



அபிவிருத்தி அமைச்சு
கல்வி அமைச்சு
Ministry of Education

2017

வார्षிக வர்வ
ஆண்டறிக்கை
Annual Report



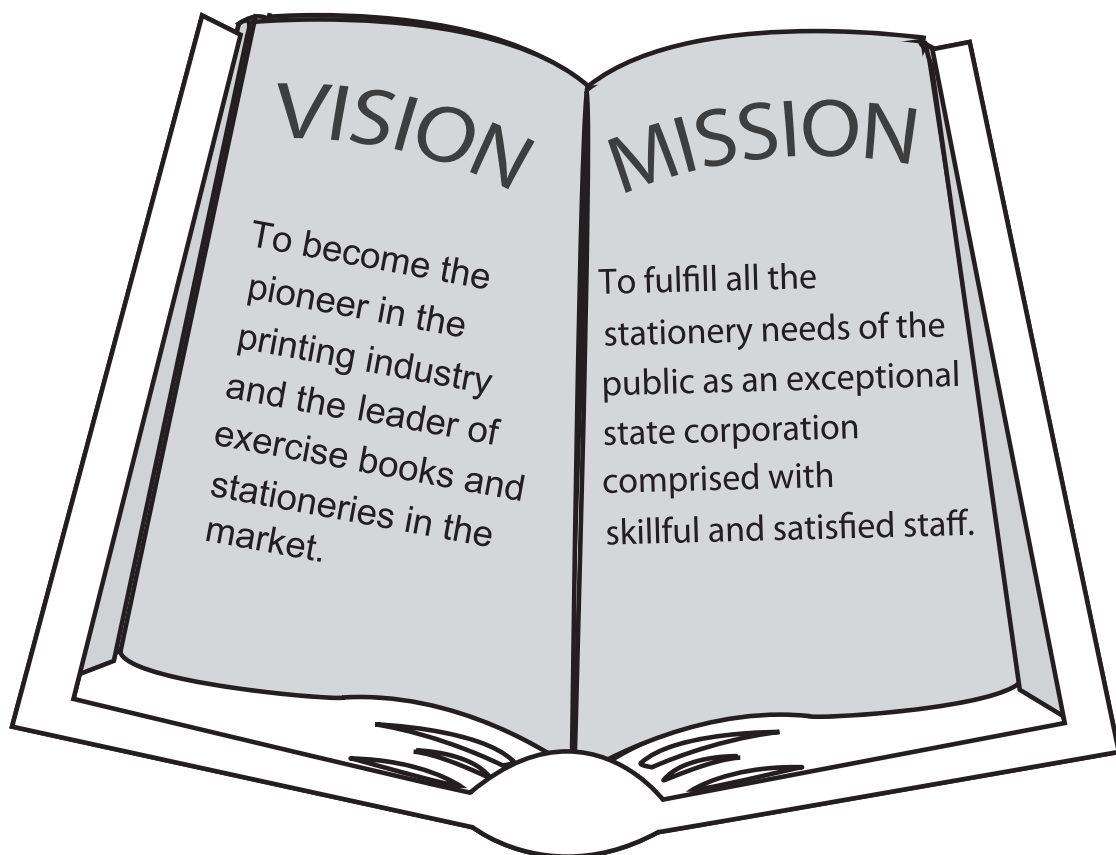
ரபயே இரவ வர்வ வர்வ
அரவங்க அர்வக கூட்டுத்தாபனம்
State Printing Corporation



STATEMENT OF ACCOUNTS
AND
REPORT OF THE AUDITOR GENERAL



For the 50th year ended 31st December 2017
01st January - 31st December 2017



Panaluwa
Padukka

Honourable Minister of Education
Ministry of Education
Isurupaya
Battaramulla.

Honourable Sir,

In terms of Section 14 of the Finance Act No. 38 of 1971, I have the honour to forward herewith the following on behalf of the Board of Directors in respect of the year 01st January to 31st December 2017.

1. The Annual Report on the activities of the Corporation
2. The audited Balance Sheet, Working Accounts and the Profit & Loss Account
3. Comments of the Auditor General

Yours faithfully,
Lion Binara Jayawardena
Chairman
State Printing Corporation



Chairman's Message

I consider it a privilege to issue a message as the new Chairman of the State Printing Corporation at this juncture where the institution is preparing for its 50th anniversary upon its inception in 1968.

This institution established under the State Printing Corporation Act (No. 24 of 1968) with the objective of providing adequate school textbooks to the Sri Lankan students without a delay, has gained reputation for printing exercise books and other publications under its direct trade name at present in addition to the school textbooks.

It is my sole intention to take the institution to new heights, which has come under the purview of the Ministry of Education following the recent cabinet reforms, connecting it with the school system with the blessings of His Excellency President Maithripala Sirisena and Prime Minister Hon. Ranil Wickramasinghe as well as the guidance of Minister of Education Hon. Akila Viraj Kariyawasam.

Similarly, reputation earned by the confidential printing division and other printing work is immense. As the Chairman I firmly believe that as a public institution committed to social welfare, developing our reputation and strengthening public finance while earning profit should be priorities in the years to come.

Furthermore, I ardently believe it is essential to eradicate corruption and inefficiency from the institution to ensure the welfare of the employees. Therefore, I look forward to the cooperation of all employees in this regard as well as in regaining our position as the leading printer of Asia to the State Printing Corporation.

I wish you a better tomorrow!

Lion Binara Jayawardena
Chairman
State Printing Corporation



2017

Board of Directors

Chairman

Mr. Ravindra Yasalal Kalansooriya (To June 2017)

Mr. Chandrasiri Lokuge (2017. 06. 18 - 2017. 12. 15)

Mr. S. Aloka Bandara (2017. 12. 18 - 2018. 05. 24)

Working Director

Mr. Nanasena Adihetti

Mr. Bandula Dias (From 2017. 06. 29)

Directors

1. Mrs. W. K. D. Dunston
2. Mr. W. A. D. S. Gunasinghe
3. Mr. G. M. Niel Gunadasa
4. Mr. Bandula Gurusinghe
5. Mr. Darshana Ponnampereuma
6. Mrs. M. M. P. K. Meegahakotuwa

with the changes of the scope of the ministry,
below Board Members have been appointed.

1. Mrs. E. M. Nalika Edirisinghe
2. Mr. Rohana Chaminda Rathnayake
3. Mr. Naheel Hapuarachchi

2017

Executive Officers

General Manager

Mr. R. M. N. Monarawila

Finance Manager

Mr. N. D. Priyankara Kumara

Works Manager

Mr. S. T. Karunaratne

Supplies Manager

Mr. E. V. K. Keerthiratne

**Manager (Admin. & Human
Resources Development)**

Mr. R. M. U. D. Bandara

Marketing Manager

Mr. M. T. J. Perera

Deputy Works Manager

Mr. D. M. M. B. Dissanayake

Deputy Works Manager

Mr. T. M. R. N. Tennekoon

Deputy Finance Manager

Mr. K. H. Thilakaratne

Manager (Stationery Factory)

Mr. L. T. Premasiri

Accountant

Mr. M. R. P. Jayawardena

Accountant

Mr. W. L. Deniyage

Internal Auditor

Mr. M. S. S. Mohotti

Asst. Manager Works (Estimates)

Mr. K. D. T. Chandrasiri

Asst. Manager Works (Security Printing)

Mr. M. A. Kothalawala

Asst. Manager Works (Process)

Mr. S. D. Kumarasinghe

Asst. Manager Works (Binding)

Mr. M. A. Shantha Kumara

Asst. Manager Works (Litho)

Mr. P. K. T. Mahinda

Asst. Manager (Sales)

Mr. H. R. Gunasekera

Asst. Manager (Security)

Mr. W. W. M. Arachchige

Asst. Manager (Admin. & HRD)

Mr. K. H. B. Sajeewa

**Asst. Manager
(Legal/Secretary to the Board)**

Mrs. A. L. R. Madhukani

Asst. Manager (Publication)

Mr. Madhuranga C. Nuwanpriya

Asst. Manager (Supplies)

Mr. U. Anil Jayakantha

Accountant

Mr. W. A. A. S. Jayasundara

Asst. Manager Works (Maintenance)

Mr. N. G. L. Chandimal



2017

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the State Printing Corporation has pleasure in presenting its 49th Report covering the activities of the Corporation for the year ended 31st December 2017, in terms of Section 14 of the Finance Act No. 38 of 1971.

10 Board Meetings were held during the year under review.

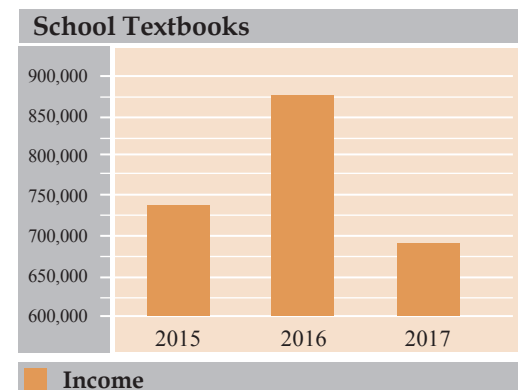
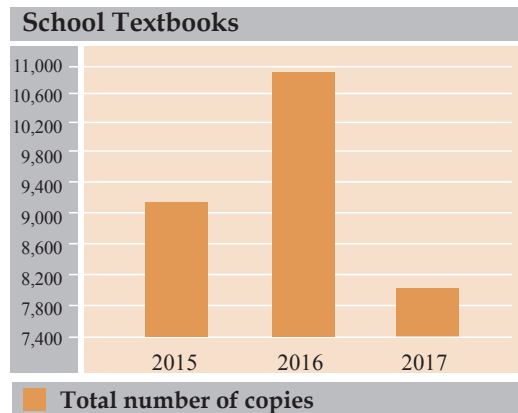
01. Production

1.1 School Textbooks

1.1.1 Printing of School Textbooks

The Corporation which has been incorporated with the basic objective of printing of school textbooks, has diverted its activities to other production areas with the introduction of open economy. Accordingly, Corporation had to compete in tenders to obtain orders from Educational Publications Department. But the year under review too, Cabinet approval has been taken to award 7.981 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 676,391 million. Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2015 and 2016 are as follows:

School Textbooks	2015 ('000)	2016 ('000)	2017 ('000)
No. of copies	9,110	10,984	7,981
Income - Rs.	735,111	855,865	676,391



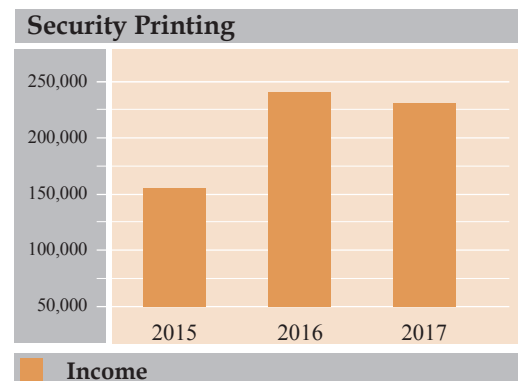
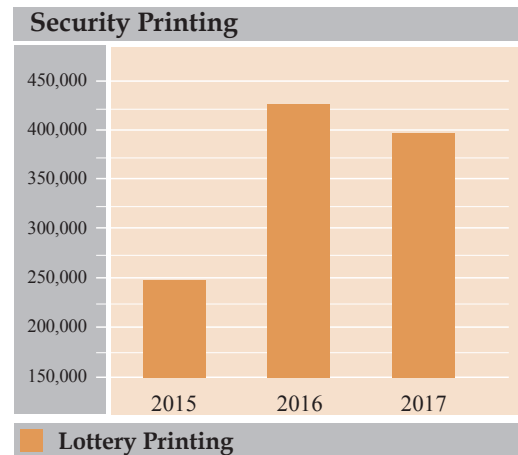
1.2 Other Printing Works

Security Printing Works (such as Lottery Tickets, 'Ridee Rekha' Certificates, Post Office Labels, Dollar Tickets, Airport Super Draw etc.), Dahampasal Books and other printing works of Govt. Institutions were carried out during the year under review. In addition to this printing of Diaries and Calendars of various printing works of private sector institutions were fulfilled. Some of the special printing works completed and supplied by the Corporation are as follows:

1.2.1 Security Printing

Printing of 'Mahajana Sampatha' Lottery tickets for National Lotteries Board has been carried out for the last 43 years. It has been fulfilled in this year, as well. In addition to that, 'Power Lotto', 'Niroga' was also printed. 400 million Lottery tickets were printed in 2017, completing all the orders received. Accordingly, Rs. 234 million income was earned during the year under review. Income from Lottery printing and number of tickets are given below:

Lottery Printing	2015 ('000)	2016 ('000)	2017 ('000)
No. of copies	249,918	428,902	399,739
Income - Rs.	152,060	245,060	233,947



1.2.2. Special Printing Works

Printing orders were obtained from Ministries, Government Departments, as well as from private sector. Special printing works, included the following jobs too.

1. Annual Reports of Various Institutions
2. Various printing jobs of State Pharmaceuticals Corporation
3. University Certificates
4. National Zoological Gardens - Tickets & Leaflets
5. Cinema Tickets
6. Printing jobs of E. P. F.
7. National Savings Bank - Printing jobs of National Savings Bank
8. Printing of Answer Papers for Examinations Department.
9. Printing of Dahampasal Books

During the year under review the Corporation earned Rs. 121 million through other printing jobs.

1.3 Manufacturing of Exercise Books and Other Stationery

Production of Exercise Books, CR Books and other Books at the Stationery Factory in year 2017 and their values are as follows.

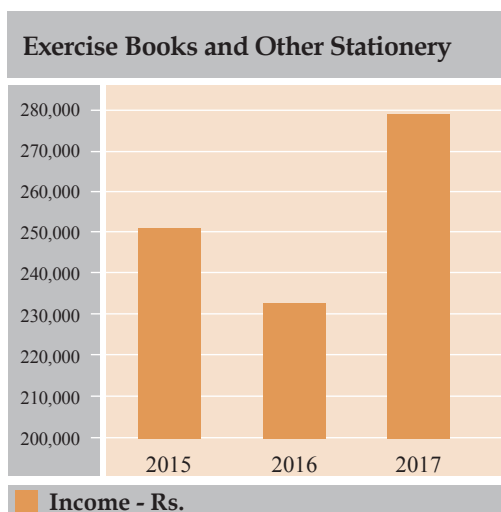
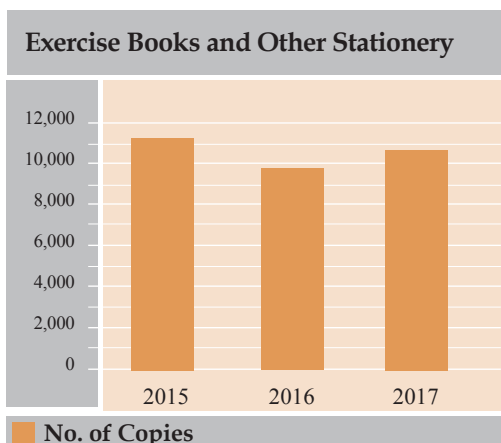
Description	Quantity of manufacturing	Value Rs.
Exercise Books (80 pages)	9.541 million	211,214 million
CR Books (80 pages)	0.837 million	40,270 million
Manufacturing of other stationeries (unit)	0.407 million	28,196 million
Total	10.785 million	279,680 million

Production in the year under review and comparative figures for 2015 and 2016 are as follows:

Exercise Books & Other Stationery	2015 ('000)	2016 ('000)	2017 ('000)
No. of copies	11,147	9,869	10,785
Income - Rs.	251,600	233,973	279,680

We could not achieve the target given for 2017 because Writing Paper for Exercise Books was not supplied properly.

Target of year 2017 : 13,564 million
(Value - Rs. 320 million)



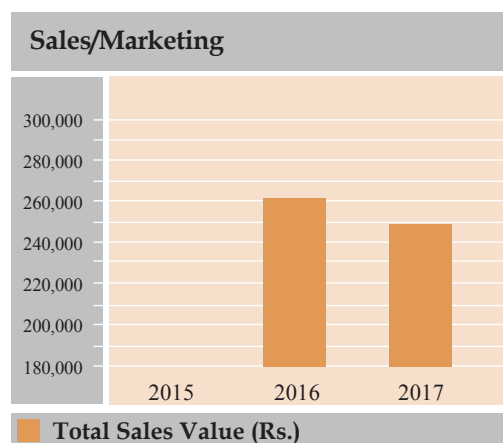
02. Sales/Marketing

Year	2015 Rs.	2016 Rs.	2017 Rs.
Overall Revenue (Inclusive Taxes) (Rs.)	242,031,775.00	291,513,207.00	-
Exclusive Taxes (Rs.)	-	260,001,891.00	254,824,097.00

A slight drop is resulted in the overall sales value in the year of 2017.

We were unable to keep the upward trend in the sales values of exercise books sale, reported in 2016 compared to the year 2015 and, a downward trend reported in 2017 compared to 2016. However it reported only about 5% drop in overall sales value in 2017 when compared to 2016. This was mainly due to the shortage of raw materials supplied for production of exercise books in the corresponding period.

A considerable progress i.e. approximately 23% value increase compared to previous year reported in the trading items segment comprised of stationery



supplies to offices and schools in the year of 2017. We could have achieved greater sales values out of this segment, if the purchase of stationery requirement happened without interruptions.

Publications

We had filled the vacancy for the post of Assistant Manager (Publication) last year and provided requested staff in order to carry out the activities of publishing.

We have implemented a project focusing on Educational Supplementary Publications, Novels and Children Story books with the aim

of improving the sales in publication sector. A brief summary is tabulated below.

Despite the fact that Publication sector is still loss making Centre, it has reported a growth of 116% in value sales in 2017 in Publication sector against 2016. We need to focus on different strategies to improve sales and to overcome current issues in the future.

No. of new titles published	14
No. of copies printed	61,340
Revenue in 2016 Exclusive Taxes	Rs. 1,120,589
Revenue in 2017 Exclusive Taxes	Rs. 2,397,001

03. Fixed Assets

Fixed Assets of the Corporation stood at Rs. 1,038,999,817/= at the end of year 2017. The written down value of same was Rs.993,178,106/=. This was compared to the previous year (i.e. 2016) figures Rs. 423,154,675/= and written down value of Rs. 147,377,105/- respectively.

Fixed Assets	2015 Rs. ('000)	2016 Rs. ('000)	2017 Rs. ('000)
Opening Value (at cost)	375,101	397,198	765,833
Written down Value	99,680	147,377	993,178

04. Tax Liability

Profit and tax liability for the year 2016 had been revised by the restatement made in 2017, according to the Auditor General's observation on same.

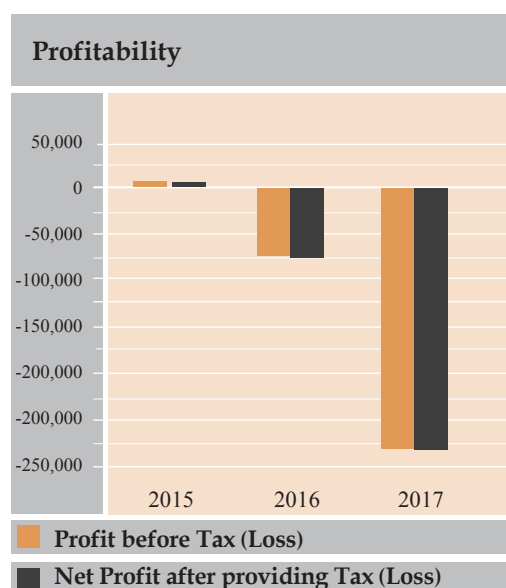
Tax Liability	2015 Rs. ('000)	2016 Rs. ('000)	2017 Rs. ('000)
Income tax	821	324	-
Deemed Dividend Tax	-	-	-
Total	821	324	-

05. Profitability

The corporation earned a loss before tax of Rs. 229,273,949/= during the year 2017 and Rs. 74,649,560/= loss was reported in 2016.

Profitability	2015 Rs. ('000)	2016 Rs. ('000)	2017 Rs. ('000)
Profit before Tax (Loss)	2,932	(74,650)	(229,274)
Net Profit after providing Tax	2,111	(74,974)	(229,274)

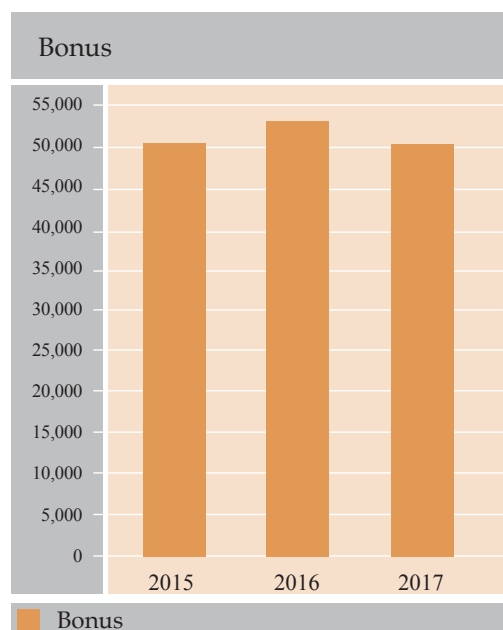
Profit and tax liability showed in 2016 Annual Report was ammended as above of the reaccounting in 2017 according to the observation of 2016 Annual Report.



06. Bonus

Annual Bonus equivalent to two months salary was paid to the eligible employees amounting to Rs. 50,190,854/= It is 6% growth compared to year 2015.

Bonus	2015 ('000)	2016 ('000)	2017 ('000)
Rs.	50,660	53,029	50,191



07. Welfare

Following welfare facilities were provided to the employees in this year as in the previous year. The Corporation has spent Rs. 130.6 Million on this.

	Welfare	2015 Rs.('000)	2016 Rs.('000)	2017 Rs.('000)
01.	Transport facilities for employees	2,595	4,877	11,012
02.	Incentive payments for employees	5,904	6,075	6,022
03.	Medical facilities	6,018	9,655	10,612
04.	Various welfare facilities	24,659	25,246	24,924
05.	Workmen Compensation Insurance	228	-	-
06.	Gift Vouchers of Stationery for the Employees	1,251	1,646	1,685
07.	Bonus for Employees	50,660	53,029	50,191
08.	Reimbursement of Housing Loan interest of Employees	4,938	4,274	3,114
09.	Payment of un-availed leave of Employees	16,938	16,409	15,607
10.	Special Incentive	6,700	6,630	7,490
	Total	119,891	127,841	130,657

08. Personnel

The entire work force of the Corporation during the year under review is 715 of which the breakdown is given below.

Number of Employees	2017
Office	149
Main Factory	357
Stationery factory	45
Security Section	44
Sales Outlets	47
Casual and Contract Employees	71
Total	715

No executives themselves had been retired during the year 2017.

Following Executives newly recruited to the corporation during the year.

	Name/Post	Date
1.	Mr. W. A. A. S. Jayasundara Accountant	2017.02.02
2.	Mr. N. P. L. Chandimal Asst. Works Manager (Maintenance)	2017. 01. 23

Acknowledgement

The Chairman and the Board of Directors wish to thank all employees of the Corporation for extending their loyalty and wholehearted co-operation towards running the Corporation successfully. The Chairman and the Board of Directors express their sincere thank to the Honourable Minister of Education who guided and supported for a successful programme and to the Secretary to the Ministry and staff for their continuous support in achieving the programme. The management is confident that the same co-operation will be extended by the employees during the coming years, as well.

Lion Binara Jayawardena
Chairman



2017 STATE PRINTING CORPORATION NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2017

1. Corporate Information

1.1 General

State Printing Corporation was incorporated in 1968, under the Act of parliament No. 24 of 1968 and the management and control of the Corporation is vested to the Board of Directors. It is located at Panaluwa in Padukka.

1.2 Principal Activities and Nature of Operations

The Corporation's principal activities are printing of school textbooks, manufacturing of exercise books, publications and other printing works.

1.3 Date of Authorization For Issue

The financial statements of the State Printing Corporation for the year ended 31st December 2017 were authorized for issue by the Board of Directors 27.02.2018.

2. Basis of Preparation

The statement of financial position, statement of comprehensive income, changes in fund and cash flows, together with accounting policies and notes have been prepared in accordance with LKAS and SLFRS and in compliance with finance Act No.38 of 1971.

2.1 Statement of Compliance

The financial statements have been prepared on an accrual basis and under the historical cost. The financial statements are presented in Sri Lankan Rupees.

2.2 Basis of Measurement

The financial statements have been prepared based on the historical cost, except for the following matters:

- * Interest income is recognized as it accrues in the statement of comprehensive income
- * Assets which were revalued

2.3 Going concern

The Board of Directors have made an assessment of the Corporation's ability to continue as a concern and they do not intend either to liquidate or to cease operations.

2.4 Functional Currency

The financial statements are presented in Sri Lankan Rupees, which is the corporations currency.

All the financial information presented in Rupees has been rounded to the nearest Rupee.

2.5 Comparative Information

The accounting policies have been consistently applied by the Corporation and are consistent with those used in the previous year. The previous years figures and phrases have been rearranged whenever necessary, to conform to the current presentation as indicated.

Every correction of errors was retrospectively restated as in the previous year in Financial Statements.

3. Summary of Significant Accounting Policies

The accounting policies set out below, have been applied consistently for all periods presented in the financial statements of the corporation.

3.1 Property, Plant and Equipment

Property, Plant and Equipment are stated at cost or revalued amount net of accumulated depreciation.

PPE were revalued by Valuation Department on the respective dates as given as follows.

Land and Buildings	-	From 02.01.2017 to 06.01.2017
Office Equipment	}	From 02.01.2017 to 30.01.2017
Furniture and Fittings		
Computer Accessories		
Plant and Machinery	-	From 16.01.2017 to 30.01.2017
Motor and Other Vehicles	-	From 13.01.2016 to 14.01.2016

Variance in the amount of revalued PPE is disclosed in Statement of Comprehensive Income as well as in Statement of Change in Equity.

After the revaluation PPE is classified as Office Equipments and Furniture and Fittings in one class and Plant and machinery, Tools and Implements and Hand Carts in another class when disclosed in PPE schedule.

3.1.1 Depreciation

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The estimated useful lives for the current and comparative years are as follows;

Buildings	40 years
Plant Machinery Tools & Equipt	13.33 years
Motor & Other Vehicles	4 years
Office Equipments & Furniture	10 years
Computers & Accessories	3 years

3.2 Inventories

Inventories are valued at the lower of cost and net realizable value.

3.3 Taxation

3.3.1 Income Tax

Income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the commissioner general of Inland revenue. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the date of the statement of financial position.

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

3.4 Cash & Cash Equivalents

Cash and cash equivalents are cash in hand, cash in transit and cash at bank. Bank over draft bank overdrawn are included as a component of cash and cash equivalent for the purpose of the statement of cash flow. Cash and cash equivalents are short term. Highly liquid held to, meet short term cash commitments and other purpose.

4. Financial Instruments

Initial Recognition and Subsequent Measurement

4.1 Financial Assets

4.1.1 Trade Receivables

Trade Receivables are shown in the Finance Statements at their Fair Value.

4.2 Financial Liabilities

4.2.1 Mortgage of Property

All the banking facilities including bank overdraft, short term loans letters of credit and bank guarantees obtained from People's Bank Corporate Banking Division, against property mortgage bonds covering Land & Building and Fixed Machinery under Mortgage Bonds No M.B. - 979/3063/3243/1147/422/5789 from time to time.

4.2.2 Capital commitments Contingent Liability

There is a case No33/1303/2017 at labour Tribunt in Homagama by ex-employee of Corporation.

Variable Data Printing Machine (Lombardi Synchronize 330) was imported on 14.07.2017 on a loan basis from Peoples Bank Corporate Banking Division. This was at development stage up to 31.12.2017 Capitalized value was Rs: 179.9 Million of same as at 31.12.2017.

5. Retirement Benefit Obligations

5.1 Gratuity

The Corporation is liable to pay Gratuity in terms of the payment of Gratuity Act No 12 of 1983 Payment of Gratuity was made without any arrears where as no separate fund has been built up equalant to the provision as at 31.12.2017.

5.2 Defined Contribution Plans - Employees Trust Fund and Employees Provident Fund

Employees are eligible for the employees provident fund and Employees Trust Fund in accordance with respective statutes and regulations. The corporation contributes 12% and 3% of the gross emoluments of employees to the employees Provident Fund and employees Trust fund respectively.

6. Income and Expenses

6.1 Revenue Recognition

All Revenues are recognized on an accrual basis.

Interest income

10% interest is charged for the loans granted to the Corporation employees.

6.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving the profit for the year.

6.3 Borrowing costs

All borrowing costs are recognized as expenses in the period in which they are incurred except borrowing cost incurred to obtain machinery has been capitalized up to level of performance from the respective machines.

STATE PRINTING CORPORATION

Statement of Financial Position

As at 31st December - 2017

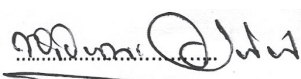
			Restated Accounts	
	Note No.	2017 Rs.	2016 Rs.	2016 Rs.
ASSETS				
Non - Current assets				
Property, Plant and Equipment	15	993,178,106	147,377,104	147,377,105
		993,178,106	147,377,104	147,377,105
Current Assets:				
Inventories	16	252,711,676	224,807,529	248,672,366
Trade Receivables	17	527,327,575	679,404,249	703,301,233
Other Receivables	18	47,308,810	212,689,463	212,689,463
Pre Payments		1,673,445	263,539	263,539
Cash & Cash Equivalents	19	51,857,886	39,830,161	39,830,161
Total Current Assets		880,879,392	1,156,994,941	1,204,756,762
Total Assets		1,874,057,497	1,304,372,045	1,352,133,867
EQUITY & LIABILITIES				
Issued Capital		15,000,000	15,000,000	15,000,000
Reserves		15,003,633	15,003,633	15,003,633
Retained Earnings		(30,931,579)	195,331,388	239,737,480
Add: Revaluation Profit		701,192,812	36,015,363	36,015,363
Total Equity		700,264,866	261,350,384	305,756,476
Non Current Liabilities				
Retirement Benefit Obligation		188,712,450	185,196,612	185,196,613
Deferred Tax Liabilities	20	(11,268,578)	-	-
Total non Current Liabilities		177,443,872	185,196,612	185,196,613
Current Liabilities				
Trade Payables	21	171,530,729	208,220,612	211,576,342
Other Payables	22	42,641,788	44,761,093	44,761,093
Interest Bearing Borrowings	23	745,962,105	569,351,346	569,351,346
Bank Overdraft		36,214,137	35,491,997	35,491,997
Total Current Liabilities		996,348,759	857,825,048	861,180,778
Total Equity & Liabilities		1,874,057,497	1,304,372,045	1,352,133,867

I certify that these financial statements of the Corporation comply with the requirements of the Finance Act No. 38 of 1971.

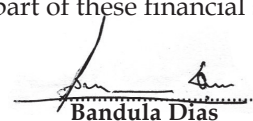


N. D. Priyankara Kumara
Finance Manager

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. The accounting policies on pages 109 to 111 and notes on pages 113, 114 and 118 to 120 form an integral part of these financial statements.



S. Alokabandara
Chairman/Director



Bandula Dias
Working Director

STATE PRINTING CORPORATION

Notes to the Financial Position As at 31st December - 2017

		Restated Accounts	
	2017 Rs.	2016 Rs.	2016 Rs.
16. INVENTORIES			
Raw materials	126,647,717	115,315,703	126,214,026
Consumable	10,702,665	5,895,747	5,895,747
Spare parts	36,540,074	39,183,613	39,183,613
Hardware	1,447,563	1,318,179	1,318,179
Finished goods	51,557,429	37,148,418	40,148,418
Work in progress	25,816,228	25,945,869	35,912,383
	252,711,676	224,807,529	248,672,366
17. TRADE RECEIVABLES			
Trade debtors	557,332,365	699,917,075	727,385,717
Less - Provision for bad debt	(23,984,510)	(21,216,887)	(21,216,887)
Provision for EPD Quality Loss/Penalty	(6,381,589)	-	(3,571,658)
Other debtors	361,309	704,061	704,061
	527,327,575	679,404,249	703,301,233
18. OTHER RECEIVABLES			
Staff Loan and Advances (Note 18.1)	19,503,611	21,242,423	21,242,423
Deposits & Receivables (Note 18.2)	5,729,546	6,947,069	6,947,069
Sales Control Accounts	-	-	-
Bank Loan - Margin A/C	3,409,883	184,499,971	184,499,971
Tax Recoverable (Input VT B/F)	18,665,770	-	-
	47,308,810	212,689,463	212,689,463
18.1 LOAN AND ADVANCES			
Distress Loans	15,795,710	18,321,617	18,321,617
Festival advance	2,728,000	2,254,000	2,254,000
Staff salary advances	31,746	63,372	63,372
Creditors advance A/C	948,155	603,434	603,434
	19,503,611	21,242,423	21,242,423
18.2 DEPOSITS & RECEIVABLES			
Deposits receivable	5,202,903	6,571,772	6,571,772
Add. other receivables	526,643	375,296	375,296
	5,729,546	6,947,069	6,947,069
19. CASH & CASH EQUIVALENTS			
Cash at Bank	47,879,960	36,275,656	36,275,656
Cash in Transit	3,849,626	3,511,060	3,511,060
Cash in Hand	128,300	43,445	43,445
	51,857,886	39,830,161	39,830,161

For the purpose of statement of Cash Flow, Cash & Cash Equivalents comprise the following

	Restated Accounts		
	2017 Rs.	2016 Rs.	2016 Rs.
Cash at Bank	47,879,960	36,275,656	36,275,656
Cash in Transit	3,849,626	3,511,060	3,511,060
Cash in Hand	128,300	43,445	43,445
	51,857,886	39,830,161	39,830,161
Bank Overdrafts	(36,214,137)	(35,491,997)	(35,491,997)
	15,643,749	4,338,164	4,338,164
20. DEFERRED TAX LIABILITIES			
As at beginning of the year	-	-	-
Amount Originated/(reversed)/T.			
Differences during the year	(11,268,578)	-	-
As at end of the year	(11,268,578)	-	-
21. TRADE PAYABLES			
Trade creditors	53,905,998	80,124,336	80,124,336
Other creditors	1,440,310	1,277,105	1,277,105
Department of Inland Revenue	114,565,198	126,619,672	129,975,402
Sales advance	9,065	199,500	199,500
Other Creditors (Debt Bal)	1,610,158	-	-
	171,530,729	208,220,612	211,576,342
22. OTHER PAYABLES			
Accrued Expenses	41,193,629	42,982,314	42,982,314
Deposit Payable	1,448,159	1,778,779	1,778,779
	42,641,788	44,761,093	44,761,093
23. INTEREST BEARING BORROWINGS			
Bank Short Term Loan (STL)	697,050,043.00	-	-
Bank Usance Loan	48,912,062.00	-	-
	745,962,105.00	0.00	0.00

STATE PRINTING CORPORATION

Statement of Cash Flows As at 31st December - 2017

	2017 Rs.	Restated Accounts 2016 Rs.	2016 Rs.
Cash Flows from Operating Activities	(229,273,949)	(74,649,560)	4,623,576
Net Profit / (Loss) before taxation			
Adjustment for:			
Depreciation on Fixed Assests	38,876,337	26,005,411	23,381,899
Profit of Non Current Assets (PPE)	(1,438,238)	(1,618,423)	(1,618,423)
Prior year adjustments	3,010,982	(41,731,031)	(38,327,278)
Finance Expenses	95,754,406	58,130,262	58,130,262
Gratuity provision made during the year	12,861,970	16,493,353	16,493,353
Provision for EPD Late Charges & Quality Losses	6,381,589	-	-
Provision for Bad Debtors	(804,035)	4,389,122	-
Operating Profit before Working Capital Changes	(74,630,938)	(12,980,867)	62,683,389
Changes in items of Working Capital			
(Increase)/ Decrease in Inventories	(27,904,147)	135,154,769	111,289,934
(Increase)/ Decrease in Trade receivables	142,827,462	(26,797,507)	(46,305,593)
(Increase)/ Decrease in Adv. Deposits & Other Receivable	165,380,653	(29,155,255)	(29,155,112)
Increase / (Decrease) in Current Liabilities	(13,527,720)	(7,487,680)	(33,805,151)
Cash generated from operations	192,145,310	58,733,460	64,707,467
Tax paid	(36,191,121)	(30,000,000)	(25,000,000)
Employee Retirement Benefit paid	(9,346,132)	(15,031,482)	(15,031,482)
Cash Flows / (Used in) from Operating Activities	146,608,057	13,701,978	24,675,985
Cash Flows From Investing Activities			
Proceeds from sales of PPE	1,445,242	1,875,319	1,875,319
Purchasing of PPE	(217,604,067)	(37,941,634)	(36,160,264)
Net cash flows from Investing Activities	(216,158,825)	(36,066,315)	(34,284,945)
Cash Flows from Financing Activities			
Proceeds received / paid for borrowings (Net Borrowings)	176,610,759	99,537,720	86,782,343
Interest Paid	(95,754,406)	(58,130,262)	(58,130,262)
Net cash flows from Financing Activities	80,856,353	41,407,458	28,652,081
Net Increase/(Decrease) in Cash & Cash Equivalents	11,305,585	19,043,121	19,043,121
Cash & Cash Equivalents at the beginning of the period	4,338,164	(14,704,957)	(14,704,957)
Cash & Cash Equivalents at the end of the period (Note 19)	15,643,749	4,338,164	4,338,164

STATE PRINTING CORPORATION
Statement of Changes in Equity For the year ended 31st December - 2017

	Issued Capital Rs.	Capital Reserve Rs.	General Reserve Rs.	Development Reserve Rs.	Revaluation Profit Rs.	Retained Earnings Rs.	Total Rs.
Accounts - 2016							
Balance as at 01 st January 2016	15,000,000	102,491	1,000,000	13,901,142		312,036,107	342,039,740
Prior Year Adjustment						(73,242,347)	(73,242,347)
Profit/(Loss) for the year (after taxation)						943,720	943,720
Revaluation Profit							
Balance as at 31st December 2016	15,000,000	102,491	1,000,000	13,901,142		239,737,480	269,741,113
Restated Accounts 2016						36,015,363	36,015,363
Balance as at 01 st January 2016	15,000,000	102,491	1,000,000	13,901,142	-	312,036,107	342,039,740
Prior Year Adjustment						(41,731,031)	(41,731,031)
Profit/(Loss) for the year (after taxation)						(74,973,687)	(74,973,687)
Revaluation Profit					36,015,363		36,015,363
Balance as at 31st December 2016	15,000,000	102,491	1,000,000	13,901,142	36,015,363	195,331,388	261,350,384
Balance as at 01 st January 2017	15,000,000	102,491	1,000,000	13,901,142	36,015,363	195,331,388	261,350,384
Prior Year Adjustment						3,010,982	3,010,982
Profit/(Loss) for the year (after taxation)						(229,273,949)	(229,273,949)
Revaluation Profit					665,177,449		665,177,449
Balance as at 31st December 2017	15,000,000	102,491	1,000,000	13,901,142	701,192,812	(30,931,579)	700,264,866

STATE PRINTING CORPORATION

Comprehensive Income Statement

For the year ended 31st December - 2017

	Notes	2017 Rs.	Restated Accounts 2016 Rs.	2016 Rs.
Revenue	7	1,249,839,033	1,445,725,491	1,477,236,807
Cost of sales	8	(1,054,060,200)	(1,119,425,939)	(1,071,664,118)
Gross Surplus		195,778,833	326,299,552	405,572,689
Other operating income	9	20,796,639	23,010,408	23,010,408
Distribution expenses	10	(14,788,906)	(29,399,000)	(29,399,000)
Administrative expenses	11	(214,735,986)	(218,536,434)	(218,536,434)
Other operating expenses	12	(122,949,949)	(120,412,881)	(120,412,881)
Operating Profit		(135,899,369)	(19,038,355)	60,234,782
Finance Income		2,379,826	2,519,057	2,519,057
Finance Expenses	13	(95,754,406)	(58,130,262)	(58,130,262)
Surplus for the year before tax		(229,273,949)	(74,649,560)	4,623,577
Income Tax	14	-	(324,127)	(3,679,857)
Surplus for the year after tax		(229,273,949)	(74,973,687)	943,720

Statements of Comprehensive Income for the Year Ended 31st December - 2017

	2017 Rs.	2016 Rs.	2016 Rs.
Profit for the Year (After Tax)	(229,273,949)	(74,973,687)	943,720
Other Comprehensive Income	-	-	-
Revaluation Profit	665,177,449	36,015,363	-
Total Comprehensive Income for the Year	435,903,500	(38,958,324)	943,720

STATE PRINTING CORPORATION
Notes to the Financial Statements
For the year Ended 31st December - 2017

		Restated Accounts	
	2017	2016	2016
	Rs.	Rs.	Rs.
07. REVENUE / TURNOVER			
Income from Stationery Factory	220,336,135	232,969,063	264,480,379
Income from Main Press			
Textbooks	677,043,029	867,581,331	867,581,331
Job Works	317,971,907	318,142,269	318,142,269
Publications	2,397,001	1,120,589	1,120,589
Income from Other Sales	32,090,961	25,912,239	25,912,239
	1,249,839,033	1,445,725,491	1,477,236,807
08. COST OF SALES			
Main Press			
Raw materials consumed	423,890,328	472,735,620	461,837,298
Direct labour	221,253,402	220,666,050	220,666,050
Direct factory expenses	50,380,456	49,955,422	49,955,422
Indirect factory expenses	79,751,670	67,626,131	67,626,131
Other expenses/Stock Adjustment	36,037,689	44,715,963	31,749,449
Late Charges & Penalty EPD	1,958,500	27,468,643	-
Provision for Late Charges EPD	6,381,589	-	3,571,658
	819,653,634	883,167,829	835,406,008
Stationery factory			
Raw materials consumed	165,056,830	138,553,147	138,553,147
Direct labour	32,853,408	31,923,235	31,923,235
Direct factory expenses	2,972,534	3,080,806	3,080,806
Indirect factory expenses	8,824,840	2,141,781	2,141,781
Other expenses/Stock Adjustment	(7,838,664)	42,371,400	42,371,400
	201,868,948	218,070,369	218,070,369
Cost of Publication unit	2,992,756	1,104,768	1,104,768
Cost of Other Sales unit	29,544,862	17,082,973	17,082,973
Total cost of sales	1,054,060,200	1,119,425,939	1,071,664,118
09. OTHER OPERATING INCOME			
Factory Wastpaper & Sundry Item	17,948,931	20,652,638	20,652,638
Tender Deposit & Registrations	605,435	721,348	721,348
Over Provision of Bad Debts	804,035	-	-
Profit of Disposal M/V, P&M & Types	1,438,238	1,618,422	1,618,422
Income from Canteen	-	18,000	18,000
	20,796,639	23,010,408	23,010,408

	Restated Accounts		
	2017 Rs.	2016 Rs.	2016 Rs.
10. DISTRIBUTION EXPENSES			
Nation Building Tax	8,390,599	19,079,461	19,079,461
Upkeep of Motor Vehicles	4,960,616	4,056,789	4,056,789
Advertisement	289,626	868,485	868,485
Sales Promotion	471,083	802,361	802,361
Provision for Bad Debts	-	4,389,122	4,389,122
Maint. of Outlet	7,200	79,183	79,183
Debtor Collection Commision	-	123,599	123,599
Sales Commission	566,491	-	-
Transport Charges for Finised Goods	103,291	-	-
	14,788,906	29,399,000	29,399,000
11. ESTABLISHMENT & ADMINISTRATION EXPENSES			
Rent	2,907,278	2,299,533	2,299,533
Upkeep of land & buildings	2,085,568	1,600,155	1,600,155
Electricity	266,216	275,945	275,945
Maintenance of office equipment	1,260,208	857,686	857,686
Depreciation - Office equipment	676,348	2,264,181	2,264,181
- Furniture & Fittings	-	91,920	91,920
- Computer software	3,111,393	3,707,011	3,707,011
- Motor cycles	66,375	33,188	33,188
Rates	70,008	120,120	120,120
Water Tax	81,858	55,523	55,523
Salaries & Wages	135,659,728	132,871,950	132,871,950
Overtime of staff	11,267,951	9,934,301	9,934,301
Employees' provident fund	17,393,133	17,117,438	17,117,438
Employees' trust fund	4,348,285	4,279,362	4,279,362
Incentive payments	2,371,000	2,407,500	2,407,500
Chairman's emolument	927,374	960,000	960,000
Working Director's emolument	780,000	780,000	780,000
Board Director's fees	374,500	372,300	372,300
Postage	233,567	286,443	286,443
Telephone	1,680,641	1,401,580	1,401,580
Printing & Stationery	5,047,569	6,970,620	6,970,620
Press Notices & Publication	806,270	849,966	849,966
Travelling & subsistance	1,428,331	1,752,656	1,752,656
Newspapers and periodicals	101,800	86,280	86,280
Rent - Motor Vehicle	4,235	967,138	967,138
Foreign Travelling / Staff training (Foreign)	414,993	474,846	474,846
General office expenses	189,317	284,418	284,418
Audit fees	500,000	500,000	500,000
Miscellaneous expenses	52,988	350,939	350,939
Legal & Consultancy	174,000	683,157	683,157
Entertainment	515,320	624,100	624,100
Gratuity Expenses	12,861,970	16,493,353	16,493,353
Staff training	592,300	490,905	490,905
Audit & Management Committee Fees	153,000	208,215	208,215
Internet / Email	163,652	201,743	201,743
Procurement Committee Fees	704,400	485,450	485,450
Upkeep of Motor vehicle 25%	4,960,616	4,056,789	4,056,789
Accommodation	-	72,030	72,030
Board meeting expenses	27,372	64,483	64,483

		Restated Accounts	
	2017 Rs.	2016 Rs.	2016 Rs.
Membership fees	7,600	70,800	70,800
Donation	254,828	775,032	775,032
Computer Repair & Maintenance Charges	167,340	179,050	179,050
Cash Transport Charges	9,300	73,828	73,828
Cash escort charges	-	9,952	9,952
Registration Charges as a Supplier	37,357	94,551	94,551
	214,735,986	218,536,434	218,536,434
12. OTHER OPERATING EXPENSES			
Welfare to staff	24,880,059	25,177,725	25,177,725
Employees medical scheme	10,612,238	9,654,775	9,654,775
Housing Loan interest	3,113,525	4,273,617	4,273,617
Bonus to staff	50,190,854	53,029,119	53,029,119
Special Incentive Payment	7,490,000	6,630,000	6,630,000
Staff transport	11,012,114	4,877,244	4,877,244
Leave Encashment	15,607,159	16,408,882	16,408,882
Staff Awards	44,000	68,000	68,000
Payee Tax	-	293,519	293,519
	122,949,949	120,412,881	120,412,881
13. FINANCE EXPENSES			
Bank Guarantee & Other bank charges	7,276,412	9,702,557	9,702,557
Bank Overdraft interest	6,462,707	2,217,657	2,217,657
Bank Loan interest - Short Term	82,015,287	46,210,048	46,210,048
Bank Loan interest - Long Term	-	-	-
	95,754,406	58,130,262	58,130,262
14. INCOME TAX			
Income tax provision for the year	-	324,127	3,679,857
	-	324,127	3,679,857

STATE PRINTING CORPORATION
Notes to the Financial Statements
For the Year Ended 31st December - 2017

15. PROPERTY, PLANT AND EQUIPMENT

Description	As at 31. 12. 2015	Opening Balance Difference	Additions/ Revaluations during the year	Disposals during the year	Cost/Revaluation As at 31. 12. 2016	Disposals during the year	Revaluations for the Year 01.01.2017	Additions during the year 2017	As at 31. 12. 2017
At Cost									
Land	475,126	-	-	-	475,126	-	378,500,000	-	378,500,000
Building	38,020,440	-	-	-	38,020,440	-	166,600,000	-	166,600,000
* Plant Machinery & Tools	236,452,325	1,512,429	15,798,845	(9,978,137)	243,785,462	(3,497,103)	210,667,100	212,640,604	423,307,704
* Factory Tools, Types	2,215,086	-	153,575	-	2,368,661	-	-	-	-
Motor Vehicles & M/Cycles	45,807,299	(1,512,429)	11,501,130	(225,000)	55,571,000	(8,000)	-	-	55,563,000
**Office Equipments & Furniture	31,450,774	-	4,126,258	-	35,577,032	-	5,879,200	3,449,693	9,328,893
**Furniture and fittings	4,410,226	-	66,321	-	4,476,547	-	-	-	-
Computer & Accessories	35,793,321	-	4,514,135	-	40,307,456	-	4,186,450	1,513,770	5,700,220
Electronic Reinstallations	2,572,951	-	-	-	2,572,951	-	-	-	-
Total	397,197,548	-	36,160,264	(10,203,137)	423,154,675	(3,505,103)	765,832,750	217,604,067	1,038,999,817
Accumulated Depreciation									
Description	As at 31.12.15	Opening Balance Difference	Annual Depreciation 2016	Disposals during the year	Accumulated Depreciation 31.12.2016	Disposals during the year	Revaluations/ Cost 01.01.2017	Annual Depreciation 2017	Accumulated Depreciation 31.12.2017
Building	29,010,891		783,417	-	29,794,308	-	-	4,165,000	4,165,000
Plant Machinery & Tools	173,897,615	1,208,598	9,215,415	(9,948,690)	174,372,938	(3,497,099)	-	17,030,847	17,030,847
Factory Tools, Types and Furniture and Fittings	1,936,303		123,021	-	2,059,324	-	-	-	-
Motor Vehicles & M/Cycles	3,919,179		91,920	-	4,011,099	-	-	-	-
Office Equipments & Furniture	36,289,502	1,414,914	7,038,691	(37,796,733)	6,946,374	(1,000)	-	13,892,750	20,838,124
Computer & Accessories	19,142,884		2,264,181	-	21,407,065	-	-	676,348	676,348
Electronic Reinstallations	30,748,258		3,865,255	-	34,613,513	-	-	3,111,392	3,111,392
	2,572,950		-	-	2,572,950	-	-	-	-
Total	297,517,582	2,623,512	23,381,899	(47,745,423)	275,777,570	(3,498,099)		38,876,337	45,821,711
Written Down Value	99,679,966				147,377,105				993,178,106

* / ** revalued under one category during the year



2017 REPORT OF AUDITOR GENERAL



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எனது இல. }
My No. }

MED/D/SCP/1/17/110

உமது இல. }
Your No. }

திகதி }
Date }

11 September 2018

The Chairman

State Printing Corporation

Report of the Auditor General on the Financial Statements of State Printing Corporation for the year ended 31 December 2017 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971

The audit of Financial Statements of the State Printing Corporation for the year ended 31 December 2017, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory information for the year ended 31 December 2017, was carried out under my direction in pursuance of provisions in Article 154(1) of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the State Printing Corporation Act, No. 24 of 1968. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the State Printing Corporation as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Financial Reporting Standards (SLFRS)

The following information needed for the evaluation of the nature and size of the risks arisen had not been disclosed in terms of Paragraphs 31 and 33 of Sri Lanka Financial Reporting Standards 07 as at the end of the year under review from the Financial Instruments of the Corporation .

- Objectives and policies of the Financial Risk Management of the Corporation
- Financial Risk and the types of the risk to be occurred

2.2.2 Sri Lanka Accounting Standards

The following non- compliances with Sri Lanka Accounting Standards were observed during the course of audit.

(a) Sri Lanka Accounting Standard 01

- (i) Although it was needed to disclose with regard to the nature, objective of carrying out the reserves consisted in the capital etc. in terms of the Paragraph 79 (b) of the Standard, disclosures had not been made in respect of the Capital Reserves amounting to Rs. 102,491 , the General Reserves

amounting to Rs. 1,000,000 and the Development Reserves amounting Rs. 13,901,142 and the Revaluation Reserves amounting to Rs. 701,192,812 which are being maintained by the Corporation.

- (ii) The value of the Letter of Credit which was opened for the purchase of papers amounted to Rs. 6,648,040 by the Corporation by the 31 December 2017 in terms of Paragraph 125 of the Standard had not been disclosed in the financial statements.

(b) Sri Lanka Accounting Standard 07

- (i) The decrease in the balances of trade creditors and other creditors consisted in the changes in working capital in the cash flow statement , a sum of Rs. 358,925 had been understated and even though the decrease in trade debtors and other debtor balances consisted in the changes in working capital in the cash flow statement was Rs. 142,927,462 according to the statement of financial position presented, it had been shown as Rs. 142,827,462 .
- (ii) Although the cash flow statement was balanced showing a suspense balance amounted to Rs. 3,010,982 under operational activities as prior year adjustment which was not included in the statement of financial performance as an amount received, a sum of Rs. 111,345 had been included within that unidentified adjustments.

2.2.3 Accounting Deficiencies

Even though the value of the machineries and equipment of the Litho Division according to the Valuation Reports prepared by the Department of Valuation in the year under review was Rs. 146,820,000 since the valuation amount of machineries and equipment of the Litho Division in the financial statements were Rs. 40,000,000 , the value of the

property, plant and equipment of the year under review had been understated by Rs. 106,820,000. As a result of understating the Revaluation Reserves by Rs. 106,820,000 and understating the annual depreciation by Rs. 8,011,500 the loss of the year under review had been shown understated in the financial statements by Rs. 8,011,500.

2.2.4 Unreconciled Control Accounts

A Reconciliation Statement for the reconciliation of the balances in the Creditors Control Account and the Ledger for creditors had not been prepared and it was observed that the balance of creditors was higher than the balances in the Ledger accounts for creditors shown in the financial statements in the year under review by Rs. 1,456,119. Further, a creditor of Rs. 1,941,784 in the Ledger for creditors had been entered in to the Register of Creditors as Rs. 194,178 .

2.2.5 Unexplained differences

The following observations are made.

- (a) Even though it had been informed by the Department of Government Press a sum of Rs. 10,535,542 was receivable to that Department as at 31 December in the year under review according to the balance confirmations , the provisions had been made in the accounts as only a sum of Rs. 2,754,825 payable for that Department by the Corporation.
- (b) Even though it had been informed according to the balances of confirmation as at 31 December in the year under review by the Department of Statistical and Census as there was no any loan balance to be paid by that Department to the Corporation, as the provisions had been made in the accounts of the Corporation a sum of Rs. 11,836,011 was payable to the Corporation by the Department.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The total creditor balance as at 31 December in the year under review was Rs. 53,905,998 and according to the creditors' age analysis a value of Rs. 10,056,845 out of that were unsettled loan balances remained in the year 2013 and before that. That was 19 per cent out of the total creditors.
- (b) The Corporation had failed to recover a trade debtor balance for more than 04 years totalled to Rs. 147,033,354 and that was 28 per cent out of the debtor balance receivable amounted to Rs. 527,327,575 as at 31 December in the year under review.
- (c) A sum of Rs. 9,753,427 had been receivable to the Corporation from the National Paper Corporation and the amount payable to the Paper Corporation from the Corporation had been Rs. 7,460,675 as at the end of the year under review. Although the loan amount consisted in these balances for more than 04 years were Rs. 7,989,976 and Rs. 5,578,142 respectively, actions had not been taken to settle these balances. Since the business activities of the Paper Corporation had stopped an uncertainty was observed in respect of settlement of these balances.

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

The following non- compliances with Laws, Rules, Regulations and Management Decisions were observed during the course of audit.

Reference to the Laws, Rules and Regulations	Non- compliance
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(a) Section 41 of Factories Ordinance No, 45 of 1942	A fire alarm system had not been installed.

- | | |
|---|--|
| <p>(b) Department of Public Enterprises
Circular No. PED 1/ 2015 of 25
May 2015
Section 4.2</p> | <p>Without taken action to provide group transportation for the 15 Middle Level Managers of the Corporation in terms of the Circular, allowances amounted to Rs. 3,132,500 had been paid in the year under review at a monthly sum of Rs. 17,500 per officer.</p> |
| <p>(c) Public Enterprises Circular No. PED 03/ 2017 of 11 December 2017
Sections 01, 02 and 03</p> | <p>Although the approval of the Treasury should be obtained for the payment of the bonus in terms of the Circular, without having a such approval a sum of Rs. 50,190,854 had been paid based only on the recommendation of the Chairman of the Corporation for the year under review.</p> |
| <p>(d) Extraordinary Gazette Notification No. 2004 /66 of 03 February 2017</p> | <p>The Corporation had not maintained the Register of Registration for Information Requests and Register of Appeals and the Register of Refused Information in the year under review.</p> |
| <p>(e) Public Administration Circular No. 05/ 2008 of 06 February 2008</p> | <p>Even though introduce a Citizens Charter and an Institutional Mechanism should be carried out for that by the State Institution, it had not been so done.</p> |



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Corporation for the year ended 31 December of the year under review had resulted in a deficit of Rs. 229,273,949 and the corresponding deficit of the preceding year was Rs. 74,649,560, thus observing a deterioration of Rs. 154,624,389 in the financial result as compared with the preceding year. Decrease in the gross surplus by Rs. 130,520,719 and increase in the financial expenses by Rs. 37,624,144 had mainly attributed to the deterioration in the above financial result.

An analysis on the financial results of the year under review and the 04 preceding years even though it had resulted in a surplus from the year 2013 up to the year 2015, a deficit had occurred in the years 2016 and 2017. The deficit of the year 2017 had increased by 207 per cent and had been Rs. 229,273,949. However, when the employee remuneration, Government taxes, and readjusted the depreciation on non-current assets to the financial result, the contribution of the Corporation for the year 2013 amounting to Rs. 550,885,453 had continuously improved and reached Rs. 579,601,971 by the end of the year 2017.

3.2 Analytical Financial Review

The gross profit margin and the net profit margin of the Corporation was being deteriorated even from the year 2013. The gross profit and net profit margins of 35 per cent and 3 per cent respectively in the year 2013 had deteriorated to 16 per cent and minus 18 per cent respectively in the year under review.

Similarly, even the current and quick ratios which show the liquidity of the Corporation had deteriorated. The current and quick ratios of 1.4:1 and 1.05:1 respectively in the year 2013 had deteriorated to 0.88:1 and 0.63:1 respectively in the year under review.

4. Operating review

4.1 Performance

4.1.1 Operations and Review

The following matters were revealed at the examination of the performance of achieving the objectives of Corporation in the year under review.

- (a) An income totalled to Rs. 893,544,499 had received as Rs, 677,043,029 and a sum of Rs 216,501,470 in the year under review from the Department of Educational Publications and the National Lotteries Board respectively for the printing of school text books and printing of Lotteries . Since that was 71 per cent from the overall income amounted to Rs. 1,249,839,033 in the year, it was observed that the Corporation is depend only on two income sources of its without diversification the income sources.
- (b) Selling, distribution, exportation and importation of books, educational publications, newspapers magazines and other publications printed by the Corporation or by the other Institution of Sri Lanka were the activities in the objectives of the Corporation and since the income earned from the year 2012 to the year 2017 by that was at a range from 0.01 per cent to 0.18 per cent from the overall income of the Corporation , it was observed that the Corporation had not drawn adequate attention to achieve those objectives.
- (c) Even though it had been planned to conduct 34 exhibitions in 24 schools and 10 Government Institutions to sell publications of the Corporation according to the Sales Plan of the year under review, conducting exhibitions had been abandoned due to high cost conducted only two exhibitions in two Institutions. However, though that decision had been taken due to high cost, a proper calculation of the cost or cost benefit analysis had not been made.

4.2 Management activities

The following observations are made in respect of printing of school text books for the year 2018 .

- (a) A 1,520 metric tons of papers totalled to Rs. 179,801,775 imported by a private Institution for the printing of school text books for the year 2018 had been released from the Port in delay. Even though a demurrage charge on it amounted to Rs. 5,037,480 should be paid by the above importer private Company to the Sri Lanka Ports Authority , a sum of Rs. 1,457,013 out of that demurrage charge had been paid by the Corporation to the Sri Lanka Ports Authority .
- (b) A sum of Rs. 1,084,990 had been reduced as fines from the amount payable to the Corporation by the Department of Educational Publications for the 18 types of school text books printed by using them since the shine of the imported papers used for the printing of the school text books,
- (c) Even though the “ Double Side Coated Art Board” in 220 GSM type should be used for that text book as per the agreement entered into with the Department of Educational Publications for the printing of school text books , because of the “ Double Side Coated Art Board” in 230 GSM was used instead of that, an extra cost amounted to Rs. 1,056,362 had been incurred to the Corporation. This was due to non- maintenance of the 220 GSM type paper stock related to the production in optimal level.

4.3 Operational activities

Out of the 12 sales stalls of the Corporation 11 stalls had not fulfilled their sales targets ranged between 22 per cent to 68 per cent from the targeted sales in the year under review.

4.4 Under- utilized Assets

Out of the estimated machine working hours in the Litho Section, Letterpress Section and Binding Section in the Corporation a totalled machine working hours 100,974 as 33 per cent, 34 per cent and 85 per cent respectively had not been utilized during the year because of the lack of the printing jobs. As a result of that 238 number of staff also employed in those Divisions had not been assigned for their activities during that period.

4.5 Resources of the Corporation handed over to the other Government Institutions

From the land belonging to the Corporation situated at Panaluwa , padukka a portion in extent 13 acres 02 roods and 06 perches in estimated value of Rs. 107,000,000 had been alienated to the Industrial Development Board to establish an industrial city. Nevertheless, the Corporation had not taken action to approach into a specific decision in respect of alienating that to the Board legally or get back the land.

4.6 Staff Administration

The following observations are made.

- (a) The details regarding the approved cadre of the Corporation had been prepared in the year 2012 and the attention had not been drawn in respect of making revisions in Cadre Assessment considering the machineries purchased by the Corporation at present and the production process of the Corporation.
- (b) Out of the 36 training programmes proposed to be implemented according to the Training Plan in the year under review only 05 had been implemented and 11 training programmes had been implemented away from the Training Plan. However, even though 04 training programmes for the staff employed in the printing activities had been conducted, only 17 had been appeared for that out of the 476 number of staff employed in printing activities.

4.7 Market Share

A market survey for the understanding of the market share in respect of the other production of exercise books, publishing of publication books, other commercial printings carrying out by the State Printing Corporation itself functioned in the competitive market had not been conducted in the year under review or in the previous years.

5. Sustainable Development

5.1 Achieving of Sustainable Development Objectives

All the government institutions should be functioned as per the United Nations year 2030 Agenda for the Sustainable Development and as a result of the Corporation had not aware of the way of proceed with regard to the functions under the scope it had not been identified the Sustainable Development Goals in relation to the activities, targets and interlinks which can be approached to the targets and the indicators to measure the achieving targets .

6. Good Governance and Accountability

6.1 Procurement

The following observations are made in respect of the purchasing of the Variable Data Printing Machine produced in Italy by incurring Rs. 203,509,234 in the year under review for the printing of Lotteries .

As the supplier had been selected only based on the prices without making comparison of technical specification of bids furnished relating to the purchase by Technical Evaluation Committee of the Ministry of Media and Parliamentary Affairs, instead of the Six Colour printing machine which had the printing speed of 230 meters per minute expected to be purchased according to the Feasibility and Evaluation Report , the Six

Colour Printing Machine which had printing speed of 80 meters per minute and maximum speed in VDP Camera Unit of 50 meters per minute had been purchased.

The General Manager of the corporation had informed to the audit that the printing speed of the Six Colour Printing Machine Unit was 110 meters per minute and the speed of the VDP Camera and Folding Unit was 65 meters.

6.2 Budgetary Control

As it was observed the variances ranging from 20 per cent to 3,333 per cent between the budgeted and actual expenditure compared relating to 18 expenditure items thus indicating that the budget had not been made use of as an effective instrument of management control accordingly.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe

Auditor General



2017

STATE PRINTING CORPORATION COMMENTS ON FINANCIAL STATEMENTS

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Financial Reporting Standard (SLFRS)

Objectives and Policies and financial risk and the ways in which risk happens in the financial risk management of the corporation will be revealed in the following accounting years.

2.2.2 Sri Lanka Accounting Standard

(a) Sri Lanka Accounting Standard 01

- (i) The starting financial capital of the corporation has been provided by the government consolidate fund and in it capital reserve, general reserve, development reserve also been included. It is the forwarded balance of the first last set of accounts till present day.

A profit included in the year 2016 conducted assets revaluation in the revaluation reserve is Rs. 36,015,363 and in the year 2017 conducted assets revaluation Rs. 665,177,449.

- (ii) The goods has been received in March 2018 and later on it has been converted into a short term loan for the Rs. 6,648,040/- valued letter of credit which was issued on 31.12.2017

(b) Sri Lanka Accounting Standard 07

- (i) Steps has been taken to not to occur the error again.
- (ii) Steps will be taken to describe the details on all the adjustments in near future.

2.2.3 Accounting deficiencies

Even the valuation department concluded the valuation procedure there was a delay on handing over the reports to the corporation. This error has been occurred due to re computerizing the data on the report and calculating the sum while preparing the final accounts. Therefore it has been already corrected by the beginning of year 2018 accounting under the number 180012 journal note, mean while steps were taken to not to occur such an error in near future.

2.2.4 Not tallied control account

- (i) The balance of the creditors control account Rs. 53,905,997 /- which was taken by the accounting package has been shown correctly in the financial statements. Actions will be taken to correct clear errors in ledger cards which is maintain manually in each creditor.
- (ii) This error has been occurred while copying the balance of a one ledger card to the time analysis report. While doing the amendments in above (i) in the ledger cards the errors will be correct and it will get equal to the balance of the control account balance.

2.2.5 Unpublished Assets

- (a) Grants have been provided as the vouchers presented to the unit of finance and as soon as the details received from the unit of work and unit of supply the correct balance which has to be paid will be noted in the accounts.
- (b) Steps have been taken to request again in written regarding reducing an amount of Rs. 11,836,011 /- in a printing work from the department of Census and Statistics.

2.3 Receivable and Payable Accounts

- (a) Most of the creditors in previous years are not in condition to re pay and now investigations are going on checking those balances. Therefore steps will be taken to investigate on those balances and take actions under a proper approval.
- (b) To formalize working on old debtors has been appointed under the accountant (income) and required legal measures are being taken by the legal officers.
- (c) A money payment hasn't been occurred by the National Paper Company or the corporation, only a transaction of good been occurred and its value has been mentioned in the ledger cards. Therefore for the date of 31.12.2017 there was a possibility of buying papers or card boards for a balance of Rs. 2,292,752. Because the production is currently not in progress a decision has to be made about the above balance. Steps will be taken for inform in written to proper authority to settle this loan amount.

2.4 Rules regulations and Incompatible for management decisions

- (a) The siren horn which was there to inform an emergency was working before and now it has been inactive and steps have been taken to repair the siren. Steps have been taken to establish an automatic warning system.
- (b) This decision has been taken by the management because it was difficult to distribute the limited number of vehicles in the corporation for all the middle level managers in different areas. Department of Government Business sent a letter informing that the director board recommendation is unacceptable to act on PED 1/2015. Decided to make a decision after submitting that letter to the board of directors.
- (c) According to the letter of chairman of the corporation dated on 14.12.2017 related on counting the bonuses and pay, payments has been done to the employees like in previous years as usual.
- (d) According to 2016 number 12 information act necessary officers have been informed and preparations of the documents will be done by using structures and documents implemented by the Ministry of the Public Administration.

- (e) According to No 05/2018 and 6th February 2008 dated public Administration circular its fundamental affairs have been done. That affair should be fulfilled by a formal committee and at the end of the year a mistake has been happened while fulfilling a production course. Attention has been referred to work in the near future.

3 Financial Reviews

3.1 Financial Results

Has been referred for the attention.

3.2 Analytical Financial Review

Steps will be taken to develop gross profit and net profit as well as mobile and instant assets rate.

4. Operational Review

4.1 Performance

4.1.1 Performance and Review

(a) Main incoming Sources of the Corporation will be as follow.

Incoming Sources	2017 Income	Income as a percentage	Special Notes
School Text Books	677,043,029/-	54.2%	Income will be limited by the orders received from the department of educational publications
Lottery Printing	216,501,470/-	17.3%	Limited on lottery selling.
Commercial Printing	101,470,435/-	8.1%	Limited as orders depending on cost and quality of printing
Exercise Books Selling	220,336,134/-	17.6%	Production has been reached to the maximum capacity.
External Stationary Selling	32,090,961/-	2.6%	Price will be dependent on paying money for the suppliers and the market price.
Publication Selling	2,397,000/-	0.2%	As a publisher furthermore need to be permanent to increase the income.
Total	1,249,839,029		

As above there are many income sources and receiving income has been limited due to some errors in each source and will identify errors in each source and plan to apply solutions in near future.

- (b) After 2009 in 2016 an assistant manager was recruited for the department of the publications in the corporation mean while he will study the current situation and give the attention towards all the possible actions that can be taken.

Income was limited because new publications were not printed from 2012 and only the available publications were sold.

In year 2016 few publications were printed and from that a slight growth could have been showed. A huge work has to be done to produce publications suitable for the market and

can be sold quickly and the assistant manager (publications) is doing the background preparations. It will take few more years to achieve a significant growth.

- (c) The officer who has only conducted 2 exhibitions out of 34 exhibitions that have been planned to sell corporate publications have planned with an aim of identify the market opportunities and gradually a growth of market. But haven't pay attention regarding additional issues and physical assets of the corporation and haven't done a special investigation considering on not having secured storage facilities and transporting goods here and there and had to do like above at least 3 days for a one school.

4.2 Management Activities

- (a) The management and the committee of procurement have been acknowledge about the amount of charge of delay during the clearance process for this papers and conducted few rounds of meetings with the supplier to collect that amount. The supplier agreed to pay all the port chargers till agreed date but because of the bad financial difficulties couldn't release the bank documents on time. the agreed amount from the supplier and the remaining amount was charged from the corporation as it was a fault from the corporation not from the supplier. All these details were stated by the awareness of the committee of procurement.
- (b) According to the report ITI 1702023 the lowest bidders paper sample has given a higher brightness level than the brightness level of the paper 85 +/- 2 given by the department of educational publications and it has been confirmed by the SGS report number TAOW00172687. Therefore steps were taken to recharge the decreased price of 1.08 million from the 18 text books. As our request the technical committee of the Department of Educational Publications decided to reduce the brightness level to 82 +/- 2. A copy of that report was given to the Audit Authority.
- (c) When printing school text book covers By using 230gsm kind D/S Coated Art Board which was available in bulks made it possible to finish the texts books by time. According to the agreement was unable to buy 220 gsm papers from the local stock market therefore accurate and timely methodology was been followed. It is not possible to keep an optimum level of all the papers because the liquidity is not in a good level.

4.3 Mission Activities

Inability of except 1 out of 12 shops of the corporation to achieve the targeted sales of 22-68%.

In the year 2017, due to a financial issue of the corporation opening of credit letters, for importing paper and inability to repay loans to local suppliers within the required time, raw material paper were not imported and production was impaired and the required production and supply could not be done on time. Due to impairment of external stationary supplies, the time when sales are high during the last few months of the year and other times, sale income was lost and for that to not happen, a considerable number of shops could have achieved the target or come near the target.

4.4 Underutilized assets

After completion of printing school text books, during the remaining time of the year, the Litho printing section, book binding section and convex printing section is underutilized and in the future production is hoped to be expanded by a new sales diversification system.

4.5 Government resources given to other government institutions

In an economical committee meeting conducted at the prime minister office has decided for the technical development council to pay and take over the piece of land with an estimated worth of 107 million. Based on these facts, the technical development council has to send that money to us by making a decision using a ministry council epistle. Operating that has been delayed by the technical development council. The secretary of the ministry of education has been informed about that in writing.

4.6 Management of the staff

- (a) Cadre Assessment has been made since the year 2017, and after studying the requirements of the sections and the company structure, a council approved by the board of directors has made this plan.

During this period there were changes in the presidential positions, and since two members of the directory board are also included in this committee, there was a delay in meeting and taking a decision. For now members should be appointed for that. In any case, as the plan has been made and achieved the second stage, it can be presented to the new committee.

- (b) Even there is a change in the number of programs that have been proposed in the year under review must have to face the circumstances that have to give priority and situations rise eventually. Decrease of new employees in working unit and decrease of appointed people. Even there is a different in percentage works can be done by considering about it in next year.

4.7 Market Share

Not doing a market survey to understand your market share regarding text books, publication books and other commercial printings.

Much accurate reviling could be done in marketing research work by much knowledgeable and experienced people. There is a vacancy for position of Marketing Research Officer from many years. To fill that position an internal appointing has had happened and that officer who appointed has done a market survey according to his knowledge and capacity. A survey on market price has been done by a selected sample from that.

Afterwards that officer has resigned from the corporation and again the position of Marketing Research Officer became available but in the year 2017 few employees from the marketing unit have conducted a survey of the use of SPC books and the awareness and about their will by choosing 6 children from 2 schools as a sample and its report has been submitted to the board of directors and Audit and Management committee.

However under the above categories there is only less than 5% of market share which has been acquisitioned by our corporation. But paying attention about identifying the opportunities in the market and convert those opportunities into sales potentials and try to understand the weaknesses in us and it is essential to pay attention in implementation of remedies to reduce weaknesses.

5 Sustainable Development

5.1 Achieving Sustainable Development Objectives

Our corporation has not been notified properly about sustainable development objectives and aims according to the United Nations "Sustainable Development agenda 2030"

6 Accounting and good Governance

6.1 Procurement

The both machines presented by Metropolitan Company and Lake House Printers Company are secured machines which can print labels and lotteries. Therefore no specification comparison has been done because the both machines are suitable for lottery printing.

In here because the price of the machine manufactured in America is became as twice as the price of the machine manufactured in Italy it has created some kind of an effect in recommending the price.

The feasibility assessment report which was prepared on year 2015 has been prepared by comparing to the specifications which was taken from the internet. And it has mentioned the speed of a machine in modern technology is 230 meters per minute.

Currently the speed of the color shade printing unit = 110 meters per minute

Maximum speed of the VDP camera unit = 65 meters per minute

Therefore lotteries that can be printed during 8 hours = 1,482,000

Amount that prints in 16 hours (in a day) = 2,946,000

Now on the speed of the printing unit have been gradually increased 110 meters per unit to 120 meters per unit and the camera unit speed to 65 to 70 .

6.7 Budget Control

A monthly investigation will be done regarding the monthly budget and the actual details including the chairman and the board of the directors and actions will be taken to reduce the gap between the budgeted cost and the actual cost and to use the budget schedule as a productive management controller.

