing are bearing 94% of total tea extent.

Table 3.12 : Global Highest Tea Extent Details

Country	2016(Ha)	2017(Ha)
China	2,920,000	3,059,000
India	577,480	590,000
Sri Lanka	202,839	202,540
Kenya	218,538	232,742
Vietnam	134,000	134,000
Indonesia	118,100	116,500
Myanmar	80,000	80,000
Turkey	77,000	77,000
Bangladesh	59,000	59,000
Japan	43,100	42,400

Source: Annual ITC Bulletin of Statistics - 2018

*Estimated Area registered as Planted

3.5.2 Global Tea Consumption

Table 3.13 : Country-wise Tea Consumption Statistics

Country	2014-16		2015-17	
	Total	p hd	Total	p hd
Libya	14.77	2.4	15.77	2.8
Afghanistan	59.4	2.2	47.7	1.69
Turkey	247.33	3.2	249.67	3.13
UK (a)	109.49	1.68	110.16	1.67
Morocco	63.58	1.86	67.42	1.93
Ireland Republic	7.7	1.66	8.02	1.68
Taiwan	39.01	1.44	37.16	1.37
Qatar	3.34	1.51	3.51	1.29
Sri Lanka	28.07	1.34	28.7	1.34
Hong Kong	10.71	1.46	11.12	1.51
Chile	21.11	1.17	20.53	1.12
Syria	13.1	0.78	11.3	0.63
Egypt	93.22	1.05	91.08	0.99
Iraq	35.87	0.98	38.97	1.05
Iran	70.93	0.9	73.47	0.91
China	1791.33	1.31	1956.33	1.42
India	946.67	0.78	990.67	0.8
CIS	256.73	0.9	253.13	0.89
Pakistan	154.5	0.81	166.87	0.8
USA	129.99	0.4	129.05	0.4
Japan	107.41	0.84	104.39	0.82
Indonesia	86	0.34	90	0.34
Bangladesh	76.33	0.49	80	0.5
Poland	35.3	0.93	36.12	0.95
Germany	32.1	0.39	31.2	0.38

Source: Annual ITC Bulletin of Statistics – 2018

Total: Mn.kg. , P hd : k-g

3.5.3 Global Tea Production

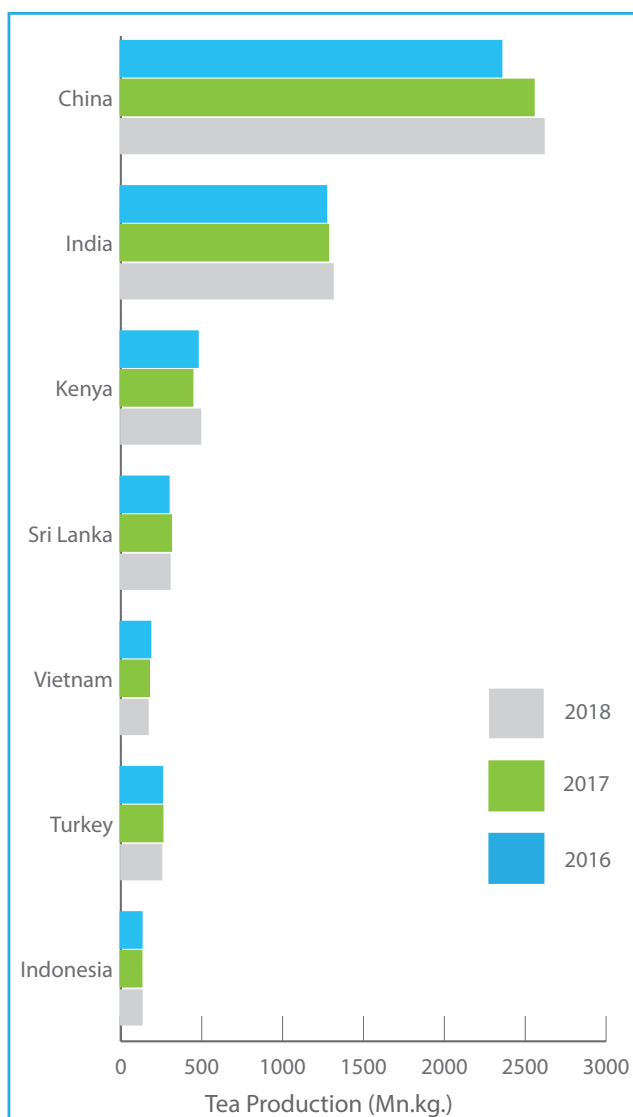


Chart 3.5: World Tea Production Statistics

Source: Supplement of Annual ITC Bulletin – 2018

Global tea production reached up to 5.8 Bn.kg during the year 2018 and it showed a 2.8% growth compared to year 2017. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for year 2018. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered Kenya as the largest global exporters of this commodity. China comes to the second place as a larger tea exporter while Sri Lanka comes to the third place in 2018.

Sri Lanka remains as the 4th largest tea producer in the world and it is noticeable that the other tea producers in 5th, 6th and 7th places are not showing increasing trend of their tea production which implies that there are no emerging threat on Sri Lanka's position in recent future.

China occupies the highest position with 2,616Mn.kg and India stayed at second with an annual production of 1,311.6Mn.kg in 2018. Kenya is placed at 3rd with its manufacturing level at 493Mn.kg.

3.5.4 Global Tea Sales

Colombo Auctions handled 288Mn.kg of tea for an average price of a kilogram at US\$ 3.60 in 2018. However, volume traded in Mombasa Auctions also maintained over 458Mn.kg and Kolkata Auctions had traded in its sales volume in 2018 with 159Mn.kg.

Colombo Auctions holds the record for the highest average auction price fetched for the last three years. Also it was the only auction center that exceeds USD 3.5 per kg. in 2018. During the reference period, Chittagong, Kolkata and Mombasa auction centers have recorded higher average price. Chittagong holds the second largest average auction prices and Kolkota holds the 3rd largest average auction price with US\$ 3.12 per kg. and US\$ 2.46 per kg.

Table 3.14 : Statistics of Major Tea Auctions
(Qty. - in Mn.kg. Avg. Unit Price - in US\$/kg.)

Auction Centre	2017		2018	
	Qty.	Price	Qty.	Price
Chittagong	80	2.45	79	3.12
Cochin	49	1.81	48	1.81
Colombo	296	4.07	288	3.6
Guwahati	166	2.16	177	2.13
Jakarta	-	-	-	-
Kolkota	168	2.46	159	2.46
Limbe	9	1.84	9	1.84
Mombasa	398	2.81	458	2.43

Source: Annual ITC Bulletin of Statistics - 2018

The leading tea exporting countries with their export revenues in year 2017 are listed below. It reveals that China remains as largest income earner from tea exports. This reveals that Kenya has earned the position of 3rd largest export earner. As the Second largest export revenue earner Sri Lanka was able to continue 1.2 billion US dollar industry status with its pure Sri Lankan tea exports.

Table 3.15 : Top-most export revenues(2017)

Country	Export Revenue (US\$ Million)
Sri Lanka	1,458.68
Kenya	1,250.27
China	1,609.95
India	728.99
Vietnam	230
Indonesia	114.23

Source: Annual ITC Bulletin of Statistics - 2018

3.5.5 Global Tea Exports

Global tea exports during 2018 showed shrinkage of 61Mn.kg (3.4%) as against the previous year. China, India and Kenya showed an increase of its export quantities and attained a growth of 2.7%, 1.8% & 14.2% correspondingly, compared to the year 2017. The three largest exporters, VIZ, Kenya, China and Sri Lanka accounted for more than 60% of global exports.

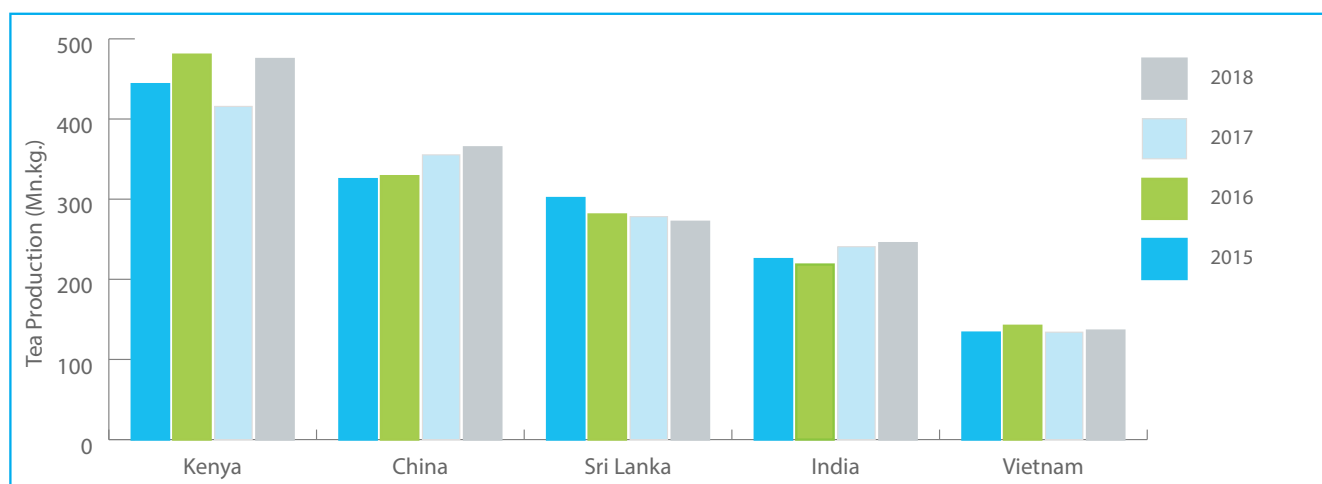


Chart 3.6: Major Tea Exporters / Source: Supplement to Annual ITC Bulletin of Statistics – 2018

Note: Sri Lankan Figure with excluding Re-exports

3.6 Ceylon Tea Markets

3.6.1 Russia and CIS Region

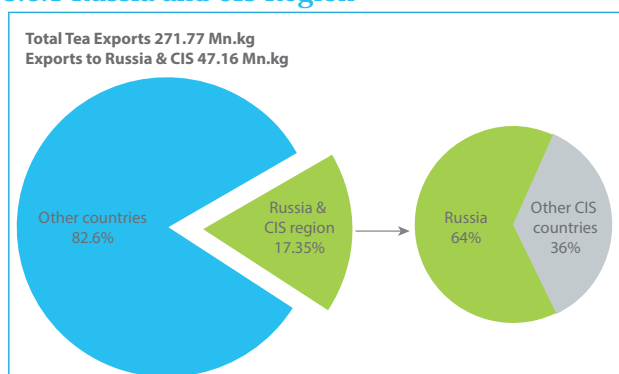


Chart 3.7: Tea exports to Russia & CIS region

In 2018, Russia and the CIS Region have absorbed 17.35% (47.16 Mn.kg) of total Sri Lanka's tea export (271.78 Mn.kg). It shows a decline of 8.6% (4.47 Mn.kg) compared to the year 2017.

Table 3.16 : Comparison of Tea exports to Russia & CIS region

Country	2018 (Kg)	2017 (Kg)	Growth (%)
Russia	30,294,462	32,794,648	(7.62)
Azerbaijan	10,548,545	12,270,316	(14.03)
Ukraine	3,342,942	3,756,570	(11.01)
Kyrgyzstan	773,044	711,076	8.71
Georgia	732,720	257,618	184.42
Kazakhstan	559,844	658,678	(15.0)
Uzbekistan	463,806	603,812	(23.19)
Belarus	273,396	385,474	(29.08)
Moldova	60,477	82,193	(26.42)
Tajikistan	45,506	61,335	(25.81)
Armenia	36,691	26,466	38.63
Turkmenistan	32,501	24,186	34.38

Source : Tea Export Statistics - SLTB

RUSSIA

The domestic tea production which comes from the most northerly tea plantations in the world, (Krasnodar region) is insufficient and it only cover nearly 1% of local consumption demand in Russia. The rest of the demand is fulfilled by the imported tea from major tea exporting countries like India and Sri Lanka. The average tea consumption per person in Russia is 120-140g a month.

Russia is a black tea dominant market which holds around 86% market share and Green tea holds 9%. Other niche varieties cover 4% while herbals only cover 1% from total Russian tea consumption. This market share and its potential leads to strengthen the export tea economy of Sri Lanka as a main black tea producer. Present Russian consumer trends shows towards mid-priced products instead of premium varieties. In other way, although Russia is coming out of a recession Russian consumers are still price conscious. Packaged teas occupy 63% of the market in material terms, and 70% in value and the reason for this is simply cost.

Most of the Russian tea producing companies' import tea in bulk form and package in their own tea packing factories and major packaging companies in Russia are located in North-East part of the country like Moscow region -Moscow, Saint-Petersburg region -Saint-Petersburg. The leader among the top five companies is "Orimi Trade" and it controls over 35% of Russian tea market in its volume. Their trademarks are well known brands names like "Greenfield", "Tess", "Princess". Another tea market leader, the "Unilever Rus" offers brands "Brook Bond", "Lipton" and "Beseda (Conversation)" and the Company "May" offers the brands "Curtis", "Lisma" and "Maisky (May Tea)". The oldest British brand "Ahmad Tea" remains among the top five tea marketing companies and offered in Russia by "SDS-Foods" LLC (Moscow) and the Group of Tea Companies "Sapsan", a leading tea marketer in Russia packs tea under the brand name "Akbar".

Table 3.17 : Country wise Tea imports to the Russia in 2018

Country	Volume (MT)	Value (USD Mn.)	Market Share	
			Volume	Value
Sri Lanka	32,600	150	19.9	30.09
India	51,174	123	31.24	24.76
Kenya	22,213	66	13.56	13.2
China	15,168	45	9.26	9.08
UAE	6,170	28	3.77	5.63
Vietnam	15,261	25	9.32	5.05
Indonesia	7,872	15	4.81	2.95
Kazakhstan	2,099	9	1.28	1.77
Germany	660	8	0.4	1.62
Zimbabwe	1,958	4	1.2	0.85
Iran	1,639	4	1	0.85
Azerbaijan	555	3	0.34	0.66
Argentina	1,976	3	1.21	0.57
Tanzania	1,129	2	0.69	0.49
Others	3,326	12	2.03	2.43
Total	163,802	497	100	100

Source : Russian Custom Information Agency

According to the Russian Custom Information Agency India plays a leading role in Russian tea market. Since 2015, India took the leading position in Russian tea market when 2018 market share has increased upto 31% in volume and 25% in value term.

Until 2014, Sri Lanka was ranked as the market leader for Russia in both volume and value term. However, with the attribution of the financial crisis in the country commencing in 2014 and on the contrary the continuously increasing tea prices at Colombo Auction reduced the demand for Ceylon Tea by Russian consumers. However due to better quality and the longstanding reputation of the Ceylon Tea in the Russian market, Sri Lankan Tea received a high price than other competitors but was relegated to the 2nd position.

According to the Russian Federation Statistical Agency, Sri Lanka is still at the leading position in the tea market in value term with a market share of 30% against India holding a share of 25% giving a close competition to Sri Lanka. The market shares of other leading tea exporting countries in value term are Kenya (13%), China (9%), UAE (6%), Vietnam (5%) and Indonesia (3%).

Ceylon Tea Performance in the Russian Federation

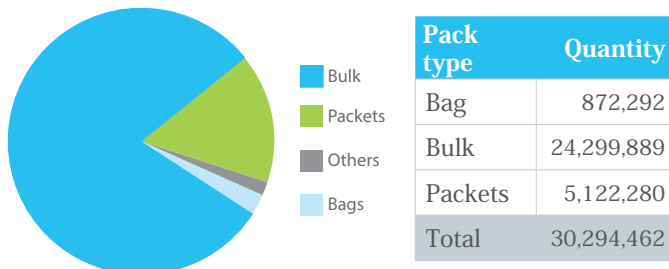


Chart 3.8 : Category wise Ceylon Tea exports to Russia

Ceylon Tea lost its dominance in the Russian tea market during the past 03 years. Presently Sri Lanka holds 19.9% in Russia Tea market and 30% in value term. Kenya, China, UAE and Vietnam are other major competitors of Sri Lanka in Russian Tea market.

According to the chart the main exporting tea category to Russia was bulk black tea. Compared to the last few years the volume of export of black tea to Russia has gradually decreased.

UKRAINE

Tea plays an important role in the life of the Ukrainian people, and it is one of the affordable and mass scale products. However, tea was granted the status of most popular product only during the Soviet Union period. Unpackaged teas are available from specialist tea shops such as Chaina Krayina, supermarkets and hypermarkets and are perceived as luxury products.

According to the International Trade Center - 2017, Ukrainian tea market is dominated by black tea with a share of around 86% and the balance 14% is filled with green tea.

It further showed that during the last 5 years period from 2013 to 2017, the total tea imported to Ukraine have declined from 26,069 MT to 17,688 MT. It is clear that after the financial crisis commenced in the country in 2014 following the sanctions from Russia and awakening economic environment has caused this. But Sri Lanka has been maintaining its leading position in the market over the last 5 years. However the market share of Sri Lanka tea exports has dwindled from 35% in 2013 to 24 % in 2017.

India has been able to increase its market share over the last 5 years period from 9% to 22%. And also UAE as a re-export nation has been showing on upward trend in exporting to Ukraine registering a market share of 13% in 2017.

Performance of Ceylon Tea

As per Sri Lanka Custom statistics, the tea exports of Sri Lanka to Ukraine in 2018 accounted for 3.68 Mn.kg with the value of US \$ 21.45 million. Among the above export 95% was black tea and 5% was green tea.

AZERBAIJAN

In Azerbaijan, tea is mainly grown in the Lenkeran-Astara region which has 560 hectares of tea plantations, from which 400 hectares are new tea plantations. They produced around 1.4Mn.kg in 2018 and they have imported 12.9 Mn.kg from all the other tea producing countries. Azerbaijan is one of the large tea consuming countries which record Per capita consumption around 2kg-2.5kg of tea per annum. Tea holds an important place on the table of the Azerbaijan population as a strategic food.

According to the International Trade Center 2017 data, Sri Lanka is the leading supplier of tea to Azerbaijan with a market share of 96% while India (3%) and Russia (1%) hold next places respectively. Ceylon tea exports to Azerbaijan has increased gradually and black tea holds more than 90% of the market share. For year 2018, Sri Lanka has exported 10.5MN.kg to Azerbaijan and it showed a decrease compare to 2017.

KAZAKHSTAN

Tea is the most traditional drink in Kazakhstan and they consume tea throughout the day irrespective of their age and income. They believe that tea as a natural and healthy hot drink which helps to treat a range of illnesses. They have a diversified tea culture and companies are working to diversify their ranges by offering various brands and different types and favour of tea. People drink tea in order to keep warm, quench thirst and treat minor ailments and cold. Kazakhstan is also among the world's top ten tea drinking nations by recording per capita tea consumption per annum as 1.6 kg.

Kazakhstan is a predominantly CTC tea market. Kenya and India have strong foothold in this market enjoying nearly 80% market share and Ceylon Tea hold only 2% market share. In quantity wise Ceylon Tea imports to Kazakhstan has decreased since several years and for 2018 it was recorded as 0.7 Mn.kg. (ITC- Trade map)

UZBEKISTAN

There is a strong and longstanding tradition of tea consumption particularly the Green type among Uzbekistanis. Although tea has never been grown or produced in Uzbekistan, it was historically the main non-alcoholic beverage in the country. This status has diminished somewhat over the last two decades due to the rapid penetration of various other types of affordable-priced non-alcoholic beverages.

Tea is still widely consumed, both hot and cold, during breakfast, lunch and dinner. In Uzbekistani households, it is customary to welcome guests with a cup of tea, whether they are friends and family or strangers. Uzbekistanis drink tea throughout the year. Cool green tea is commonly consumed to quench thirst during hot weather.

China is the tea market leader in Uzbekistan with a share of 97% and majority of them are green tea. In 2018, Sri Lanka has exported 831 MT to Uzbekistan.

BELARUS

As per the information from the International Trade Centre (ITC), the country has imported 4.94 Mn.kg during the year 2018 which was a 5% decrease compare to the previous year.

Russia has taken the leading position in exporting tea to Belarus with a market share of nearly 76% (3.7 Mn.kg) while Sri Lanka is placed as the main back-up supplier holding 10% (0.478 Mn.kg) of the market. Other back-up supplies Vietnam, China and Ukraine have market shares of 5%, 4% and 2% respectively.

The direct Ceylon tea export from Sri Lanka to Belarus has been registered between 350 MT – 500 MT per annum. However, it is obvious that a large quantity of Ceylon tea is exported by the Russian Federation as re-exports to Belorussia in different multinational brands such as Greenfield, Lipton, Ahmad Tea, Tess, Princess, Maisky Chai etc.

In 2018 Sri Lanka has exported 317 MT of Ceylon Tea to Belarus with a value of US \$ 2.6 million. In comparison to the year 2017, the Sri Lanka tea exports to Belorussia have decreased by 117 MT in 2018.

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 colour (yellowish) without adding anything but also use sugar, honey, lemon, jam or fruit preserves. Kyrgyz drinks tea before and after lunch and dinner and drink water or nothing with their meals.

According to the International Trade Center Statistics, Kyrgyzstan has imported 4.77 Mn.kg of tea in 2018 from all origins which is 3% increase in overall tea imports compared to previous year. Russia became the leading tea exporting nation to Kyrgyzstan with a market share of nearly 25% in 2018 by overturn Sri Lanka (20%) from the number one position.

According to the export statistics of SLTB, Sri Lanka has exported 775,537kg to Kyrgyzstan and it showed 9% increase compare to 2017. Among them 99% of exports were black tea exports.

MOLDOVA

Today, tea is one of most popular drinks among Moldovan consumers. Tea market in Moldova contain a lot of traditional and well-known brands, recently appearing of unknown trade-marks have increased in tea market.

Due to the competition of both tea market leaders and importers from small companies, the tea market in Moldova has converted to diversified products to meet all segments of the tea market.

According to the statistic of International Trade Center, Moldova has imported 980,000Mn.kg of tea during the 2018 and 59% of tea imports came from the Russia. Sri Lanka showed 7% market share in Moldovan tea imports.

Sri Lanka Tea Board statistics showed that 63,843kg have exported to Moldova during 2018 and 76% of them was black tea. Ceylon Tea shows decreasing market share in Moldovan tea market during last few years.

TAJIKISTAN

As per market sources, since the buying power of Tajikistan is poor, there is a higher demand for cheap teas. Tea generally accompanies every meal and is frequently offered between meals as a gesture of hospitality to guests and visitors. It is served hot in a china pot with a lid, and is drunk without sugar from small saucer-less cups without handles (piala). Because of the universal popularity of tea-drinking, the choykhona (teahouse), is the most common gathering place in Tajikistan, and it is similar to the Western-style coffee house.

The favorite drink of Tajiks is green tea. Tea drinking has become a ritual there. No guests reception, meeting of friends or a conversation can do without a pialah of this hot beverage. Even a dinner starts with tea. Tea pialahs are brought in on trays. In Tajikistan they drink green tea basically in summer; in winter black tea is preferred everywhere.

Tajikistan has imported 5.08 Mn.kg of tea in 2018. China is dominating Tajikistan tea market with a market share of 50% and next tea import market leaders were France (18%) and Vietnam (12%).

Export statistics of Sri Lanka Tea Board showed that 68,780kg was exported in 2018 and 83% of them were black tea while 17% were green tea exports.

TURKMENISTAN

Turkmenistan is largely a desert country with intensive agriculture in irrigated oases and significant natural gas and oil resources. Turkmen drink a lot of tea. Green tea (gok chai) is drunk all the year round, at all hours. In the Turkmen language, “chai” can refer to eating a meal or sitting down for a visit. Black tea (gara) is consumed by Turkmen drink mainly in autumn and in winter is more popular in western Turkmenistan than in the eastern part of the country. Black tea is sometimes brewed with camel milk on coals. Traditionally, every tea drinker had his own china teapot and cup.

Tea imports of Turkmenistan shows declining pattern of tea imports in year by year. In 2018 they have imported 2.6Mn.kg and it was 31% compare to 2017. According to SLTB export statistics Sri Lanka has exported 50,286kg to Turkmenistan in 2018 and it showed 66% increase compare to 2017. 65% of the total export was black tea and 35% was green tea.

3.6.2 Middle East & North African (MENA) Region

Improving economic prospects in some countries in the MENA region is worth noting. Saudi Arabia is a case in point, where Ceylon Tea Exports have shown increase in volume and a more than a corresponding increase in value terms. Another important development is the UAE's economic development plans that also include the Grand event, Expo 2020 which will further enhance its reputation as a key export hub. Despite the political and economic turmoil in some countries, the MENA region has remained a huge market for Ceylon tea. Interestingly, in spite of the uncertainties prevailing in some countries in the region, total Ceylon Tea exports to MENA Region, in terms of volume has not shown a drop compared to 2017. One cannot escape the fact that the MENA region is the cash cow of the Ceylon Tea market with more than one half of all Ceylon Tea exports being absorbed by this region.

During the year 2018, while some countries in the region have shown an increase in imports of Ceylon Tea, others have shown a decrease. Because of the geo-political

nature of the region, cross border trading takes place and direct imports of Ceylon Tea from Sri Lanka may not be the perfect indicator of Ceylon Tea imports into that country. Therefore, in some aspects the MENA region may have to be viewed as a whole in terms of measuring Ceylon Tea consumption by countries within that region.

Apart from the above countries, smaller quantities of Ceylon Tea exports were also made to Qatar (255,169 kgs), Yemen (94,383 kgs), Bahrain (86,510 kgs) and Oman (68,843 kgs) during the year 2018.

It is noteworthy that regardless of the problems faced by the region, 53.79% of all Ceylon Tea exports from Sri Lanka in 2017 and 54.80% of all Ceylon Tea exports during the year 2018 was to the MENA Region. In value terms it was 50.54% in 2017 and 50.66% during the year 2018. Iraq was the leading importer of Ceylon Tea during 2018 with a quantity of 38,351 MT at a growth of 9.76% over the corresponding period of last year, followed by Turkey (35,445 MT), Russia (30,294 MT) and Iran (23,547 MT).

Table 3.18 : Tea exports from Sri Lanka to the Middle East & North African (MENA) region

Country	2017(MT)	Value (Rs.Bn)	2018(MT)	Value (Rs.Bn)
Iran	27,039	24	23,547	20.6
Iraq	34,941	21	38,351	22.3
Turkey	37,809	27.9	35,445	26.4
UAE	15,226	11.1	10,699	7.5
Syria	7,276	6.1	9,909	9
Libya	10,833	7.3	13,400	8.9
Kuwait	2,362	2.2	2,164	2.1
Jordan	4,579	4.2	4,586	4.2
Saudi Arabia	4,129	4	5,286	5.6
Lebanon	4,089	3.7	3,529	3.4
Egypt	1,358	1	2,012	1.6
Sub Total	149,642	112.4	148,929	111.6
Total Sri Lanka Exports/Value	278,195	222.4	271,777	220.3
MENA Region Ceylon Tea Share from total Sri Lanka Exports	53.79%	50.54%	54.80%	50.66%

Source: Tea Export Statistics without (Reexport)- SLTB

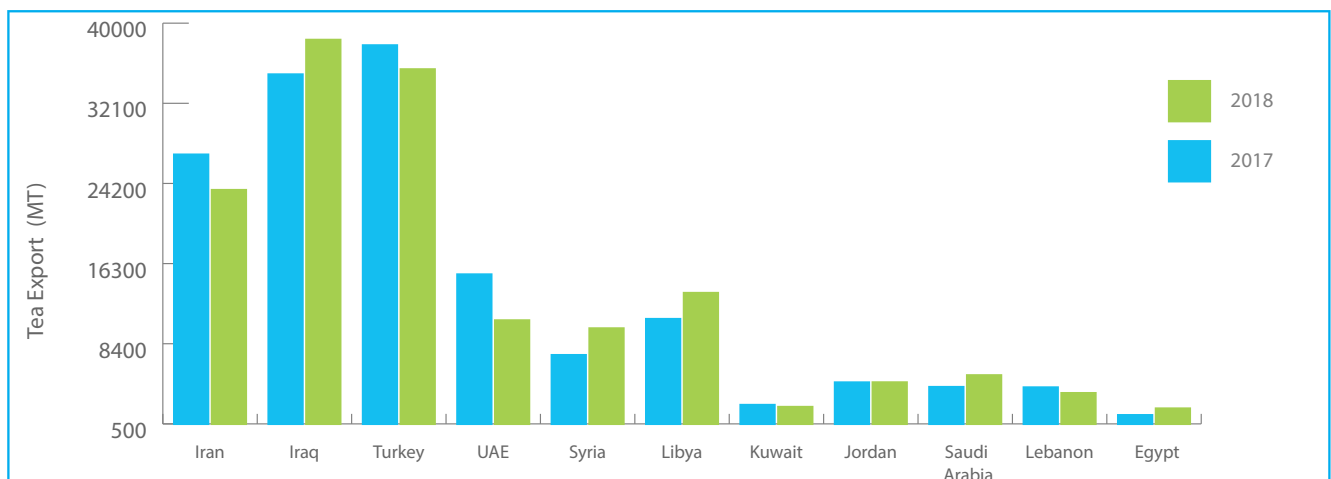


Chart 3.9 : Ceylon Tea imports by Middle East & North African (MENA) region

3.19 : Package wise Ceylon Tea exports to Middle East & North African (MENA) region in 2018

Country	Bags	Bulk	Packets	Others*	Total (MT)	% Share of Total Exports
Iraq	162	19,432	18,743	13	38,351	14.11
Turkey	252	19,681	15,506	7	35,445	13.04
Iran	13	23,096	435	2	23,547	8.66
Libya	5	0	13,318	77	13,400	4.93
UAE	490	7,637	2,293	279	10,699	3.94
Syria	1,120	6,124	2,662	3	9,909	3.65
Saudi Arabia	951	1,969	2,304	62	5,286	1.95
Jordan	2,160	174	2,251	1	4,586	1.69
Lebanon	139	100	3,289	1	3,529	1.3
Kuwait	526	53	1,570	15	2,164	0.8
Egypt	66	1,160	780	7	2,012	0.74
Total	5,885	79,426	63,151	467	148,929	54.8

Source: Tea Export Statistics without (Reexport)- SLTB

Note : Others represented Green Tea

TURKEY

Turkey is the fifth largest producer of tea in the world after China, India, Kenya and Sri Lanka. Turkey produces a quantity of around 250 to 260 Million kilos of made tea per annum, but exports only around 5 to 6 Million kilos per annum. The annual tea absorption by Turkey is estimated as high as 300 million kilos and considered as the third largest tea consuming country in the world after China and India, way ahead of Russia, Pakistan and U.K. The annual per capita consumption in Turkey is extremely high and is estimated to be around 3.5 Kilos. Turkey is unique in respect of the tea industry and tea trade since it is not only a large producer but an important buyer.

While the official tea imports to Turkey is around 30 Million Kilos per annum, the actual tea imports are estimated to be approximately 40 to 50 Million Kilos that includes informal cross border trading. It is mostly supplied by Sri Lanka. To safeguard the local tea industry, Turkey levies 145% import duty on CIF Value and 18% VAT.

The war situation in Syria and Iraq and the economic sanctions imposed on Iran paved the way for Turkey to operate as a major trading hub for re-exports to neighbouring countries. That helped Sri Lanka to ship much larger quantities to Turkey during the past few years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 was 37,809 MT of Ceylon Tea at a value of approximately 27,853 million Rupees, of which 56 % was in bulk, 43% was in packets and 1% in tea bags. It reflected an increase of 40% in volume terms over 2016. However, total tea export to Turkey during 2018 was 35,445 MT a drop from 37,809 MT in 2017. This could be a result of the relaxing and tightening of trade across borders due to the prevailing situation in the region. Cross border trading always plays a role in the fluctuating export figures to Iran, Syria and Iraq.

Table 3.20 : Export of Ceylon tea to Turkey

	2015	2016	2017	2018
Bulk	14,024	17,264	21,229	19,681
Packets	19,218	9,504	16,309	15,506
Bags	396	293	270	259
Others	27	-	-	-
Total (MT)	33,685	27,060	37,809	35,445
Value (Mn.RS)	18,667	14,429	27,853	26,418
FOB (Rs/kg)	554	533	736	745

Source: Tea Export Statistics without (Reexport)- SLTB

IRAN

With an annual tea consumption estimated at around 120 Million Kilos, when formal imports, informal trade, and local production are all considered, Iran is one of the largest tea consuming markets in the world. Iran's per capita tea consumption is around 1.5 kilos for a year.

Imports from Sri Lanka declined from 30,800 Tons in 2016 to 25,000 Tons in 2017 and slipped to second place, while India reported an increase from 21,900 tons to 25,750 Tons and emerged as the leading supplier to Iran in 2017. With the advantage of clearing Indian Rupees against Iranian Riyals for 40% of oil purchases, India has a distinct advantage of servicing tea and other businesses in Iran at a mutually beneficial exchange rate over other origins. Ceylon Tea which had a market share of around 47% in 2016 dropped to around 40% in 2017 due to the economic sanctions resulting in; banking restrictions, payment problems and depreciation of the Iranian Rial. It is a noteworthy that Iranian consumers still have preference for Ceylon Teas. The recent sanctions imposed by USA in November 2018 could further provide a competitive advantage to countries like India and China, which are among the eight countries given sanction waivers by the US to buy Iranian oil.

Table 3.21 : Export of Ceylon Tea to Iran

	2016	2017	2018
Bags	117,286	17,986	13,276
Bulk	28,314,802	26,007,579	23,097,323
Packs	5,165,981	1,013,855	436,062
Packs (>3 kg)	0	0	0
Total qty (kg)	33,598,069	27,039,419	23,546,661
Value (USD)	152,722,936	157,682,767	126,682,074

Source: Tea Export Statistics without (Reexport)- SLTB

Iran is considered as one of the most important tea markets for Sri Lanka along with Turkey, Iraq and Russia. However, it has been under various degrees of sanctions for the past several years. While imports of Ceylon Tea to Iran have shown a decline in direct exports from Sri Lanka, there are also improper imports across various borders.

For many years Iranian households used to buy their tea in loose unpackaged form, but during the last ten years packaged tea gradually became an important item in the typical shopping basket.

UAE

As a tea hub, UAE imports around 70 to 80 Million kilos of tea per annum making the country, the largest buyers in the GCC. The domestic consumption of tea is between 7 to 7.5 Million Kilos and on the rise with the increasing expat population and the growth in tourism. The year on year growth of the coffee market has been computed at 6% and the tea market at 5.4% in UAE by Euromonitor International and the total retail value of coffee & tea is expected to reach US\$ 243 Million by 2019.

Although UAE domestic consumption is small due to its comparatively lesser population, it has transformed into one of the most important transshipment hubs for tea trading. As such, UAE is one of the largest tea importers in the world and annual off-takes are in the region of 75 to 80 million kilos. Most of the teas imported to UAE (particularly Dubai) are re-exported to neighbouring markets. The Jebel Ali Free Zone (JAFZ) and the DMCC Tea Centre within the Zone facilitates the importing, sorting, cleaning, blending and packaging of tea for re-export. The political uncertainties, tariff and non-tariff barriers, and economic sanctions prevailing in some of the other countries in the region, have facilitated the re-exports from Dubai immensely.

Kenya has emerged as the largest supplier of black tea followed by India and Sri Lanka. While the imports from Kenya and India are mainly CTC teas for blending, packaging and branding within Dubai for the local market and re-exports, imports from Sri Lanka are traditionally for re-exports, mainly to Iran.

UAE is considered as one of the most important tea markets for Sri Lanka along with the Russian Federation, Turkey, Iran and Iraq and the fifth largest importer of Ceylon Tea with a share of 5.5% of the total exports in 2017.

Table 3.22 : Export of Ceylon Tea to UAE

	2016	2017	2018
Bags	481,615	362,123	501,115
Bulk	12,562,582	9,030,327	7,889,034
Packs	4,785,241	5,833,977	2,302,348
Packs (>3 kg)	23	0	6,750
Total qty (kg)	17,829,461	15,226,428	10,699,247

Source: Tea Export Statistics without (Reexport)- SLTB

Sri Lanka tea exports show a fluctuating trend during the last seven years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 were 17,829,461 kg of Ceylon Tea at a value of USD 70,902,818. A quantity of 15,226,428 kg of Ceylon Tea with a value of USD 72,756,073 was exported during the year 2017. A quantity of 10,699,247 kg of Ceylon Tea was exported during the year 2018 with a value of USD 46,246,988.

SAUDI ARABIA

Saudi Arabia is the richest and the largest importer of tea in the Gulf Cooperation Council with Ceylon black tea being the favourite brew. Tea is a very popular hot beverage in Saudi Arabia. Penetration of tea in Saudi Arabia is expected to grow. Saudis continue to rank tea as their favourite hot beverage and there is a growing health and wellness oriented consumer base.

The annual tea consumption in the country is estimated to be around 36 to 37 Million Kilos with a per capita consumption of around 1kg for a year. Tea consumption has been growing year on year with the consumption of green and fruit teas also increasing. Black tea is presently holding a 95% share.

Saudi Arabia imported 36,743 MT of tea with a value of USD 283 million during the year 2016 that showed a marginal decline in volume over the previous year imports of 37,103 MT. (Tea imports statistics by the Statistical Department of Kingdom of Saudi Arabia)

Table 3.23 : Export of Ceylon Tea to Saudi Arabia

	2016	2017	2018
Bags	791,346	725,222	987,212
Bulk	1,719,110	1,478,980	1,969,956
Packs	1,478,220	1,924,551	2,329,146
Total qty (Kg)	3,988,676	4,128,753	5,286,313
Value (USD)	21,426,964	25,998,292	34,614,223

Source: Tea Export Statistics without (Reexport)- SLTB

Sri Lanka tea exports show a fluctuating trend during the last eight years. According to Sri Lanka Customs, a direct export from Sri Lanka during 2016 was 3,989 MT of Ceylon Tea at a value of USD 21.4 million. A quantity of 4,129 MT of Ceylon Tea with a value of USD 25.9 million was exported during the year 2017, of which 34.8 % was in bulk, 47.7 % was in packets and 17.5% in Tea bags. During the year 2018, a quantity of 5,286 MT with a value of USD 34.6 million was exported. The Tea Bag segment is around 55% of the Saudi retail market, which is a growing segment, creating demand for CTC multi origin cheaper teas. This

segment is dominated by Unilever with their Lipton brands that are packed in Jabel Ali Free Zone in Dubai for exports and by Baeshen Company with their 'Rabea' Brand packed in Jeddah Free Zone in Saudi Arabia. This growing trend does not favour the supply of traditional low grown leafy teas from Sri Lanka that has resulted in declining market share for Ceylon Tea.

IRAQ

The annual tea imports by Iraq is estimated to be around 55,000 MT when direct and in-direct purchases are taken into consideration. Despite the prevailing conditions in Iraq, Ceylon Tea remains as the most preferred origin with a predominant market share of about 60% to 70%. Due to the economic situation in the country, the price factor determines the purchase of essential food items including tea. Thus, the demand is mainly for the low end of the Low Grown teas at the Colombo Tea Auctions. It is also reported that a lot of substandard teas from other origins such as Vietnam orthodox teas, which has similar appearance are labelled as 'Ceylon Tea' and are available in the Iraqi tea market. It is difficult to monitor and control the violations in the prevailing volatile environment.

Iraq has always remained a loyal tea market for Sri Lanka. The preference and demand for Ceylon Tea by the Iraqi consumers are very strong. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 32,410 MT and in 2017 it was 34,941 MT. Iraq was the leading importer of Ceylon Tea during the year 2018 with a quantity of 38,351 MT at a growth of 10% over the last year, followed by Turkey (35,445 MT), Russia (30,294 MT) and Iran (23,547 MT). The conflict situation in Iraq has improved. In that environment Ceylon Tea imports during the year has increased over the last year. However the FOB prices were low due to the relatively poor buying power of the consumers.

Table 3.24 : Export of Ceylon Tea to Iraq

	2017 (MT)	2018 (MT)
Bulk	14,967	19,432
Packets	19,764	18,746
Tea Bags	210	173
Others	0	0
Total	34,941	38,351

Source: Tea Export Statistics without (Reexport)- SLTB

LIBYA

The annual tea consumption in the country is estimated to be around 10 to 12 Mn.kg with a per capita consumption of around 2.5kg. The share of Black tea is around 80% with Green Tea having around 20% share. Sri Lanka was the major supplier of Black Tea, while China controls the Green Tea Category.

The tea imports data reveals that Libya imported 9,900 MT from Sri Lanka and 7,600 MT from China (mainly green) during the year 2017 where the state and the private sector are engaged in the importation of tea, but the retail prices are regulated by the Government under the subsidized goods category.

Table 3.25 : Export of Ceylon Tea to Libya

	2017 (MT)	2018 (MT)
Bulk	0	0
Packets	10,785	13,318
Tea Bags	47	5
Green Tea	0	77
Others	0	0
Total (MT)	10,832	13,400

Source: Tea Export Statistics without (Reexport)- SLTB

Sri Lanka tea exports show a fluctuating trend during the last five years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 12,617 MT and in 2017 it was 10,832 MT. During 2018, a quantity of 13,400 MT was exported. It is pertinent to state that all Ceylon Tea exports to Libya is in value added form. Though the current situation is not conducive for active promotion, Ceylon Tea is the most preferred among consumers in Libya.

SYRIA

Tea was always considered as the most popular hot beverage in Syria until the outbreak of the War in 2011. Syria imported around 27,000 to 28,000 MT of tea per annum with the domestic consumption at 20,000 MT. The country has always been one of the major markets for Ceylon Tea.

Syria was among the top three export destinations for Ceylon Tea and one of the largest Tea Bag importer from Sri Lanka prior to 2011. However the direct exports from Sri Lanka declined with the eruption of the war. According to Sri Lanka Customs, direct export from Sri Lanka during 2016 was 11,963 MT and in 2017 it was 7,276 MT. During 2018, a quantity of 9,909 MT was exported and Syria is ranked 8th among the export destinations for Ceylon Tea. It is noteworthy that still 90% Ceylon Tea exports to Syria is in value added form.

Table 3.26 : Export of Ceylon Tea to Syria

	2017 (MT)	2018 (MT)
Bulk	348	6,124
Packets	6,304	2,662
TeaBag	624	1,120
Green Tea	0	3
Total (MT)	7,276	9,909

Source: Tea Export Statistics without (Reexport)- SLTB

LEBANON

Lebanon is a coffee dominated market in comparison to all other Arab nations. The Tea / Coffee ratio in Lebanon is approximately 20:80. The annual tea import of Lebanon is estimated to be around 4,300 MT with a per capita consumption of around 0.75 kilos. It is a predominantly black tea market. Lebanon was an important destination for Ceylon Tea with around 75% market share. Since the outbreak of the Syrian war, Lebanon has been hosting Syrian Refugees which is a heavy burden on their economy.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 3,448 MT and in 2017 it was 4,089 MT. During 2018, a quantity of 3,529 MT was exported. It is noteworthy that all Ceylon Tea exports to Lebanon in 2018 was in value added form with a FOB value around Rs. 955.57 per kg.

Table 3.27 : Export of Ceylon Tea to Lebanon

	2017 (MT)	2018 (MT)
Bulk	12	100
Packets	3,813	3,289
Tea Bags	264	139
Green Tea	0	1
Others	0	0
Total	4,089	3,529

Source: Tea Export Statistics without (Reexport)- SLTB

KUWAIT

The annual tea consumption in Kuwait is estimated to be around 5.5 to 6 million kilos with a per capita consumption of around 1.25 kilos. Black tea is presently holding a 95% share. Ceylon Tea enjoys a strong market share of about 50 percent, maintaining its leadership. Kuwait has one of the highest per capita GDP in the world, while up to two-thirds of the population in Kuwait is made up of foreign expatriates, dominated by South Asians. While the local Arabs and other Arab nationalities prefer Low Grown Orthodox big leaf teas from Sri Lanka, the large presence of South Asians from India, Bangladesh and Pakistan demand, pre-dominantly CTC teas.

Re-exports of Ceylon Tea by Kuwait to Iran and Iraq made Kuwait one of the major importers of Ceylon Tea until 2014. The re-exports were then curtailed due to security reasons and Kuwait imported Ceylon Tea only for their domestic consumption. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 3,486 MT and in 2017 down to 2,362 MT. During 2018, a quantity of 2,164 MT was exported. It is noteworthy that most of Ceylon Tea exports to Kuwait was in value added form and over 500,000 kgs was in Tea Bags. The two major Ceylon Tea Brands are Al Wazah by James Finlay and Al Munayes (Private label by A F Jones).

Table 3.28 : Export of Ceylon Tea to Kuwait

	2016	2017	2018
Bags	496,097	538,663	532,597
Bulk	1,032,645	134,864	52,820
Packs	1,957,519	1,688,203	1,578,670
Total Qty (kg)	3,486,261	2,361,730	2,164,087
Value (Rs.Bn)	2.23	2.16	2.11
FOB	639.87	916.29	974.73

Source: Tea Export Statistics without (Reexport)- SLTB

JORDAN

Jordan imports around 8,000 MT of tea per annum and the domestic consumption of tea is between 5,500 MT to 6,500 MT.

Table 3.29 : Export of Ceylon Tea to Jordan

	2017 (MT)	2018 (MT)
Bulk	248	174
Packets	2,213	2,251
Tea Bags	2,119	2,160
Green Tea	0	1
Total	4,580	4,586

Source: Tea Export Statistics without (Reexport)- SLTB

According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 3,878MT and in 2017 it was 4,580MT. During 2018, a quantity of 4,586 MT was exported. It is noted that more than 95% of all Ceylon Tea exports is in value added form and Jordan is the largest tea bag destination for Ceylon Tea with a quantity over 2,100MT. In the past few years, Kenya has made tremendous in-roads to the Jordan market.

EGYPT

Egypt imports close to 100,000 MT of tea and consumes around 90,000 Tons per annum. This North African Nation is the 5th largest importer of tea in the world and the biggest in the African Continent. The average per capita tea consumption is around 1 kilo. Within black tea, loose black tea continued to dominate sales, due to being the most popular option among low-income consumers in many regions, with only major metropolitan areas seeing a split between loose tea and tea bags. The best performing category in 2017, however, was green tea, as Egyptian consumers have become more health conscious.

Egypt has become a major market for Kenyan Tea with a dominant share of over 85% and an off-take volume of around 80 to 85 Million kilos annually. Egyptians prefer CTC type with strong brew and plenty of sugar. Kenyan teas dominate the Egyptian market. China, Vietnam and other tea producing countries with cheaper prices have a potential of penetrating the Egyptian tea market with low priced Black Orthodox and well-made CTC types.

Table 3.30 : Export of Ceylon tea to Egypt

	2017 (MT)	2018 (MT)
Bulk	522	1,160
Packets	783	780
Tea Bags	53	66
Others	-	7
Total	1,358	2,012

Source: Tea Export Statistics without (Reexport)- SLTB

Sri Lanka tea exports show a declining trend during the past few years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 were 3,050 MT of Ceylon Tea. A quantity of 1,358 MT of Ceylon Tea was exported during the year 2017, of which 38 % was in bulk,

58 % was in packets and 4% in Tea bags. During 2018, a quantity of 2,012 MT was exported. Under the prevailing price sensitive market conditions, Ceylon Black Tea smaller leafy grades and Dust grades would be suitable for blending purposes. However, in the comparatively small premium segment, there is potential for Ceylon Tea brands.

3.6.3. Far East Oceania Region

JAPAN

Sri Lanka's tea exports to Japan have slightly declined both in terms of value and quantity when compared to the same period in the year 2017. This may have been due to the recent issue of agro chemicals in Ceylon Tea shipments to Japan.

Table 3.31 : Tea imports to Japan

Tea imports	2017		2018	
	Qty. (MT)	Value (Yen Mn)	Qty. (MT)	Value (Yen Mn)
Black Tea PKT (HS 0902.30)	761	1,538	760	1,432
Black Tea BULK (HS 0902.40)	7,222	4,120	6,753	4,109
Total	7983	5658	7513	5541

Source: Japan Customs

However, with the timely intervention of Sri Lanka Tea Board and other authorities, a negative situation has been avoided. The tea exports to Japan in 2018 would have surpassed the levels of 2017 figures, if not for this unfortunate issue.

CHINA

China is a country of tea culture and is the world's largest producer of Green Tea, Oolong Tea, Scented Tea (Jasmine) and Puer' Tea. Though China predominantly produces green tea, they also produce black Tea. China emerged as the largest tea producer and consumer globally and the second largest tea exporter to the world with a volume of 355 million kgs in 2017.

Total tea exports to China has shown a notable growth during the past five years. The largest growth is registered from bulk tea exports. According to Sri Lanka Customs, direct exports during 2017 were 9,472 MT of Ceylon Teas at a value of 46.98US\$ million. A quantity of 9,158 MT of Ceylon Teas with a value of 43.37US\$ million were exported during 2018, of which 93.31% was in bulk, 3.12% was in packets and 2.74% in tea bags.

Table 3.32 : Ceylon Tea exports to China

	2016	2017	2018
Bags	213,625	277,719	250,655
Bulk	6,941,115	8,900,374	8,545,027
Packs	307,897	279,961	285,307
Packs (>3 Kg)	0	14,260	76,980
Total qty (Kg)	7,462,636	9,472,315	9,157,969
Value (USD)	30,984,304	46,978,628	43,369,841

Source: Tea Export Statistics without (Reexport)- SLTB

The above table depicts that value added exports percentages remained stagnant during last five years and bulk tea proportionately increased with total exports. This is mainly due to the lack of Ceylon Tea brand presence in Chinese market due to strong competition created by local specialized tea shops with cultural influence. Apart from local black tea suppliers competition created in China; Vietnam, India, Indonesia and Kenyan black tea create stiff competition to capture China black tea market.

Duty applicable for import of tea into China is 15%. Countries with MFN status receive a concession of 30% on the duty applicable, while the APTA member countries among them receive a concession of 50% on the duty applicable (Sri Lanka comes under this category and the duty applicable therefore is 7.5%). However, duty applicable for ASEAN countries has been reduced to Zero. In addition VAT on imports is 17%.

AUSTRALIA

Organic green tea saw the strongest value growth in the tea sector in 2018. This was because consumers were attracted to the health and sustainability credentials of these products, such as being cultivated without the use of pesticides.

Sri Lankan premium tea export brand "Dilmah" has taken the position as one of Australasia's most popular Ceylon tea brands known widely for its ethical growing, production and business practices. Dilmah has recently launched an organic herbal range across the ditch featuring chamomile, rooibos, fruit and mint and berry infusions to meet the rising demand for hot herbal brews in Australia. Another Sri Lankan brand "IMPRA" also taking inroads in the Australian market and their agent is operating from Melbourne.

Australians are drinking more tea, but that consumption of 'regular tea' (i.e. black tea in teabags) has fallen. In its place Australians are not only opting for green tea, they're also seeking out flavoured teas. Soft drink consumption has fallen, but consumption of other cold beverages is growing. Brands are introducing consumers to new flavoured blends, with a strong push towards iced tea. Three in five consumers are happy to pay more for products that are responsibly sourced. This means that Fair Trade, organic and provenance are all ways to tap into the mindset of these customers.

Sri Lanka has exported 2.3 Mn.kg of tea to Australia for Rs.3.7 Bn (US\$ 23.19Mn).

SINGAPORE

The tea market is expected to grow annually by 2.6% (2018-2021) and current market size is recorded as US\$210Mn. The average per capita consumption stands at 1.3kg in 2017 including Chinese Tea. A large portion of Singapore population with Chinese ancestry prefers Green Tea. Even though Sri Lanka produces its own Green Tea, it is not the most popular type of Tea in the market due to its strong taste and aroma. According to market experts milder Green Tea varieties like Japanese Green Tea are preferred by most Singapore consumers. Based on the ITC Trade Map, Sri Lanka is the leading supplier for Black Tea in Singapore.

During 2018 Sri Lanka exported 429,952kg of tea to the Singapore.

3.6.4 North and South American Region

Table 3.33 : Ceylon Tea exports to North and South American region

Country	2018 Qty. (kg)	2017 Qty. (kg)	Change Qty. (kg)	Growth %
Chile	7,456,225	7,004,202	452,023	6.45
USA	4,643,670	4,037,606	606,064	15.01
Canada	461,853	587,997	-126,144	-21.45
Venezuela	11,440	0	11,440	
Brazil	26,069	5,926	20,143	339.91
Mexico	38,336	15,772	22,564	143.06
Panama	157	473	-316	-66.81
Argentina	29,735	42,080	-12,345	-29.34
Colombia	101	271	-170	-62.73
Total	12,667,586	11,694,327	973,259	8.32

Source: Tea Export Statistics without (Reexport)- SLTB

USA

USA is considered as the 03rd largest importers of tea in the world after Russia and Pakistan. The consumers have shown greater preference for ready to drink tea due to flexibility, convenience and as a healthier alternative to sugary laden beverages. Among the US beverage consumers there is a demand for beverages that are closer to nature. Consumers, especially millennials, demand “less processed” food and drink, driving companies to remove artificial ingredients.

Products under special categories such as Organic, Fair-trade, Rainforest Alliance, Kosher, and Vegan certified food and beverages products have been expanding over the past several years. Sales of Kosher certified products have grown at an annual rate of 15%. It was also reported that ‘Kosher’ was one of the most frequently used claims on new products launched in the USA than ‘All Natural’ and ‘No Additives or Preservatives’.

Ceylon Tea sector to USA has reaching \$ 25.2 million during the year 2017. As per the available trade data, during 2018 the tea exports have reached \$ 26.91 million with 6.73% growth rate.

During the past several years the USA domestic market size, demographic composition, consumer behaviours, consumer buying strength, pattern and their mind sets, knowledge about the products they buy and consume regularly and its manufacturing process together with mechanism, consideration of ethical and environmental related values have been prominent in reshaping the consumer decisions and these elements are playing a major role in the market and its future growth directions. These changes bear direct impact in the market place shaping its direction.

CANADA

During the year 2017, Ceylon Tea exports to Canada, both Green and Black Tea, registered a positive growth from USD 5.80 million in 2016 to USD 6.14 million, according to the available statistics. The export of HS code 090230 Black Tea (fermented and partly fermented), HS 090220 - Green Tea (Not Fermented) and HS 090240 - Black Tea, (Fermented and Partly Fermented), is evident an increase of export values in year 2017 compared to 2016. It may be noted that for the past four years export value of all categories of Ceylon Tea registered a negative trend from USD 6.86 million in 2013 to USD 5.80 million in 2016 as per the trade statistics. During the first nine months of 2018, the total export of Tea from Sri Lanka to Canada registered a somewhat lowering value to USD 4.24 million, compared to the value of USD 4.37 for the same period in 2017.

Sri Lanka remains as the 7th top most exporter of tea, following United States, China, India, United Kingdom, and Japan, some of which are re-exporters, into the Canadian market under the above categories in year 2017. As a product, HS 0902 Tea from Sri Lanka holds the 7th place from the top 25 products under (HS4 codes), with an export figure of USD 6.14 million in year 2017.

The retail market in Canada is currently dominated by tea sold by leading brands including Red Rose, Tetley, etc. It was noted that Ceylon Tea was among the tea varieties marketed by Tetley. In the context of Ceylon Tea exports, it was observed that brands such as Dilmah, Basilur and small quantities of Ahmed Tea are available at Canadian supermarket chains such as Loblaw's, Metro and Sobeys.

3.6.5 European Region

Table 3.34 : Ceylon tea export to European region

Country	2018 (Kg)	2017 (Kg)	Variance (Kg)	Growth %
Germany	5,899,032	6,679,980	-780,948	-11.69
Poland	2,114,385	2,327,422	-213,037	-9.15
Belgium	3,424,698	2,540,409	884,289	34.81
Netherlands (Holland)	2,784,512	2,629,019	155,493	5.91
Ireland	2,165,519	1,944,814	220,705	11.35
Italy	1,402,241	904,057	498,184	55.11
Finland	399,343	976,571	-577,228	-59.11
France	808,307	660,883	147,424	22.31
United Kingdom	950,473	1,206,515	-256,042	-21.22
Sweden	415,190	341,770	73,420	21.48
Denmark	124,408	127,465	-3,057	-2.4

Source: Tea Export Statistics without (Reexport)- SLTB

POLAND

Poland is the fourth largest buyer of Sri Lanka tea in Europe after the United Kingdom, Germany and Netherlands. Tea is one of most important hot drink in Poland and is perceived by many as an essential everyday product. Tea import to the Poland has reached approximately. 38,097 MT in 2017 (ITC Report). According to the ITC report in 2018, per capita consumption of Tea in Poland is 950 grams. Poland is a traditional tea consuming country.

Polish people quality are conscious tea consumers and they are presently moving to Green Tea, white tea and teas of other flavor. Polish people are black tea drinkers, with 87% of the tea imported being black tea and only 13% being green tea.

Sales of unpackaged tea in Poland are concentrated in specialist tea shops located in large cities as well as online stores. However, Polish consumers prefer specialist tea shops rather than online sales due to the direct contact with shop assistants, who can offer comprehensive advice about the different types of tea available.

FRANCE

France imports 18,900 ton of tea per year: 15,130 tons are for domestic demand (French market). 3,370 tons are re-exported (high tea quality) mainly to Germany, England. France imports mainly from China, then Sri Lanka and India.

French consumers reaffirmed their will to consume healthy and organic products. According to Agency Bio, 85% of French people think it is important to develop organic agriculture and global production, while 25% declare that they want to consume more organic products.

The main challenge for the EU is to fight against counterfeiting and the lack of quality. As the EU does not produce tea, it does not import any tariffs or specific standards apart from the food safety and labeling regulations. The market is thus fully liberalized. Tea actors

are trying to differentiate themselves from national and international competitors. For example, Lipton has created a new tea machine copying the coffee machine from Nespresso. Consumers are looking for more and more quality, single origin tea and fair trade.

UNITED KINGDOM

The UK tea industry held a total market value of GBP 450.7 million for black tea products. Another GBP 78.8 million was sold in fruit and herbal teas, with GBP 46.1 million was sold in specialty teas.

Tea industry is facing pressure from a variety of different beverages, most notably coffee, while there is still some room for growth in the industry. The cause for this pattern of growth isn't the standard black tea. It is a growing trend of enjoying fruit and herbal teas by those who want to be more conscious about their health. Since 2012, the sale of standard black tea bags has fallen by 13%, while the sale of specialty teas has increased by 50% and green tea sales have improved by 50%.

Tea will always be apart of the identity and culture of the United Kingdom. The tea industry there is on secure foundation. While the industry identifies changing consumer preferences and adapts to them, the market remains strong as a consequence. However, uncertainty about Brexit, along with changing relationships with the EU-member nations, could affect the export industry.

It is reported that 37% of people in the 25-34 age demographic within the UK report that they drink 5-6 different types of tea at home or at work over the past 30 days. For those in the 55+ age demographic, just 3% have tried that many different types of tea. Black tea is the most popular in the UK, accounting for 70% of the varieties consumed daily. Herbal and spice teas are the next popular, at 36%, while green tea (34%) and instant tea (17%) follow. (Source: Mintel)

Table 3.35 : Top 10 Tea Importing countries of United Kingdom

Country	2016 (MT)	2017 (MT)
Kenya	64258	70166
India	26070	16309
Malawi	3537	6474
Tanzania	3671	3564
China	3072	3177
Mozambique	2582	2526
Germany	1592	2224
Sri Lanka	1294	1795
Indonesia	988	1244
South Africa	1668	1203

Source: ITC Bulletin

Table 3.36: Ceylon Tea exports to UK

	2016	2017	2018
Bags	187,715	210,128	212,934
Bulk	614,889	842,662	538,120
Packs	154,444	152,725	199,418
Packs (>3 Kg)	2	1,000	0
Total qty (Kg)	957,050	1,206,515	950,473
Value (Rs.Mn)	1,168	1,629	1,594

Source: Sri Lanka Tea Board without (Reexport)

SWEDEN

Sweden has imported US\$ 38.3 Mn worth of tea in 2017. The market is expected to grow annually by 3.6% (CAGR 2018-2021). The average per capita consumption stands at 0.3kg for the statistics available for 2018. Sri Lanka ranks at 4th place in the market with a value of US\$ 3.1 Mn in 2017.

Premium positioned specialty brands such as Yogi Tea, Dilmah Tea and Kung Markatta have gained increasing popularity during 2017 while Lipton brand is the market leader in black tea, green tea and other teas. The fastest growing area in 2017 has been green tea both in volume and value terms. Market opportunities are available for new varieties with attractive packaging since Swedish people are constantly looking for differentiated products.

DENMARK

Denmark has imported US\$ 33.6 Mn worth of tea in 2017 with imports from Sri Lanka accounting to US\$ 2 Mn (6th Place). Tea with a healthy positioning, such as green tea and herbal/traditional tea performed well in 2017 due to improved customer awareness of sustaining healthy lifestyle.

There has been an increased demand for organic tea in 2017. This could be attributable to the fact that Danes are the most prolific consumers of organic products in the world, with organic food products accounting for 10% of total retail sales of food in 2016 (Organic Denmark)

Danes are demanding more premium quality tea rather than budget friendly teas. The main 4 players in the tea market are Merrild Kaffe, Unilever Denmark, Haugen-Gruppen Denmark and The Fredsteds. Opportunities remain for manufacturers who are able to target consumers in areas such as premium quality, functionality and organic; or products with a combination of these features.

3.6.6 South Asia Region and Other Countries

Table 3.37 : Country wise Ceylon Tea exports to South Asia Region

Country	Qty. (Kgs)		Change	Growth %
	2017	2018		
India	279,951	840,561	560,610	200.25
Pakistan	128,902	35,752	-93,150	-72.26
Bangladesh	1,315	1,587	272	0
Maldives	192,079	200,623	8,544	4.45
Afghanistan	0	5,008	5,008	
Nepal	2,763	2,751	-12	-0.43
Total	605,010	1,086,282	481,272	79.55

Source: Sri Lanka Tea Board without (Reexport)

INDIA

Production of tea reached 1,325.05 million kgs in 2017/18. Around 1,091.4 million kgs were produced in North India and 233.65 million kgs were produced in South India. India has around 566.66 thousand hectares of area under tea production. Tea production is led by Assam (307.08 thousand hectares), West Bengal (140.44 thousand hectares), Tamil Nadu (69.62 thousand hectares) and Kerala (35.01 thousand hectares).

Tea consumption in India is skewed towards the northern and western parts of the country with a 32% contribution from the northern states and 31% from western region. The eastern region accounts for 19% while the southern states contribute to 18% of the total domestic consumption of tea.

Indian tea has failed to maintain higher prices in the world market as Kenya is routing its higher produce in three key black tea markets, Europe, Pakistan and Egypt. Tea exports may fall flat this year on two grounds i.e. high production in Kenya and a temporary uncertainty created in the market after sanctions imposed on Iran by US.

PAKISTAN

Pakistan is one of the largest tea consuming countries in the world. The tea market size is over 200 Million Kilos annually.

Pakistan tea imports are registered at 182,992 MT in year 2018 when compared to 166,687.6 MT imported in 2017. The import of tea from Sri Lanka to Pakistan is recorded at 21.3 MT in 2018 as compared to 100.904 MT imported in 2017.

Pakistan has offered an annual TRQ of 10,000 MT on duty free basis to Sri Lanka under the Pakistan – Sri Lanka Free Trade Agreement. Applicable custom duty on tea is 10%. According to the statistics above, Sri Lanka has utilized very nominal TRQ in 2018.

Table 3.38 : Tea imports to Pakistan

Origin	2017 MT	2018 MT	Average Price US\$ / Kg for 2018
Sri Lanka	100.9	21.3	4.3
Kenya	129,491.5	138,942.8	2.6
Rwanda	10,830.1	12,368.7	2.5
Indonesia	2,331.2	2,036.9	2.4
Tanzania	4,072.6	4,696.03	1.5
Uganda	2,726.7	4,581.0	1.4
India	11,804.6	16,036.9	1.3
Vietnam	2,752.1	1,462.8	1.2
China	2,577.7	2,845.6	0.7
Total	166,687.6	182,992.3	-

Source: Pakistan Tea Association

During 1970s and early 1980s Sri Lanka was the market leader of tea in Pakistan. The market share has eroded with the escalation of auction prices in Colombo and as a result Pakistani importers moved to CTC teas from Kenya with lower prices. Tea market of Pakistan has been dominated by Kenya and East African Countries. The Pakistani consumers are used to the taste of Kenyan tea.

Tea market of Pakistan comprises of leaf tea (84%), dust tea (14%) and green tea (2%). Lipton (Unilever), Tapal and Tetly are the popular tea brands in Pakistan. The market share of Unilever is estimated at 35%, Tapal at 20% and others at 45 %.

SOUTH AFRICA

South Africa is a traditional tea consuming country. However the habit of drinking tea varies among the different communities. The Black Community prefers soft drinks like Coca Cola or other similar drinks while the White and Indian communities consume black tea. When Black tea is concerned, South Africa continues to import average of 26,000 metric tons annually. These imports are mainly from Malawi, Zimbabwe, Tanzania, Sri Lanka and Kenya.

Table 3.39 : Tea imports to South Africa

Country	Year / Volume (MT)				
	2014	2015	2016	2017	2018
Malawi	17,106	14,080	18,518	16,744	12,212
Zimbabwe	4,829	5,104	3,761	4,288	4,867
Tanzania	1,583	1,905	1,884	2,898	1464
Sri Lanka	1,852	2,052	2,035	1,763	1715
Kenya	602	662	715	599	673
Total	26,996	25,514	27,680	27,051	21,905

Source : 2018 – Department of Trade and Industry, South Africa

Total imports of black tea in to South Africa have shown an increasing trend in the period 2014 - 2017. However, import quantity has declined in the year 2015. Malawi continued to be the major supplier of tea to South Africa and the increase of tea imports from Zimbabwe during the recent past is noticeable. Black tea import from Sri Lanka has declined in 2017. Total imports has declined in 2018 compared to the same period in 2017.

South Africa's locally produced herbal tea "Rooibos" has become popular among all communities. Its production as well as exports has gone up during the recent past. Black tea and other varieties of tea are sold at retail chain stores and grocery stores in South Africa. However, it is noticeable that about 90% of tea sold in the market is in the form of tea bags. Value added teas have become popular especially among the young generation. As an example, ice tea in cans and portable bottles is used widely by the young South Africans.

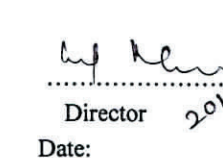
South Africa imports tea in bulk form from Sri Lanka for blending purpose. M/S National Brands Limited of South Africa, which owns the brand name "Five Roses Tea", is importing bulk tea from Sri Lanka through its supplier M/S Ranfer Teas. However, with the entrance of Sri Lankan companies, i.e. Dilmah Tea, Basilur Tea, Tea 4u to the South African market, Pure Ceylon Tea is now available for the South African consumers.

4. FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION**As at 31st December 2018**

	Notes	2018 (Rs.)	2017 (Rs.)
ASSETS			
Non-current Assets			
Property, Plant and Equipment	F	818,786,907	829,161,619
Prepaid Leasehold Right to Land	G	2,732,879	9,862,034
Intangible Assets	H	21,172,135	16,981,726
Total Non-current Assets		842,691,921	856,005,379
Current Assets			
Inventories	I	38,408,150	25,014,407
Trade and Other Receivables	J	50,904,409	46,174,062
Deposits and Prepayments	K	90,504,175	61,388,571
Other Financial Assets	L	7,892,667,860	6,353,072,570
Loans	M.(1)	855,856,243	1,374,763,479
Cash & Cash Equivalents	M	131,431,383	290,531,715
Total Current Assets		9,059,772,220	8,150,944,804
Total Assets		9,902,464,141	9,006,950,183
EQUITY AND LIABILITIES			
Contributed Capital		672,012,202	672,012,202
Retained Earnings		(123,546,104)	(172,191,903)
Promotion and Marketing Levy	N	7,474,510,801	6,806,198,361
Revaluation Reserve		508,216,543	508,216,543
Total Equity		8,531,193,442	7,814,235,204
Non-Current Liabilities			
Employee Benefit Obligations	O	52,519,035	52,857,507
Bank loan	P	129,158,212	344,669,271
Total Non-Current Liabilities		181,677,247	397,526,778
Current Liabilities			
Income Tax payable	Q	54,116,835	156,397,653
Trade and Other Payables	R	917,173,051	417,644,722
Bank loan		217,685,862	217,685,862
Bank Overdraft	S	617,703	3,459,964
Total Current Liabilities		1,189,593,452	795,188,201
Total Equity and Liabilities		9,902,464,141	9,006,950,183

The accounting policies on pages 74 to 79 and Notes on pages 80 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.

 Director Finance Date: 2019/2/26	 Director General Date: 2019/2/26	 Chairman Date: 2019/2/26	 Director Date: 2019/2/26
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INCOME STATEMENTYear ended 31st December 2018

	Notes	2018 (Rs.)	2017 (Rs.)
INCOME	A	446,787,082	554,825,938
EXPENDITURE			
Tea sector development expenditure	B	(56,921,866)	(128,769,009)
Administrative expenses	C	(382,786,592)	(351,504,928)
Operating Surplus / (Deficit)		7,078,624	74,552,001
Finance expenses	D	(57,486,825)	(80,863,240)
Finance income	E	103,020,269	109,265,725
Surplus / (Deficit) Before Taxation		52,612,068	102,954,486
Tax paid on Interest Income	Q	(8,631,034)	(12,986,594)
Surplus / (Deficit) After Taxation		43,981,034	89,967,892

STATEMENT OF OTHER COMPREHENSIVE INCOMEYear ended 31st December 2018

	2018 (Rs.)	2017 (Rs.)
Surplus / (Deficit) for the period	43,981,034	89,967,892
Gratuity adjustment for the year	-	3,354,903
Revaluation surplus / (loss)	(3,286)	-
Total comprehensive income for the period, net of tax	43,977,748	93,322,795

The accounting policies on pages 74 to 79 and Notes on pages 80 to 95 form an integral part of these Financial statements

STATEMENT OF CHANGES IN EQUITY**As at 31st December 2018**

	(in Rs.)				
	Contributed Capital	Promotion & Marketing Levy	Revaluation Reserve	Accumulated Profit	Total
Balance as at 01st January 2017	672,012,202	5,794,718,308	508,216,543	(267,880,212)	6,707,066,841
Promotion and Marketing Levy (Note -N)	-	1,011,480,054	-	-	1,011,480,054
Adjustments	-	-	-	2,365,514	2,365,514
Surplus for the year 2017	-	-	-	93,322,795	93,322,795
Balance as at 31st December 2017	672,012,202	6,806,198,361	508,216,543	(172,191,903)	7,814,235,203
Balance as at 01st January 2018	672,012,202	6,806,198,361	508,216,543	(172,191,903)	7,814,235,203
Promotion and Marketing Levy (Note -N)	-	631,890,344	-	-	631,890,344
Adjustments	-	36,422,096	-	4,668,051	41,090,147
Surplus for the year 2018	-	-	-	43,977,748	43,977,748
Balance as at 31st December 2018	672,012,202	7,474,510,801	508,216,543	(123,546,104)	8,531,193,442

The accounting policies on pages 74 to 79 and Notes on pages 80 to 95 form an integral part of these Financial statements.

STATEMENT OF CASH FLOWYear ended 31st December 2018

	2018 (Rs.)	2017 (Rs.)
Cash Flows From Operating Activities		
Net Profit from Operations	43,977,748	93,322,795
Adjustments for		
Depreciation of PPE	31,592,337	33,208,490
Profit or Loss disposal of PPE	386,634	6,175,510
Amortisation of Lease hold lands	76,386	1,251,847
Amortisation of Intangible assets	2,476,146	822,109
Gratuity provision	7,129,664	(3,354,903)
Finance expenses	57,486,825	80,863,240
Finance income	(103,020,269)	(109,265,725)
Adjustments	92,417,328	2,912,202
Provision for taxation	178,086,406	279,688,477
	266,631,456	292,301,247
Operating Profit before Working Capital Changes	310,609,204	385,624,042
Decrease /(Increase) in Inventories	(13,393,743)	10,524,220
Decrease /(Increase) in Trade and Other Receivables	(4,730,347)	(12,943,825)
Decrease /(Increase) in Deposit & Prepayment	(29,115,603)	(8,372,859)
Decrease /(Increase) in Trade & Other Payables	499,528,329	499,528,329
Loan to RPC'S	518,907,236	(251,299,529)
	971,195,872	(577,874,323)
Cash Generated from Operations	1,281,805,076	(192,250,281)
Gratuity Paid	(7,468,136)	(7,410,775)
Taxation	(280,367,224)	(233,651,856)
Net Expense for promotional activities	631,890,344	1,011,480,054
Net Cash From Operating Activities	344,054,984	770,417,423
Cash Flows (used in) Operating Activities	1,625,860,060	578,167,142
Cash Flows (used in) Investing Activities		
Cash received from sale of PPE	81,065	8,490,954
Finance income	103,020,269	109,265,725
Acquisition Intangible Assets	(15,177,104)	(6,896,000)
Acquisition of Property Plant & Equipment	(57,449,188)	(50,942,005)
Investments including P & M Levy	(1,539,595,290)	(213,118,767)
Net Cash Flows used in Investing Activities	(1,509,120,247)	(153,200,093)
Cash Flows Used in Financing Activities		
Finance expenses	(57,486,825)	(80,863,240)
Bank Loan	(215,511,059)	(113,944,867)
Net Cash Flows / (Used in) Financing Activities	(272,997,884)	(194,808,107)
Net Increase / (Decrease) in Cash and Cash Equivalents	(156,258,072)	230,158,942
Cash and Cash Equivalents at the beginning of the year	287,071,752	56,912,810
Cash and Cash Equivalents at the end of the year	130,813,680	287,071,752

The accounting policies on pages 74 to 79 and Notes on pages 80 to 95 form an integral part of these Financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

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 2018 and these financial statements are authorized by the board of directors on 26.02.2019.

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.

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 straight line method on the cost or valuation based on estimated useful lives of property Plant and 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

Since some of the Assets were already been reached to the scrap value but they are still being used by the SLTB, Action has been taken to revalue the assets by the valuation Department.

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 fulfilment 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

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.

Intangible Assets as at 31.12.2018

Intangible Assets	Expected useful life
POS System – Sales Counter	1 year
Licence for SQL Server standard 2012	3 years
Hsenid Software System	5 years
Finpac Software	6 years
Software Package for B 60 Subsidy	4 years
Hsenid Software-Producing MSL/coopers Repo	4 years
Factory Modernization Replanting Software	4 years
Jumla version Website	2 years
Finpac module integration	6 years
FINPAC Fixed Assets Module	10 years
hSenid – TI Module Software	3 years
DMS- Tea Land Registration Software	10 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 unit's (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 the payment of income tax only for the interest income at the rate of 28% as per the Inland Revenue Act No. 10 of 2006 and amendments thereon and liable for Dividend Tax under Section 61 (C) of the said act. Adjustments have been made according to the provisions in new inland Revenue Act No. 24 of 2017 commencing from 01.04.2018

Details of Provision for taxation and tax payments disclosed in Note (O) to the Financial Statements.

3.9 Inventories

Inventories are recognized at cost and net realizable value whichever is lower after making due adjustments 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.

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 Statement of other comprehensive income.

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. Action has been taken to carried out the employee benefit liability based on the actuarial valuation by an independent actuarial specialist from the year 2019 onwards.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

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 for factory modernization subsidy scheme and Tea replanting Subsidy Scheme. Government grants under the recurrent vote is used for the payment of salaries to employees.

5.1.1 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 will be recognised upon satisfaction of performance obligation. Sri Lanka Tea Board expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of 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.

5.1.2 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.

Sri Lanka Tea Board has maintaining three overseas offices. All the expenses other than salaries of the three officers attached to the said units have been accounted under Promotional & Marketing levy as maintenance Expenditure of each units (Moscow, UAE & China).

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 year ended 31 December 2018.

6.1.2.2 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.

6.1.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

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 year ended 31 December 2018.

6.1.2.4 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.

6.1.2.5 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.

6.1.2.6 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.

7. Liabilities and Provisions

1. A claim of Rs. 756,077.35 has been requested from SLTB and other parties jointly and or severally and judgment is pending as at the Balance Sheet date.
2. A charge of Rs. 1,143,600/- (including taxes) has requested due to the improper registration. Case is pending as at the Balance Sheet date.

SLTB has been advised by the legal council on the legal cases including the above case pending as of 31st December 2018 that it is only possible, but not probable that the action will succeed. Accordingly no provision has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

Case No.	Court	Parties	Cause of Action	Present Status
Arbitration	ICLP Arbitration Centre	Sri Lanka Tea Board Claimant K.T.E.N.Subasena- Respondent	Loss and damages of Rs. 1,617,017.37 in connection with the refusal and willful failure to perform and discharge the respondent's obligations under the contract for Roof repair, water proofing toilet floor, walls and colour washing at SLTB. Cross claim of Rs.6,321,360.15 by the Respondent against the SLTB	Inquiry on 22.01.2019 & 24.01.2019
LT 8/138/2017	Labour Tribunal, Colombo	Y.M.A.K.Bandara Applicant Sri Lanka Tea Board- Respondent	Reinstate in the District Project Assistant position with back wages and other benefits. Alternatively grant a reasonable Sum as compensation cost	Inquiry on 11.01.2019
LT 8/138/2017	Labour Tribunal, Colombo	S.S.S.Guruge Applicant Sri Lanka Tea Board- Respondent	Reinstate in the position of Asst. Tea Commissioner with back, wages, Damages	Trial on 11.01.2019
CA(writ)175/14	Court of Appeal	A.S.T.de Silva A.A.A.de Silva D.S. de Silva Petitioners Sri Lanka Tea Board- Respondent	Writ prohibiting the arrest/taking into custody the "made Tea" transport/sold by the petitioners. Mandate directing to issue licenses for Sale and transport made tea. Litigation Cost.	Argument 15.02.2019
CA (writ)209/2017	Court of Appeal	Finest Tea Exports Pvt Ltd M.F.N.Fariq, Director Petitioners Sri Lanka Tea Board- Respondent	Request an order to permit the Petitioners to upgrade the whole quantity of tea in container Nos.MSKU 0130843,MSKU 5022710,Cost	Argument 18.01.2019
SC/HC/LA 69/2018	Supreme Court	Colombo Business School -Claimant Petitioner Appellant Sri Lanka Tea Board- Respondent	Set aside the judgement of the Commercial High Court of Colombo dated 18.05.2018 Re trial before the Commercial High Court of Colombo cost	Support 15.03.2019
SC FR 429/16	Supreme Court	H.M.M.Sedara & 23 others Petitioners Sri Lanka Tea Board & 30 others Respondent	Order to provide a suitable promotional post/ path for the clerical and Allied services of SLTB and promote to the Next promotional grade, Cost	Argument 18.01.2019
SC FR 333/18	Supreme Court	K.B.P.S.Lakshman Petitioners Sri Lanka Tea Board- Respondent	Quash the appointments of 21st -24th Respondents Promote the Petitioner to the ATC position compensation of Rs. 1.5 Mn. Cost	Amended Petition 21.01.2019
SC FR 375/18	Supreme Court	D.A.A.Premawardana Petitioners Sri Lanka Tea Board & 24 others Respondent	Declaration that Fundamental Rights of the Petitioner has been infringed, selection procedure adopted in selection of is invalid. Direction to hold a duly structured Interview and reasonable compensation, Cost	Objection 13.02.2019
SC FR 377/18	Supreme Court	A.N.K.Batuwanthudawe Petitioners Sri Lanka Tea Board & 24 others Respondent	Declaration that Fundamental Rights of the Petitioner has been infringed, selection procedure adopted in selection of is invalid. Direction to hold a duly structured Interview and reasonable compensation, Cost	Objection 13.02.2019

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

8. Related Party Transactions

8.1 Transactions with State and State Controlled Entities

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 transaction 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 Transaction

	2018 (Rs.)	2017 (Rs.)
Transaction;		
Revenue	215,800,000	277,962,000

In the year 2001 Sri Lanka Tea Board has entered into agreement with JEDB to use the properties of JEDB for Ceylon Tea Museum for 30 years.

Additionally in the year 2003 Sri Lanka Tea Board has given Rs. 25 Million loan to JEDB which has written off as bad debts.

8.2 Key Management Compensation

SLTB key management personnel include the Board of Directors.

Mr. S.A.Siriwardena Director General of Sri Lanka Tea Board is serving as the member of the Board of Ceylon Tea Museum.

	2018 (Rs.)	2017 (Rs.)
Short term employment benefits	1,725,250	1,920,821

Additional Disclosures

Sri Lanka Tea Board has entered into Rent agreements for obtaining premises for commercial and other operations.

Temporary Releasing vehicles

Sri Lanka Tea Board has released 04 vehicles to the following entities on monthly rent of Rs. 150,000/- for 02 years period.

(i) Kalubovitiyana Tea Factory	-	02 vehicles
(ii) National Institute of Plantation Management	-	02 vehicles

The above 02 vehicles had been transferred to NIPM without any agreement.

Rent Agreement	Period	Monthly rent
Export facilitating Center	2017 Nov - 2019 Nov	50,000.00
Galle Regional Office	2018 Aug - 2020 Jul	125,000.00
Matara Regional Office	2017 Oct - 2018 Sep 2019 Jan - 2020 Dec	68,000.00 100,000.00
Baduraliya ATC quarters	2017 Sep - 2019 Aug	13,500.00
Kalutara TI Office - Matugama - Ingiriya	2018 Sep - 2020 Aug 2018 Jan - 2019 Dec	14,500.00 12,500.00
Galle TI Office - Yakkalamulla - Hiniduma	2018 Jan - 2019 Dec 2018 Jan - 2019 Dec	12,000.00 12,000.00
Matara TI Office - Deniyaya - Morawaka - Akuressa - Urubokka	2018 Mar - 2020 Feb 2018 Mar - 2020 Feb 2017 Dec - 2019 Nov 2017 Dec - 2019 Nov	12,500.00 15,000.00 12,500.00 12,500.00
Bandarawela TI Office - Welimada - Hali Ela	2018 May - 2020 Apr 2018 May - 2020 Apr	12,500.00 12,500.00
Gampola TI Office - Gampola - Mawanella - Mathale - Ginigathhena - Kandy - Talawakelle - Udunuwara - Walapane	2018 May - 2020 Apr 2018 Oct - 2020 Sep 2018 Feb - 2020 Jan 2018 Apr - 2020 Mar 2018 Oct - 2020 Sep 2018 Sep - 2020 Sep 2018 Jun - 2020 May 2018 Jun - 2020 May	12,500.00 15,000.00 12,500.00 12,500.00 15,000.00 15,000.00 12,500.00 12,000.00

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

		2018 (Rs.)	2017 (Rs.)
A INCOME			
Grant from Treasury - Recurrent		165,800,000	153,500,000
-Capital & Development		50,000,000	17,500,000
-flood affected tea factories		-	106,962,237
Income from laboratory	Note 1	20,598,303	21,914,942
Interest transferred from P & M Levy		12,441,000	45,500,000
Registration and Renewal Income	Note 2	179,634,806	183,316,794
Other Income	Note 3	4,375,043	11,253,423
Net profit from commercial activities	Note A.1	13,937,930	14,878,542
		446,787,082	554,825,938
A.1 NET PROFIT FROM COMMERCIAL ACTIVITIES			
Tea Sales		26,011,127	23,997,124
Commission on exporter pack sales		11,376,955	10,921,369
Monopol rental		1,758,333	1,715,003
Sale of Cloth Bag		116,585	119,255
Income on sales in foreign currency		2,791	4,937
		39,265,791	36,757,688
Less : Cost of sales		(24,350,896)	(21,041,774)
Commission on credit card		(976,965)	(837,371)
Net profit from commercial activities		13,937,930	14,878,542
B TEA SECTOR-DEVELOPMENT EXPENSES			
Tea Factory Modernization Subsidy Scheme		19,158,500	7,834,287
Tea Replanting Subsidy scheme		30,841,500	9,658,854
GMP Improvement		6,439,112	1,287,472
Dealer Deposit Refund		200,000	65,000
Survey of Tea Land		3,247	2,961,159
Jaica Project		279,507	-
Compensation for flood affected tea factories		-	106,962,237
		56,921,866	128,769,009
C ADMINISTRATION EXPENSE			
Personnel emoluments	Note 3.1	185,602,820	171,732,385
Other administrative expenses	Note 3.2	41,953,536	43,338,652
Travelling expenses	Note 4	11,915,098	9,934,524
Supplies and requisites	Note 5	12,737,807	11,096,088
Repairs and maintenance	Note 6	28,564,929	22,209,827
Depreciation of PPE	F . PPE	28,264,402	29,436,922
Amortisation of Intangible assets	F . PPE	2,476,146	822,109
Amortisation of Leasehold Properties	F . PPE	76,386	76,386
Utilities and other expenses	Note 7	71,195,468	62,858,035
		382,786,592	351,504,928
D FINANCE EXPENSES			
Interest Expenses			
Peoples Bank PLC		40,908,222	58,265,057
Bank of Ceylon PLC		16,479,932	22,460,628
Bank charges		98,670	137,556
		57,486,825	80,863,240
E FINANCE INCOME			
Interest on Investments		44,376,123	27,962,258
Interest on RPC wages Loan		58,644,147	81,303,468
		103,020,269	109,265,725

NOTES TO THE FINANCIAL STATEMENTSYear ended 31st December 2018**F PROPERTY, PLANT AND EQUIPMENT**

	Cost or valuation as at 01-01-2018	Additions	Revalue	Disposals/ transfers	Adjustments	Cost or valuation as at 31-12-2018
Free hold land	376,300,000	-	-	-	-	376,300,000
Buildings	271,562,167	9,325,659	-	-	-	280,887,825
Office equipment	75,133,181	3,302,373	-	2,230,407	-	76,205,147
Furniture & fittings	40,298,386	1,531,679	17,750	717,972	66,785	41,063,058
Motor & other vehicles	48,120,892	11,497,124	-	3,610,700	-	56,007,316
Library books	383,044	-	-	-	-	383,044
Computer - hardware	42,046,366	4,834,121	-	3,888,367	-	42,992,121
Laboratry equipments	100,039,072	1,578,352	-	-	-	101,617,424
	953,883,109	32,069,308	17,750	10,447,447	66,785	975,455,936
Work in progress	-	-	-	-	-	-
Building / other	140,385,382	25,379,881	-	-	35,192,546	130,572,716
Computer hardware	-	-	-	-	-	-
	140,385,382	25,379,881	-	-	35,192,546	130,572,716
	1,094,268,491	57,449,189	17,750	10,447,447	35,259,331	1,106,028,652

Provision for depreciation	Accumulated depepreciation as at 01-01-2018	Charge for the year	Revalue	Disposals	Adjustments	Accumulated depepreciation as at 31-12-2018
Buildings	49,032,869	5,948,086	-	-	-	54,980,955
Office equipment	48,967,644	6,288,290	-	2,225,187	-	53,030,747
Furniture & fittings	22,790,930	3,612,453	-	696,348	45,748	25,661,286
Motor & other vehicles	28,740,364	4,803,466	-	2,546,153	70,000	30,927,678
Library books	383,044	-	-	-	-	383,044
Computer - hardware	27,168,598	5,561,318	-	3,874,027	-	28,855,889
Laboratry equipments	88,023,424	5,378,724	-	-	-	93,402,148
	265,106,873	31,592,337	-	9,341,715	115,748	287,241,746
Net book value	829,161,619	-	-	-	-	818,786,907

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2018**G LEASE HOLD PROPERTY**

	Cost or valuation as at 01-01-2018	Additions	Revalue	Write-off	Adjustments	Cost or valuation as at 31-12-2018
Lease hold property - HO	3,819,280	-	-	-	-	3,819,280
Lease hold property - Tea House	11,754,615	-	-	11,754,615	-	-
	15,573,895	-	-	11,754,615	-	3,819,280

	Accumulated amortisation as at 01-01-2018	Amortisation for the year	Revalue	Write-off	Adjustments	Accumulated amortisation as at 31-12-2018
Lease hold property - HO	1,010,015	76,386	-	-	-	1,086,401
Lease hold property - Tea House	4,701,846	-	-	3,526,384	1,175,461	-
	5,711,861	76,386	-	3,526,384	1,175,461	1,086,401
Net book value	9,862,034	-	-	-	-	2,732,879

H INTANGIBLE ASSETS

	Cost or valuation as at 01-01-2018	Additions	Revalue	Disposals/ Transfers	Adjustments	Cost or valuation as at 31-12-2018
Computer software - HO	12,489,150	10,162,804	-	973,960		21,677,994
Computer software work in pro	8,096,000	5,014,300	-		8,096,000	5,014,300
	20,585,150	15,177,104	-	973,960	8,096,000	26,692,293

	Accumulated depreciation as at 01-01-2018	Charge for the year	Revalue	Disposals	Adjustments	Accumulated depreciation As at 31-12-2018
Computer software - HO	3,603,423	2,476,146	-	559,410		5,520,159
	3,603,423	2,476,146	-	559,410		5,520,159
Net book value	16,981,727		-	-	-	21,172,135

NOTES TO THE FINANCIAL STATEMENTSAs at 31st December 2018

		2018 (Rs.)	2017 (Rs.)	
G PREPAID LEASEHOLD RIGHTS TO LAND				
Opening Balance		9,862,034	23,113,785	
Less:Write-off		(7,052,769)	11,999,904	
Amortisation		(76,386)	1,251,847	
Closing Balance		2,732,879	9,862,034	
H INTANGIBLE ASSETS				
Opening Balance		16,981,727	12,347,345	
Add : Additions		15,177,104	-	
Less: Disposal		(414,550)	(1,439,510)	
Amortisation		(2,476,146)	(822,109)	
Computer Software Work In Progress		(8,096,000)	6,896,000	
		21,172,135	16,981,727	
I INVENTORIES				
Laboratory consumables	Note 8.1	6,323,178	5,738,092	
Promotion materials & Others	Note 8.2	6,463,944	4,094,832	
Tea & other Stocks	Note 8.3	6,418,089	7,105,908	
Others	Note 8.4	19,202,939	8,075,575	
		38,408,150	25,014,407	
J TRADE AND OTHER RECEIVABLES				
Trade Receivables		13,019,179	11,377,352	
Staff Receivables & other advances	Note 10	37,885,230	34,796,710	
Receivable - JEDB		25,000,000	25,000,000	
Less: Provision for bad & doubtful debts JEDB		(25,000,000)	(25,000,000)	
		50,904,409	46,174,062	
K DEPOSITS & PREPAYMENTS				
Deposits & Prepayments		Note 11	90,504,175	61,388,571
			90,504,175	61,388,571
L OTHER FINANCIAL ASSETS				
Investments		Note 12	7,892,667,860	6,353,072,570
			7,892,667,860	6,353,072,570
M CASH IN HAND AND AT BANK				
Cash in hand and at Bank		Note 13	131,431,383	290,531,715
M. (1) Loans Receivable				
Loan to CTTA (150 Celebration)			-	20,000,000
Distress loan to RPC		Note 16	497,614,587	801,894,039
Wage Increment Loan for RPC		Note 15	356,741,656	552,869,440
Loan to Kalubovitiyana-Vehicle			1,500,000	-
			855,856,243	1,374,763,479

Distress loan to RPC

As approved by the Cabinet on 21st March 2017 and the Board of directors of Sri Lanka Tea Board, it had been allocated a sum of Rs.1 Bn. From Promotion fund of Sri Lanka Tea Board during the year 2017 for the purpose of issuing a medium term loan to the Tea board. Regional Plantation companies in proportion to the registered work force of each one for a period of 03 years at a concessionary rate of interest of 5% per annum payable monthly and the loan is administrated by the Sri Lanka Tea Board

Wage Increment Loan for RPC

Based on the cabinet decision dated 5 th July 2016 cabinet paper No 16/1234/726/034 the Secretary ministry of plantation industries has directed Sri Lanka Tea Board to obtain loans from Bank of Ceylon PLC & Peoples Bank PLC the treasury has issued a letter of comfort on this regard Accordingly Sri Lanka Tea Board obtain interest bearing loans as above for the purpose of granting loans for Regional Plantation Companies for Wage increment of Rs. 2500/= for the plantation sector workers.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2018

N 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 promotion and marketing strategy, within and outside Sri Lanka.

	2018 (Rs.)	2017 (Rs.)
Opening Balance 01.01.2018	6,806,198,361	5,794,718,308
Previous Year & Other Adjustment	36,422,096	256,456,775
Amount collected from exporters	999,912,605	1,020,142,674
Interest on investment	676,550,728	594,881,803
Less: Tax paid on Interest Income	(169,455,372)	(266,845,495)
Interest Transferred to HO	(232,441,000)	(45,500,000)
G I Registration	-	12,440
Interest on RPC distress Loan	32,449,608	28,828,714
Sale of cricket T-shirts	99,500	228,500.00
Suvernors advertistment income	500,000	425,000
Sale of Promotional items	12,600	5,400
Tea Book sale	178,700	1,140,600
Educational Fair rent income	25,000	75,000
Difference in exchange	463,549	-
	8,150,916,375	7,384,569,717
Complementary tea services & tea sampling gift	5,639,823	4,701,847
Social Media	595,353	-
Local promotion campaign	18,842,655	290,287,045
CSR Project for plantation workers community	1,987,000	5,774,624
Production cost of communication material (ATL/BTL)	1,646,053	666,878
Participation at International Trade Fairs & Exhibitions	102,411,811	92,417,508
Overseas Travelling trade fair	21,868,311	24,771,879
Events	21,754,146	17,254,678
Travelling Foreign delegates	13,483,438	12,986,047
Intellectual Property matters	3,919,305	2,630,561
Tea House Torrington New	10,445,864	18,169,120
Maintenance of overseas offices	36,697,551	36,474,579
Generic Promotion	2,498,435	1,108,439
Joint Promotion with other National Bodies	536,730	1,086,730
Subsidization of listing fees & Brand Marketing	400,238,711	-
Above the line Advertising on TV/Radio/Press	12,026,966	27,315,789
Market Research & other marketing support services	4,023,707	3,573,270
Annual Estate of the Year	268,000	180,011
Bank Charges	44,310	88,369
ITPF	-	2,024,864
Grants to Tea Museum	1,500,000	1,500,000
Below the line Advertising outdoor	-	20,864,581
Public Relation Campaign	766,102	7,049,660
Programme with Embassies	9,972,968	7,309,179
Difference in exchange	-	135,699
Tea sample taesting fees	5,238,335	-
Total Expenditure	676,405,574	578,371,356
P & M Levy Fund balance as at 31.12.2018	7,474,510,801	6,806,198,361

During the year 2018 Rs. 220M transferred from the interest earnings (Promotion & Marketing Levy) for developing an "IT backbone for the Tea Industry - Sri Lanka Tea Board" as per the Cabinet approval.

NOTES TO THE FINANCIAL STATEMENTS**As at 31st December 2018****(i) PROPERTY PLANT & EQUIPMENT****Building Construction – Ceylon Tea Moments**

Tea House building construction valued Rs. 5,877,307/- Net book value of Property, Plant & Equipment would not be existed further and decided to write off from books due to termination of Ceylon Tea Moments.

Depreciation charged for the period after termination has been adjusted retrospectively.

(ii) PROMOTION AND MARKETING LEVY FUND**Global Marketing Campaign**

Although the contract has been awarded to a company for activities of media buying of Global Marketing Campaign, following activities will be commenced in 2019 as per the Budgetary Provision made for 2018 – 2019.

	Rs. (Mn.)
Above the line advertising onTV/Radio/Prom (Selected Market)	1204.52
Below the line advertising (Selected Market)	333.36
Social Media (Identified under global campaign)	250.28
Public Media Public relation campaign (All Markets)	111.34
Events	17.91
Production cost of communication material	48.95

(iii) SLTB contribution for consolidated fund – refundable Basis

SLTB contributed Rs. 1000 Mn. to consolidated Fund on 08.01.2019 from Promotional and Marketing Levy Fund based on the Finance minister's approval on refundable basis.

O EMPLOYEE BENEFIT OBLIGATIONS	2018 (Rs.)	2017 (Rs.)
Gratuity opening balance	52,857,507	63,623,185
Measurment adjustment for the year	7,129,664	(3,354,903)
Benefit paid / payables during the year	(7,468,136)	(7,410,774)
	52,519,035	52,857,507

P BANK LOAN	Peoples Bank	Bank of Ceylon	Total
Balance as at 01/01/2018	404,513,468	157,841,665	562,355,133
Installment Payments	154,411,055	61,100,004	215,511,059
Balance as at 31/12/2018	250,102,413	96,741,661	346,844,074
Short Term Liability	156,585,858	61,100,004	217,685,862
Long Term Liability	93,516,555	35,641,657	129,158,212
	250,102,413	96,741,661	346,844,074

NOTES TO THE FINANCIAL STATEMENTS**As at 31st December 2018**

Q INCOME TAX PAYABLE	SLTB (Rs.)	P&M LEVY (Rs.)	TOTAL (Rs.)
INCOME TAX			
Balance as at 01-01-2018	1,974,413	44,979,923	46,954,336
Provision for the Year	8,631,034	169,455,372	178,086,406
LESS:Tax Payments	(6,194,279)	(125,419,996)	(131,614,275)
WHT Tax	(1,312,457)	(34,910,734)	(36,223,191)
Notional Tax Credit	(409,052)	(2,677,389)	(3,086,441)
Balance as at 31-12-2018	2,689,660	51,427,176	54,116,835
DIVIDEND TAX			
Balance as at 01-01-2018	5,078,125	104,365,192	109,443,317
LESS:Tax Payments	5,078,125	104,365,192	109,443,317
Balance as at 31-12-2018	-	-	-

R TRADE AND OTHER PAYABLES		2018 (Rs.)	2017 (Rs.)
Trade Payables	Note 14.1	50,887,817	136,765,965
Other Payables	Note 14.2	397,673,343	139,263,187
Accrued expenses	Note 14.3	468,611,890	141,615,570
		917,173,051	417,644,722

S BANK BALANCES		2018 (Rs.)	2017 (Rs.)
Bank Of Ceylon - Collection A/C Galle		68,189	-
Bank Of Ceylon - Collection A/C Matara		183,502	180,714
Bank Of Ceylon - Collection A/C Ratnapura		-	1,195,022
Bank Of Ceylon - Collection A/C -Mathugama		134,692	512,325
Bank Of Ceylon - Collection A/C -Gampola		203,592	1,564,002
Bank Of Ceylon - Independence square		10,150	7,900
Bank Of Ceylon - Collection A/C -Bandarawela		17,578	-
		617,703	3,459,964

CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2018.

REVALUATION RESERVE

Board has created a revaluation reserve amounting Rs 508,216,543 after the revaluation of the land and buildings and motor vehicles of the Colombo Head office & Gampola Land..

Revaluation of Gampola Land was done by the Regional valuer (Central Provincial Office) of Valuation Department.
Date of valuation 2016-07-25

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 672,012,201.85 as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31st December 2018**

	2018 (Rs.)	2017 (Rs.)
1 Laboratory income		
ISO 3720 standard test	844,600	1,373,257
Chemical analysis test	3,500	7,000
Physical examination test	1,115,500	1,255,000
Microbiological analysis test	2,702,203	4,405,685
Other tea sample test	15,932,500	14,874,000
	20,598,303	21,914,942
2 Registration & Renewal Income		
Dealers license fees	9,312,500	11,757,500
Penalties	7,139,508	11,884,526
License fees for produce brokers	1,750,000	1,625,000
Registration of lion logo	27,499	1,282,387
Refuse tea registration fees	2,242,075	3,909,023
Registration of tea exporters	1,200,000	1,091,350
Registration of tea packers	596,000	1,042,948
Renewal fee of tea exporters	41,139,000	40,995,000
Renewal fee of tea packers	3,380,000	3,655,000
Private sale pannel valuation	5,889,000	4,446,500
Direct sale ratification fees	922,500	803,500
Issue of quality & other certificates	72,900	93,500
Issue of permit for imporation of tea	39,449,208	40,300,089
Sale of import applicaiton forms	20,000	14,880
Factory registration	1,000,000	2,000,000
Warehouse registration	975,000	685,000
Local packer renewal	20,000	-
Renewal of warehouse	2,550,000	2,470,000
Estate of the year entry fee	-	570,000
Registration of tea manufactores	1,820,000	380,000
Permit for refuse tea purchase	47,710,396	45,186,785
Registration of tea importers	380,000	450,000
Permit for release of bank guarantee	460,000	449,980
Income from tasting of tea samples	1,381,219	909,480
Ozone friendly logo registration	5,000	233,465
Reg. of tea pack / other origin tea	1,229,000	617,000
Tea factory registration renewal	6,642,137	4,982,880
Renewal of tea importers	310,000	355,000
Local packer registration	720,865	430,000
GMP certification fee-WH/BED & PAK	1,291,000	696,000
	179,634,806	183,316,794
3 Other Income		
Interest on staff loans	1,490,551	1,321,163
Sundry income	1,870,016	2,602,739
Sale of statistical summary	171,876	162,767
Sale of annual report	-	3,850
Registration of suppliers	265,500	189,500
News letter	311,000	212,000
Sale of posters, directories & others	45,100	80,685
Fixed assets disposal profit	-	6,380,720
Hire purchase of vehicle	-	300,000
Examination fees	221,000	-
	4,375,043	11,253,423

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2018

	2018 (Rs.)	2017 (Rs.)
3 Administration expenses		
3.1 Personnel emoluments		
Salaries	107,210,032	93,112,444
Other allowance (interim / other)	11,105,969	21,094,439
Overtime & holiday pay	7,612,560	4,014,557
Daily paid wages	2,126,331	1,793,647
COL allowance	25,007,195	25,356,018
After office expenses - exports	1,540,274	1,828,770
EPF contributions	19,823,918	20,444,036
ETF contributions	4,046,877	4,088,475
Staff gratuity	7,129,664	-
	185,602,820	171,732,385
3.2 Other administration expenses		
Membership subscription (professional)	31,439	13,153
Bonus to staff	4,000,000	4,000,000
Medical benefits/personal acci. Claims	15,575,868	16,570,547
Liquid tea to staff	1,903,654	1,838,027
Supply of packeted tea to staff	2,820,643	2,670,898
Staff welfare	1,993,066	2,616,771
Welfare library books	100,000	100,000
Death donation	250,000	250,000
Sports / recreation facilities	250,000	100,000
Interest on staff property loan	713,906	1,047,337
Incentive to sales staff	2,111,910	2,014,941
Staff training / seminars / workshops	5,051,845	5,346,941
Fees to board / committee members	1,725,250	1,920,821
Board meeting expenses	74,325	95,070
Analytical laboratory - consumables	4,046,077	4,531,544
Examination fees	1,273,958	205,238
Intterview panel fees	31,595	17,365
	41,953,536	43,338,652

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31st December 2018**

	2018 (Rs.)	2017 (Rs.)
4 Travelling Expenses		
Travelling expenses (local)	11,915,098	9,934,524
	11,915,098	9,934,524
5 Supplies & Requisites		
Print stationery & office requisities	6,097,142	5,141,266
Fuel & lubricants	3,682,298	3,758,303
Mechanical,electrical & general goods	452,571	313,452
Books,periodicals & newspapers	751,290	726,710
Uniform	1,696,834	977,812
Tea testing room requisits	23,268	119,583
Tea export unit requisities	34,404	58,963
	12,737,807	11,096,088
6 Repair. & Maintenance of capital assets		
R/M of vehicales	3,480,402	2,614,908
R/M of plant & machinery	3,691,663	1,979,051
R/M of buildings	4,065,285	2,578,862
R/M of officie equipment	8,581,967	9,176,574
R/M of furniture & fittings	110,888	213,527
Library materials	1,530	-
Other utility services	101,497	634,632
Janitorial service	5,373,278	4,346,858
Lab.Accrediation & instruments maintainance	3,158,419	665,415
	28,564,929	22,209,827
7 Utilities & other expenses		
Press notice	5,025,816	5,248,462
Telephone, Fax & Internet	8,246,039	8,448,773
Postage	1,236,820	1,364,695
Electricity	11,160,551	11,249,712
Rates & taxes	2,008,469	1,412,203
Rent	5,871,467	2,453,661
Insurance - buildings, vehicles, etc.	1,587,187	1,683,365
Security services	12,375,069	10,941,737
Audit fees	1,250,000	500,000
Legal fees	244,162	77,276
Other fees	287,028	90,090
Tea sample testing fees	-	986,393
Water supply & heating	967,534	971,431
Tea tasting panel fees	1,592,975	1,614,229
Sundry expenses	885,469	171,523
Transport & hire charges	147,650	115,600
Difference exchange	-	58,659
Lease rental for vehecles	17,547,658	15,140,227
Lease rental for land	330,000	330,000
Fixed assets disposal -loss	386,634	-
Nuwara Eliya expenses	44,940	-
	71,195,468	62,858,035

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2018

	2018 (Rs.)	2017 (Rs.)
8 Stocks		
8.1 Laboratory		
Laboratory consumables	6,323,178	5,738,092
	6,323,178	5,738,092
8.2 Consumables		
Stationery	2,666,895	2,421,452
Promotional materials	3,797,049	1,673,380
	6,463,944	4,094,832
8.3 Tea & other stocks		
Tea - main stores	2,999,135	2,851,418
Tea - sales counter	259,585	165,330
Tea - tea house	-	1,289
Tea - parcel unit	37,136	-
Staff tea	620,067	620,067
Empty cartons	2,468,766	3,701,549
Carrier bags	-	240,255
Neck ties	33,400	42,800
	6,418,089	7,105,908
8.4 Goods in transit	19,202,939	8,075,575
	19,202,939	8,075,575
9 Trade Receivable		
Sundry debtors	8,658,893	6,846,916
Debtors - cricket tshirt	710,200	916,300
Debtors control	1,010,270	-
Debtor -income receivable	847,410	2,753,290
Packeted tea sales	1,278,483	774,917
Shortages	513,923	85,929
	13,019,179	11,377,352
10 Loans & Advances		
Consolidated loans - TCD	8,504,449	8,635,677
Consolidated loans - TPB	-	3,955,193
Consolidated loans - HO	28,427,517	20,281,111
Advance - festival	326,150	384,650
Staff tea recoveries	127,700	314,777
Staff debtors	10,000	11,595
Loans - flood releife	279,839	445,049
Payments in advance	197,715	731,286
Loans and advances moscow	11,460	37,372
Staff loan control	400	-
	37,885,230	34,796,710

NOTES TO THE FINANCIAL STATEMENTS**As at 31st December 2018**

	2018 (Rs.)	2017 (Rs.)
11 DEPOSITS & PRE - PAYMENTS		
Deposits	4,424,642	2,631,609
Stamp deposit	160,000	160,000
Parcel postage deposit	20,720	95,420
Deposits & prepayment - UAE	27,083,186	18,915,934
Deposits & prepayment - Moscow	203,847	3,598,779
Deposits & prepayment - China	654,729	-
Creditors & provisions - Moscow	-	645,222
Pre - payments	16,220,504	10,780,403
Rent deposit - Poland	207,360	207,360
Settling in advance - China	458,513	-
Settling in advance - UAE	800,169	-
Rent deposit - CBS bldg.	-	583,786
Mobilization advance	40,270,503	23,770,057
	90,504,175	61,388,571
12 INVESTMENTS		
Fixed deposit - SLTB at BOC 2 nd branch	530,472,471	211,431,590
Fixed deposit - P&M levy at BOC Bambalapitiya	6,894,464,107	5,705,138,219
Temporary surplus trust fund - SLTB	59,782,446	56,277,807
Temporary surplus trust fund - P&M levy	398,716,127	375,593,426
Housing loan deposits - SMIB	2,616,451	3,615,746
RPC loan interest receivable	6,616,260	1,015,781
	7,892,667,860	6,353,072,570

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2018

	2018 (Rs.)	2017 (Rs.)
13 Cash & cash equivalents		
Petty cash imprest - stamp	10,000	10,000
Collection on sales in hand	367,146	746,005
Bank of Ceylon - Colpetty 2nd	27,977,704	70,441,540
Bank of Ceylon - Corporate (HO)	18,975,515	4,581,008
Bank of Ceylon - Bambalapitiya - P&M levy	7,850,635	104,396,641
Bank of Ceylon - Corporate (TCD)	14,281,306	18,409,801
Bank of Ceylon - Tea subsidy	27,237,171	35,651,989
Bank of Ceylon - collection A/C Galle	-	86,792
Peoples Bank	21,931,474	30,302,821
Embassy account - Bangkok	449,999	9,155
Embassy account - China	84,764	84,764
Current account - UAE	1,279,771	5,331,116
Current account - Moscow	2,024,275	801,957
Current account - China	420,263	15,630,566
Embassy account - UK	335,869	414,829
Embassy account - Germany	492,466	318,109
Embassy account - Japan	189,839	343,334
Embassy account - France	468,217	275,585
Embassy account - Poland	322,124	72,932
Embassy account - Australia	68,577	-
Bank of Ceylon - C/A - Galle	67,217	348,604
Bank of Ceylon - C/A - Matara	219,985	83,218
Bank of Ceylon - C/A - Ratnapura	1,528,247	107,545
Bank of Ceylon - C/A - Gampola	25,282	6,784
Bank of Ceylon - C/A - Matugama	1,974,811	1,681,556
Bank of Ceylon - C/A - Bandarawela	202,504	212,203
Bank of Ceylon - collection a/c - Bandarawela	-	182,863
Bank of Ceylon - collection a/c - Ratnapura	2,481,741	-
R/O current a/c - Matugama	21,050	-
R/O current a/c - Bandarawela	143,431	-
	131,431,383	290,531,715

14 Creditors & provisions**14.1 Trade payables**

Creditors	48,538,709	118,368,038
Creditors control	-	13,566
Credit tea order	9,146	9,145
Creditors & provisions - UAE	118,787	37,885
Creditors & provisions - China	341,125	213,161
Creditors & provisions - Moscow	356,902	118,343
Subsidy green leaf payable	1,523,148	18,005,827
	50,887,817	136,765,965

DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

	2018 (Rs.)	2017 (Rs.)
14.2 Other Payables		
General deposits	220,622,037	576,066
Refundable tender deposit	476,994	468,994
Retention monies deposits	21,899,616	15,919,992
SLTB official packer	8,611,175	10,441,495
Staff creditors	4,558,890	7,127,675
Arrears - green leaf deposit	9,889,956	7,423,350
EPF - payable	1,683,707	-
Shelf rent deposit - sales counter	1,610,000	1,750,000
Shelf rent deposit - tea house	1,660,000	1,660,000
CUSDEC deposit	161,400	161,400
Receipt in advance (monopol rental)	887,500	-
Retention incentive - sales counter	281,296	262,725
Nation building tax	57,422	1,014,622
VAT payable	-	2,673,895
Receipts in advance	15,000	20,768
Received in advance (trade fair)	34,300,000	19,400,000
Receipts in advance - licence fee	7,450,865	5,647,500
Receipts in advance - refused tea	2,157,502	1,490,000
Receipt in advance-renewal of warehouse	1,950,000	1,750,000
Receipt in advance-license fee for produce brokers	1,750,000	1,750,000
Receipt in advance-lion logo reg.	-	27,499
Receipt in advance-news letter	-	5,000
Receipt in advance-renewal of tea importer	270,000	295,000
Receipt in advance-registration of tea exporter	-	575,000
Receipt in advance-registration of tea packer	50,000	50,000
Receipt in advance-renewal of tea exporter	29,600,000	27,620,000
Receipt in advance-renewal of tea packer	1,970,000	1,850,000
Receipt in advance-registration of tea warehouse	25,000	--
Receipt in advance-registration of tea importers	-	10,000
Receipt in advance - P & M levy	-	28,441,373
Receipt in advance - Ozone logo registration	-	5,000
Receipt in advance - G I registration	-	-
Receipt in advance - monopol rental	-	845,833
Sundry debtors levy	45,636,444	-
Deposit - BMF	98,539	-
	397,673,343	139,263,187

DETAILED SCHEDULES TO THE FINANCIAL STATEMENTSAs at 31st December 2018

	2018 (Rs.)	2017 (Rs.)
14.3 Accrued expenses		
Accrued expenses	20,145,686	23,069,435
Accrued expenses-P & M levy	432,436,458	111,419,243
Accrued expenses-tea house	-	49,993
Provision for staff travelling	91,733	-
Provision - computer network system	9,000	-
Provision for travelling	1,554,036	-
Provision for printing annual report	82,670	589,221
Provision for audit fees	3,807,575	1,740,318
Interest payable to bank loan	2,801,882	4,747,360
Provision for printing stationery & office req:	471,714	-
Provision for fuel & lubricants	199,334	-
Prov: for periodicals & newspapers	11,350	-
Prov: for maintainence expenditures	1,446,893	-
Prov: for postal & communication	694,055	-
Prov: for electricity & water	894,491	-
Prov: for rent & local taxes	50,000	-
Prov: for janitorial services	451,634	-
Prov: for press notice & advertising	418,456	-
Prov: for security services	978,506	-
Prov: for legal & other fees	48,440	-
Prov: for medical benefits	720,220	-
Prov: for overtime & daily paid wages	1,297,757	-
	468,611,890	141,615,570

DETAILED SCHEDULES TO THE FINANCIAL STATEMENTSAs at 31st December 2018**15. RPC's loan receivable - Wage loan**

Name of Estate	Loan Amount	Loan Balance
	RS. M.	As at 31.12.2018
Agarapathana Plantations Ltd.	60	41,666,657
Kelani Valley Plantations	50	26,388,889
Kotagala Plantations PLC	45	31,250,000
Hapugastenne Plantations PLC	35	18,472,222
Udupussellawa Plantations PLC	27	14,250,000
Kegalle Plantations PLC	23	12,138,889
Namunukula Plantations PLC	21	11,083,333
Maskeliya Plantations PLC	44	23,222,222
Bogawantalawa Tea Estates PLC	35	18,472,222
Malwatte Valley Plantations PLC	31	16,361,111
Kahawatte Plantations PLC	30	15,833,333
Elpitiya Plantations PLC	30	15,833,333
Balangoda Plantations PLC	27	14,250,000
Agalawatte Plantations PLC	23	12,138,889
Pusellawa Plantations Ltd	23	12,138,889
Maturata Plantations Ltd	22	11,611,111
Watawala Plantations PLC	38	20,055,555
Madulsima Plantations PLC	28	15,555,556
Horana Plantations PLC	33	17,416,667
Bogawantalawa Tea Estates	16.3	8,602,778
Talawakelle Plantations PLC	35	-
Total	676.3	356,741,656

16. RPC's loan receivable - Distress loan

Name of Estate	Granted	Recoveries	Loan Outstanding
	Amount Rs.	Rs	As At 31.12.2018
Balangoda Plan. PLC	44,926,350	24,126,925	20,799,425
Bogawantalawa Tea Estates	55,222,437	29,656,262	25,566,175
Elpitiya Plan. PLC	38,878,143	20,878,839	17,999,304
Hapugastenne Plan. PLC	45,655,408	24,518,453	21,136,955
Horana Plan. PLC	46,934,980	25,205,625	21,729,355
Kahawatte Plan. PLC	28,827,555	15,481,344	13,346,211
Kegalle Plan. PLC	32,145,514	17,263,196	14,882,318
Kelani Valley Plan. PLC	59,269,454	31,829,643	27,439,811
Madulsima Plan. PLC	49,047,761	24,970,574	24,077,187
Malwatte Valley Plan. PLC	50,900,164	27,335,059	23,565,105
Maskeliya Plan. PLC	78,805,237	42,321,000	36,484,237
Namunukula Plan. PLC	40,626,395	21,817,708	18,808,687
Pussellawa Plan. LTD	51,309,329	26,121,955	25,187,374
Talawakelle Tea Estate	52,693,052	28,297,899	24,395,153
Udupussellawa Plan. PLC	36,973,665	19,856,072	17,117,593
Watawala Plan. PLC	74,973,962	40,263,479	34,710,483
Maturata Plan. PLC	48,765,065	24,826,652	23,938,413
Agalawatte Plan. PLC	34,280,613	16,499,180	17,781,433
Kotagala Plan. PLC	43,416,158	13,756,254	29,659,904
Agarapathana Plan. PLC	86,348,758	27,359,295	58,989,463
Total	1,000,000,000	502,385,413	497,614,587

THE AUDITOR GENERAL'S REPORT - 2018

(English version of Auditor General Report)

Chairman
Sri Lanka Tea Board

The Auditor General's Report on financial statements and other legal regulatory requirements of Sri Lanka Tea Board as per the section 12 of National Audit Act No.19 of 2018 for the year ended 31st December 2018.

1. Financial Statements

1.1. Opinion

The statement of financial position of the Sri Lanka Tea Board as at 31st December 2018 and income statement, other extended income statements, statement of changes in ownerships and the records related to cash flow statement and financial statements for the year then ended, financial statements involving the summarized significant accounting policies for the year ended by 31st December 2018 were audited under my direction as per the provisions of National Audit Act No.19 of 2018 and Finance Act No.38 of 1971 that should be read in combination with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in the Parliament in due course as per the Article 154 (6) of the Constitution.

Except the effects of the matters described under the heading of Basis for Qualified Opinion in my report, the fact that the financial position of the Sri Lanka Tea Board as at 31st December 2018 and its financial performance and cash flows for the year then ended reflect a true and fair status in accordance with Sri Lanka Auditing Standards is the opinion I bear.

1.2. Basis for Qualified Opinion

1.2.1. Deviations from Sri Lanka Accounting Standards

In accordance with the Paragraph 79 (b) of Sri Lanka Accounting Standard 16, the assets such as office equipment, laboratory equipment, furniture, fittings and computer accessories costing Rs.48,119,068; which are still in use though fully depreciated by the Board, had not been revaluated and brought to accounts.

1.2.2. Accounting Errors

- (a). A sum of Rs.758,353 given to the Embassies from the Promotion and Advertising Fund in the year under review to conduct Global Tea Promotion Campaigns had been brought to accounts as expenditures rather than as advances.
- (b). The VAT amount of Rs.889, 870 (RMB 33,389.74) repaid to the Sri Lanka Tea Board by the Government of China for the vehicle purchased for China Tea Promotion Unit had not been brought to accounts.
- (c). The Duty and Registration fee of Rs. 889,086 (RUB 12,910.77) paid for the vehicle purchased in the year under review for Russian Tea Promotion Unit had not been brought to accounts.
- (d). The sum of Rs.2, 411,855 available in the Embassies and receivable to the Sri Lanka Tea Board had been indicated as money and money-like things at the end of the year in the statement of financial position and the cash flow statement rather than indicating under Debtors.
- (e). Though the works of the contract awarded at a value of Rs.2,155,202 for painting the administration building had not been commenced during the year under review, the said amount had been brought to accounts as building repairs and maintenance expenditures.

1.2.3. Lack of evidences for the Audit

- (a). The proofs and detailed schedules to verify the sum of Rs.643,432 under varied debtors from Promotion and Advertising Fund and the creditor balance of Rs.51,293 were not presented to the audit.
- (b). The expense details on the sum of Rs.758,353 remitted to the Embassy of France for promotion and advertising activities were not presented to the audit.
- (c). Though a sum of Rs. 279,507 spent for JICA project had been brought to accounts as development expenses, the documents authorizing the expenses were not presented to the audit.

1.2.4. Unexplained Differences

(a). Though the balance receivable from the Embassy of Japan is Rs.1,944 in accordance with the documents to verify the balances as at 31st December 2018, it was a sum of Rs.189,839 as per the financial statements. Consequently, the balance of Rs.187,895 was not explained to the audit.

(b). Though the cash and bank balance of the promotion bureau in United Arab Emirates are shown as Rs. 1,279,771 as at 31st December 2018 as per the financial statements, the said balance was Rs.894,099 in accordance with the letter of verification of balances resulting in a difference of Rs. 385,672. This difference was not explained to the audit until the end of the year under review.

I executed this audit in accordance with the Sri Lanka Accounting Standards. My responsibilities under these accounting standards have further been described under heading “Auditor’s responsibility” in relation to the audit of financial statements. I believe that the evidences I have received for the audit are adequate and appropriate to form a basis for my qualified opinion.

1.3. Responsibilities of management and governing parties for financial statements

The preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and determining the internal controls required to enable the preparation of financial statements that are free from quantitative wrongful statements that can be caused by frauds or errors are the responsibility of the management.

Determining the possibility of continuous function of the Sri Lanka Tea Board in preparing the financial statements is a responsibility of the management. Except the circumstances the management decides to liquidate the Board or stop the operations when an alternative is not found, accounting on the basis of continuous existence and disclosing the particulars related to continuous existence of the Board are also a responsibility of the management.

The responsibility of financial reporting procedure is borne by the governing parties.

As per the sub-section 16 (1) of National Audit Act No.19 of 2018, the books and records should appropriately be maintained about the own incomes, expenditures, assets and liabilities enabling the preparation of annual and timely financial statements of the Board.

1.4. Auditor’s responsibility for the audit of financial statements

My objective is to give a reasonable assurance that the overall financial statements are free from wrongful statements due to frauds and errors and to issue the auditor’s report which includes my opinion. Though the reasonable assurance is a significant certification, it does not assure that the quantitative misstatements are always disclosed when the audit is conducted in accordance with the Sri Lanka Accounting Standards. The quantitative misstatements can be caused by the effects of frauds and errors individually or collectively. Also, it is expected that there will be an impact on the economic decision taken by the users based on these financial statements.

I conducted the audit in accordance with the Sri Lanka Accounting Standards with judgement and questionability in profession. Further;

- My opinion is formed on the basis of obtaining adequate and appropriate audit evidences in order to avoid the risks that can be resulted from frauds or errors by means of planning the audit procedures appropriate in circumstances when identifying and assessing the risks of quantitative wrongful statements of financial statements that can be caused by frauds or errors. The effect caused by a fraud is severe than the effect caused by quantitative wrongful statements, and the collusion, forgery, purposeful avoidance or avoiding internal controls cause a fraud.
- Though an understanding was gained about the internal control of the Board for the planning of audit procedures appropriate in circumstances, it is not intended to express an opinion about the effectiveness of internal control.
- The fairness of accounting policies and accounting estimates used, and the appropriateness of related revelations made by the management were evaluated.
- On the basis of audit evidences obtained on whether there was a quantitative uncertainty about the continuous existence of the Board due to incidences and positions, a decision was taken on the appropriateness of using the basis of continuous existence of the institute for the accounting. If I conclude that there is a quantitative uncertainty, the attention of my audit report should be drawn to the revelations in that regard made by the financial statements. If such revelations are not adequate, my opinion should be modified. However, due to prospective incidences and positions, the continuous existence can be terminated.
- The presentation, structure and contents of the financial statements with revelations were subjected to evaluation. Also, the evaluations were made as to whether the transactions and incidences which were a basis for that were appropriately and fairly included in financial statements.

The governing parties were made aware of the significant findings, weaknesses of internal control and other particulars identified during my audit.

2. Report on other legal and regulatory requirements

Special provisions are included with respect to the following requirements of the National Audit Act No.19 of 2018.

- As per the requirements stipulated in the section 12 (a) of the National Audit Act No.19 of 2018, except the effects of the particulars described under the heading "Basis for qualified opinion" in my report, all details and clarifications required for the audit were obtained by me and appropriate finance reports had been maintained by the Board as revealed by my examination.
- The financial statements of the Board are compatible with the previous year in accordance with the section 6 (1) (d) (III) of the National Audit Act No.19 of 2018.
- The recommendations I made in the previous year in accordance with the requirement stipulated in the section 6 (1) (d) (IV) of the National Audit Act No.19 of 2018 have been included in the financial statements presented.

As it was limited to the procedures followed, evidences obtained and quantitative facts, nothing came to my attention to make the following statements as to;

- Any member of the Governing Board of the Sri Lanka Tea Board has a deal outside the usual business setup directly or otherwise with any agreement through the involvement of the Sri Lanka Tea Board in accordance with the requirement stipulated in the section 12 (d) of the National Audit Act No.19 of 2018.
- It has proceeded in contrast to any certain written law or other general or special orders issued by the Governing Board of the Sri Lanka Tea Board except the following observations in accordance with the requirement stipulated in the section 12 (f) of the National Audit Act No. 19 of 2018.

Reference to laws, rules/orders

Description

(a) Sections 13 and 14 of Sri Lanka Tea Board Act No.14 of 1975

Taxation of Cess should be done by the Board as per the provisions of the Act. Though that had been conversely done by the General Treasury, the Act of Sri Lanka Tea Board had not been amended accordingly.

(b) Paragraph 9.14 of Public Enterprises Circular No. PED/12 dated 02 June 2013

The Board should have prepared a handbook on procedures relating to the formulation of laws and rules for human resource management and obtained approval of the Secretary to the General Treasury. However, such handbooks had not been prepared until the end of the year under review.

(c) Financial Regulations of Democratic Socialist Republic of Sri Lanka. Financial Regulation 835 (2) (c)

Though the rental assessed by the main Assessor for the building obtained on rental basis to maintain the Regional Office of Galle in the year under review was Rs.93,500, the said building had been obtained at a monthly rental of Rs.115,000 exceeding the above amount. However, the approval of the Secretary to the Ministry had not been obtained.

(d) Rules set at the Committee on Public Enterprises held on 21st September 2018

Pesticide Chemical Composition Analyser Machine purchased at a cost of Rs.32, 132,088 in the year 2009 which had not been used as it was not in accordance with expected specifications of the Board, and the CP 3800 GAS Chromatography Machine purchased at a cost of Rs. 5,592,421 had not been used thus far.

- As per the requirement stipulated in the section 12 (g) of the National Audit Act No.19 of 2018, proceedings have been done as not compatible to the powers, duties and functions of the Board.

- As per the requirement stipulated in the section 12 (h) of the National Audit Act No.19 of 2018, the resources of the Board had not been used thriftily, efficiently and effectively subsequent to the procurement made in accordance with the rules and regulations within timeframes.

3. Other Audit Observations

- A balance of Rs.1,523,148 from the subsidy amount of Rs.6,738,000,000 given from the General Treasury to the Board to pay the suppliers of Tea leaves to maintain a minimum price of Rs.80 for raw Tea leaves in the year 2015 had been retained from 31 December 2015 till the end of the year under review without remitting to the General Treasury.
- The amount of Rs.3,489,773 which had been given to a factory to make payments for the suppliers of Tea leaves to maintain a minimum price of Rs.80 for raw Tea leaves in the year 2015 had not been given to the suppliers of leaves. However, the said amount had not been levied back until the end of the year under review.
- A decision had been taken by the Janatha Estate Development Board and the Tea Board as per the notes of the meeting of the Committee on Public Enterprises (COPE) held on 19 June 2012 to write off the balance and acquire the ownership of the "Ceylon Tea Museum" belonging to the Janatha Estate Development Board being maintained in Hanthana in substitution for the sum of Rs. 25,000,000 receivable from the Janatha Estate Development Board. However, the management had not completed the said process even until 31 March 2019.
- Though two years have been passed since a sum of Rs.3,014,243 has been retained from the contract value for varied contracts, no action has been taken to settle the said amount.
- In the course of providing subsidies to the factories affected by floods due to the torrential rains in previous year, a sum of Rs. 714,455 had been overpaid for a factory as payments had been made for damaged stocks exceeding the ones shown in monthly reports (TC 5) furnished by a factory. However, no action had been taken to rectify the mistakes.
- The action had not been taken to settle a sum of Rs. 6,850,840 deposited in the Board relating to a period of 1-16 years by the owners of tea factories to be settled to Green Tea Suppliers.
- Though construction of two buildings have been completed at a cost of Rs. 124,037,913 by the end of the year under review, the actions had not been taken to acquire the legal ownership of two lands.
- The balance amount of Rs.1,884,779 from the sum of Rs. 51,604,457 given to the foreign embassies for the Global Tea Party in the year 2017 had not been levied until the month of April 2019.
- Though the letter dated 06 December 2016 from the Secretary to the Ministry of Plantation Industries instructed to take appropriate actions against the officers who acted negligently regarding the loss of Rs. 62,603,006 as the "Tea moments" initiated without a feasibility study was unable to be implemented effectively, no action had been taken accordingly.

- (j) The office equipment, furniture, fittings and computers purchased at a value of Rs.2,899,510 for the Tea Sales Centre in the year 2015 mentioned in the above paragraph remained idle without being used.
- (k) Though a sum of Rs.885,000 had been paid in terms of consultancy service to develop an information technology system for the Tea industry to which a provision of Rs.260,200,000 had been allocated by the budget, the relevant task had not been started even at the end of the year under review.
- (l) Though the Board expected to select 18 exporters for the brand promotion campaign in the year under review and spend Rs.400,238,711 thereto, the intended campaign could not be implemented due to making agreement only with 04 exporters and non-completion of media activities while a sum of Rs.199,674,721 had been paid to a selected private company to design advertisements for production and creative activities of the Global Tea Promotion Campaign which had been planned to be implemented by using eight billion rupees from the earnings of Tea Promotion Fund. Also, though the promotion expenses in the year under review increased by 18.87% compared to the previous year, Tea exports had fallen down by 2.21%.

sgd,

W.P.C. Wickramarathna
Auditor General

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