



Sri Lanka State Trading (General) Corporation Ltd.

**ANNUAL REPORT
2020-2021**

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VISION, MISSION & CORPORATE GOALS

Our Vision

To be the National Business Leader.

Our Mission

To supply all products and services required primarily by the state sector to enhance its operational efficiency, while catering to all other segments, maintaining stakeholder interests with a view of supporting Sri Lanka to become the commercial hub of Asia.

Corporate Goals

To earn reasonable earning, contribute towards personnel and carrier development and establish product leadership via specific brands.

GOALS, FUNCTIONS, SERVICES & PROGRESS DURING THE YEAR

Stabilizing the market through sale of diversified goods and services

Represent the reputed and trusted international brands in our country

Establishing a reputation through enhancing the revenue and profit of the organization

Achieving development targets

CORPORATE INFORMATION

Name of the Company: Sri Lanka State Trading (General) Corporation Limited

Legal form: The name of STC General Trading Co. Ltd was changed to Sri Lanka State Trading General Corporation Ltd. on 01/10/2010 under the Companies Act No.07 of 2007, Lanka General Trading Co. Ltd was enacted previously under the public companies Act No.17 of 1982 and prior to that the entity was known as the Sri Lanka State Trading (General) Corporation under the Sri Lanka State Trading Act No. 33 of 1970. The company was adjunct to the Ministry of Trade.

Chairman/Managing Director: Mr.Yoga Perera - (Joined 22.01.2020)

Board of Directors:

- Mr. B.A.T Rodrigo - (Joined 20.01.2020)
- Mr. D. A .Hettiarachchi - (Joined 20.01.2020)
- Mr. U. Dissanayake - (Joined 20.01.2020)
- Mr. D. J. Vidanachchi - (Joined 21.01.2020)
- Mrs. G. Dahanayake - (Joined 05.02.2020)
- Mr. T.A.D. Ranjith - (Joined 14.02.2020)

Company Secretary: A W Management Consultants (Pvt) Ltd

Auditor: Auditor General
National Audit Office,
No. 306/72,
Polduwa Road,
Battaramulla.

Bankers: People's Bank
NDB Bank
Sampath Bank

Registered office: 100, Nawam Mawatha,
Colombo 2,
Sri Lanka.
Telephone : +94 112 422341-4, +94 112 440880
Fax : +94 112 447970
Email : lankagen@sltnet.lk
Web : www.stc.lk

Company Registration No: PB 863

No. of Employees: 374 employees had been employed by the company at the year ended.

BOARD OF DIRECTORS



From Left to Right :

Mr. U. Dissanayake, Mr. T.A.D. Ranjith, Mr. B.A.T Rodrigo, Mrs. G. Dahanayake, Mr. Yoga Perera (Chairman), Mr. D. J. Vidanachchi, Mr. D. A .Hettiarachchi

CHAIRMAN'S MESSAGE

I wish to present the Annual Report of Sri Lanka State Trading (General) Corporation Ltd for the year 2020/2021.

External Environmental Outlook

The country went into lock down in mid-March 2020 and this situation was continued time to time as a precautionary measure against Covid 19. Therefore this year had become a very challenging year to all sectors including government institution, private sectors business as well as the general public. In 2020/2021, many Jobs were lost and pay cuts were taken place in many business sectors of the country as a cost cutting measure due to the decline in business sector revenues.

GDP growth rate of Sri Lanka at the end of year 2019 was 1.7% and it showed negative growth in 2020 as -1.9%. This negative trend was continued till the 2nd quarter of year 2020 and it was drastically dropped down to -16.6%, mainly due to the lockdown situation in the country. Overall slowdown in economic activities which commenced at the end of the first quarter of 2020 were directly affected the business of STC during the period of first two quarter of 2020-2021.

However, I would like to inform that STC was able to manage this difficult situation strategically by taking all the threats as an opportunity and finally we were able to transform STC into a profitable organization by the end of year 2020-2021.

Performance Review

I am delighted to report that STC recorded the Rs.51 million net profits in 2020/2021 with compared to previous year net loss even under the downturn in economic situation of the country. STC annual turnover was Rs. 2677million with a GP margin of 20% in 2020/2021. When compared with the previous year, the Company turnover and gross profit have gone up by 9% and 24% respectively as a result of the decisions by the Board of Directors under my chairmanship and the STC management. We enhanced the product portfolio in line with emerging market opportunities and also enhanced the presence of FMCG market by way of introducing locally manufactured products under STC brand to market consumer items at a reasonable rate.

The operating expenditure has been reduced by 11% and finance expenditure by 45% when compared to the previous year as a result of the several measures taken by STC to reduce stocks holding and debtor's holding cost as well as the other administration expenses. The lockdown situation also was affected for the reducing of staff cost and the administration cost. Steps were taken to dispose the obsolete and slow-moving stock items and in respect of debtors, we strictly adhered to the new credit policy in order to minimize the credit period cause to strengthening the cash flow. It was a main reason to drastically reduce our finance cost by 45% when compared to the previous year.

Further structural changes were done in certain trading divisions and STC showrooms. The Management also introduced monthly review system to enhance the profitability of all the divisions and the showrooms.

The new system implemented to strengthen the procurement process was worked well by enhancing the maximum benefit by obtaining quality and competitive prices.

The Company had staff strength of 374 as at March 31, 2021.

Social Responsibilities

In the effort of stabilizing the prices of consumables to the retail market by way of ensuring the maintenance of prices at government controlled price levels, STC was actively taken part as the major trading arm of the government.

Future Plans

- To enable the government to increase Sri Lanka's foreign exchange reserves, STC is looking to enter foreign markets through exports.
- Achieve additional sales growth by introducing new products to the existing product portfolio.
- Import and distribution of essential food items to keep the market prices stable and streamline the market supply. As the initial step, started to import rice and distribute through government retail trading arm.
- Market expansion to the private sector.
- Implementing an ERP system in order to improve the efficiency and effectivity of the business operation.

While expecting support from my senior management and staff members for the betterment of the organization I wish to extend my sincere appreciation for the visionary guidance provided by Hon. Minister of Trade and my fellow members of the Board. I also take this opportunity to thank our bankers and all stakeholders who have shared our journey throughout the financial year and look forward for their continued support.



Yoga Perera
Chairman/Managing Director

SENIOR MANAGEMENT & HEADS OF DIVISIONS

Senior Management

	Name
Chairman / Managing Director	Mr. Yoga Perera
General Manager	Mrs. Chamila Iddamalgoda
Deputy General Manager - Marketing	Mr. M. N. Mahesh Mendis
Deputy General Manager - Finance	Mrs. I. M. D. K. Ilangasinghe
Deputy General Manager- Administration	Mr. J. C. K. Madawala

Head of Divisions

Chemical & Allied Division

Asst. Manager	Mr. K. H. Gunawardana
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Office Supply Division

Asst. Manager	Mr. M. L. Ranjan Padmalal
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Household & Recreational Division

Asst. Manager	Miss. N. P. Ranasinghe
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ICT Division

Asst. Manager - Sales	Mr. M. T. Bandara
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Electrical & Electronic Division

Manager	Mr. K. G. C. Janaka
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Agricultural, Machinery & Equipment Division

Asst. Manager	Mrs. Madushani Akurugoda
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Construction, Hardware & Office furniture

Asst. Manager	Mr. Anurudha Mahesh
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Automotive Products division

Act. Asst. Manager	Miss T. H. Sunethra Chandrakanthi
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FMCG Division

Officer in Charge	Mr. D. P. Kumara
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Special Projects & Marketing

Asst. Manager	Miss Mihiri Herath
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Showroom Operation

Manager	Mr. K. L. Pathirana
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SENIOR MANAGEMENT & HEADS OF DIVISIONS

Head of Divisions

Duty Free Shop

Asst. Manager

Name

Mr. K. G. C. Janaka

Procurement Division

Act. Senior Manager

Mr. Nirosh Bandara

Manager

Mrs. D. K. Jayasooriya

Finance Division

Manager

Mrs. I. K. P. P. Perera

Asst. Manager

Miss. N. U. D. Alwis

Asst. Manager

Mrs. P. R. D. Peiris

Asst. Manager

Miss. M. E. Ilipangamuwa

IT Division

Act. Senior Manager

Mr. Nirosh Bandara

Services & Supply Division

Asst. Manager

Mrs. K. H. Anupama Peiris

Transport Division

Asst. Manager

Mr. A. R. Mohomad Fasnun

Audit Division

Assistant Internal Auditor

Mrs. M. Madusha Amali Dias

Human Resources & Legal Division

Legal Officer

Mrs. S. G. A. Gunasekara

Asst. Manager - HR

Mrs. A. Dasanayaka

Branches & Showrooms

01. Nawam Mawatha Showroom

No. 100, Nawam Mawatha, Colombo 02.

02. Kurunegala Showroom

No. 243/3/1, Puttalam Road, Kurunegala.

03. Kandy Showroom

No. 449, William Gopallawa Mawatha, Kandy.

04. Matara Showroom

No. 11, YMCA Building, Station Road, Matara.

05. Anuradhapura Showroom

No. 561-B, 38, 4th Lane, Anuradhapura.

06. Jaffna Showroom

No. 127, MPCS Building, KKS Road, Jaffna.

07. Seilency Shopping Arcade

Economic Center, Narahenpita.

08. Batticaloa Showroom

No. 32A, 32B, New Kalmunai Road, Batticaloa.

09. Q-Shop Network

1) Nawam Mawatha

No. 100, Nawam Mawatha, Colombo 02.

2) Foundtion Institute

No. 100, Independence Square, Colombo 07.

OUR PRODUCT PORTFOLIO



Office Supplies and Equipment

Double A & Other Photocopy Papers, Boards, Papers Books, Files & Folders, Envelops, Office Bags & Brief cases, Pens & Pencils, White Boards & Markers, Scissors, Paper Knives & Paper Shredders, Calculators, Staplers & Punchers, CDs & DVDs, USB Drives and Other Stationeries.

Home Appliances

Aluminum Items, Porcelain Products, Nonstick Kitchenware, All kinds of Cleaning Products, Sports Goods, All kinds of Plastic Products, Cups & Saucers, Cutlery & Crockery, Kettles & Jugs, Racks & Trays, Vacuum Flasks, Water Filters & Purifiers, Pillows, Mattresses & Bed sheets, Rubber, Coir Carpets, Weighting Scales, Raincoats & Umbrellas, Tissues, Paper Serviettes & Other Paper Based Products, Wall Clocks.



IT & Telecommunication Accessories

Laptops, Desktop Computers, Printers, Fax Machines, Scanners, UPS, Photocopy Machines, Other Computer Accessories.

Electrical & Electronic Accessories

Air Conditioners, KDK Fans, Digital Cameras (Still, Video) & Flashlights, Multimedia Projectors & Screens, Indoor & Outdoor Speakers, Audio Amplifiers, Mixers & Microphones, Generators, Access Control Systems, CCTV Systems, Finger Scan Attendance Systems, Bulbs (CFL, Fluorescent) & Emergency Lights, Telephones, Wiring Accessories, Other Electrical Accessories.



OUR PRODUCT PORTFOLIO



FMCGs (Fast Moving Consumer Goods)

Homecare Products, Personal Care Products, Food Brands.

Tyres & Vehicle Batteries



Agricultural Equipment, Machinery Tools & Hardware

Barbed Wires, Bush Cutters, Grass Trimmers & Lawn Mowers, Welding Transformers, Knives & Axes, All types of Power Tools, All types of Hand Tools, Water Pumps, Safety Equipment (Helmets, Gloves & Boots), Forks, Jumpers, Shovels & Rakes, Polythene Sealers, Fogging Machines.



OUR PRODUCT PORTFOLIO



Interior Design & Office Furniture

Steel Furniture (Chairs, Tables, Cupboards, Cabinets, Book Racks) Wooden Furniture (Chairs, Tables, Cupboards, Cabinets, Book Racks) Melamine Furniture (Chairs, Tables, Cupboards, Cabinets, Book Racks).

Chemicals

Industrial Chemicals, Laboratory Chemicals, Specialty Chemicals, Selected Explosive Chemicals.

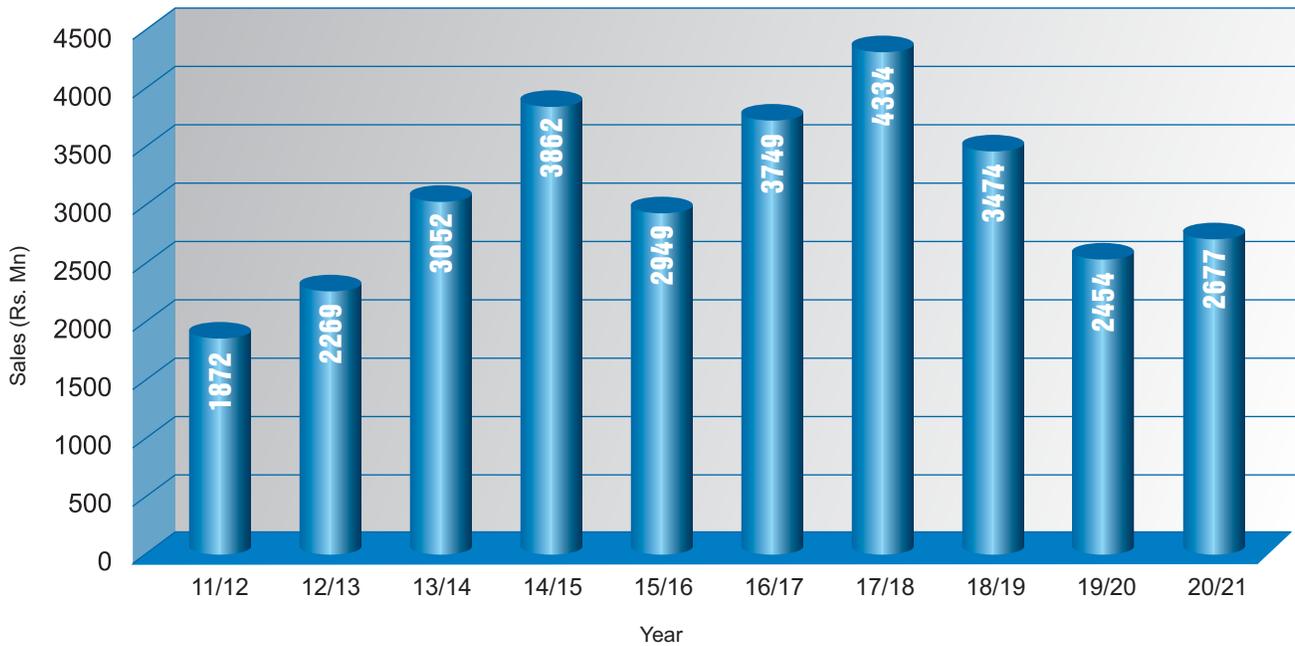


Duty Free Shop

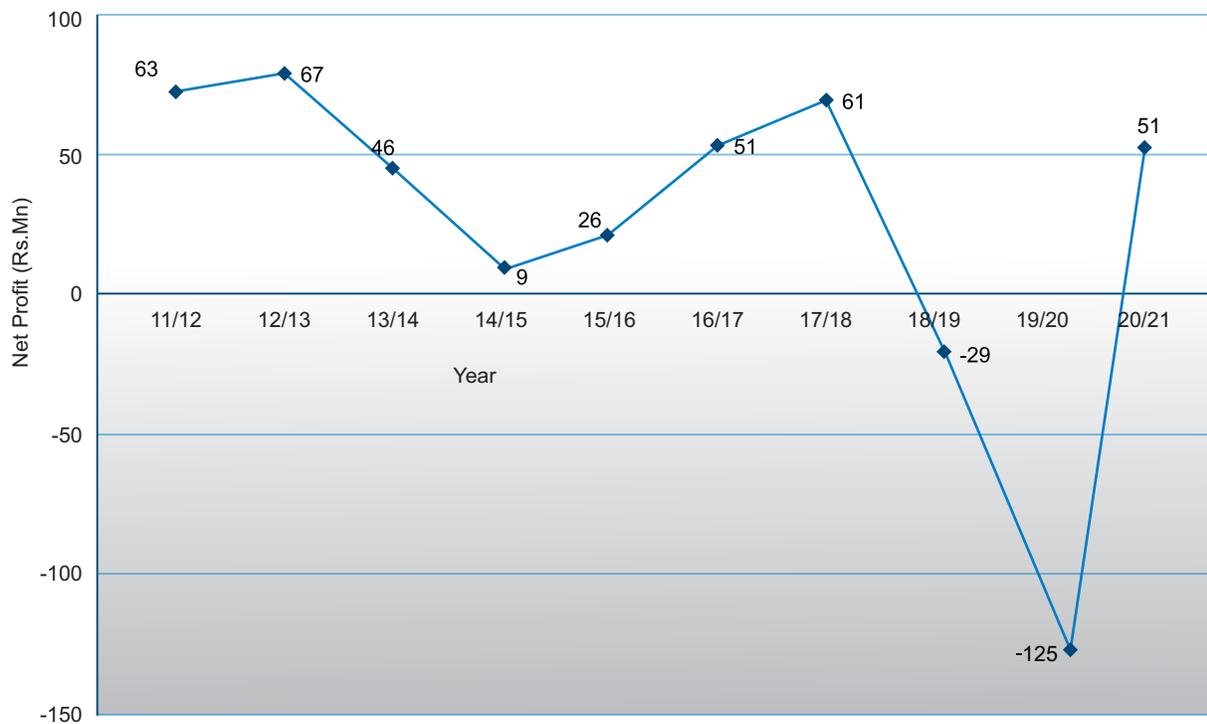
Facilitate the requirement of the diplomats and diplomatic missions.

BUSINESS REVIEW

Sales Growth (Rs. Mn)



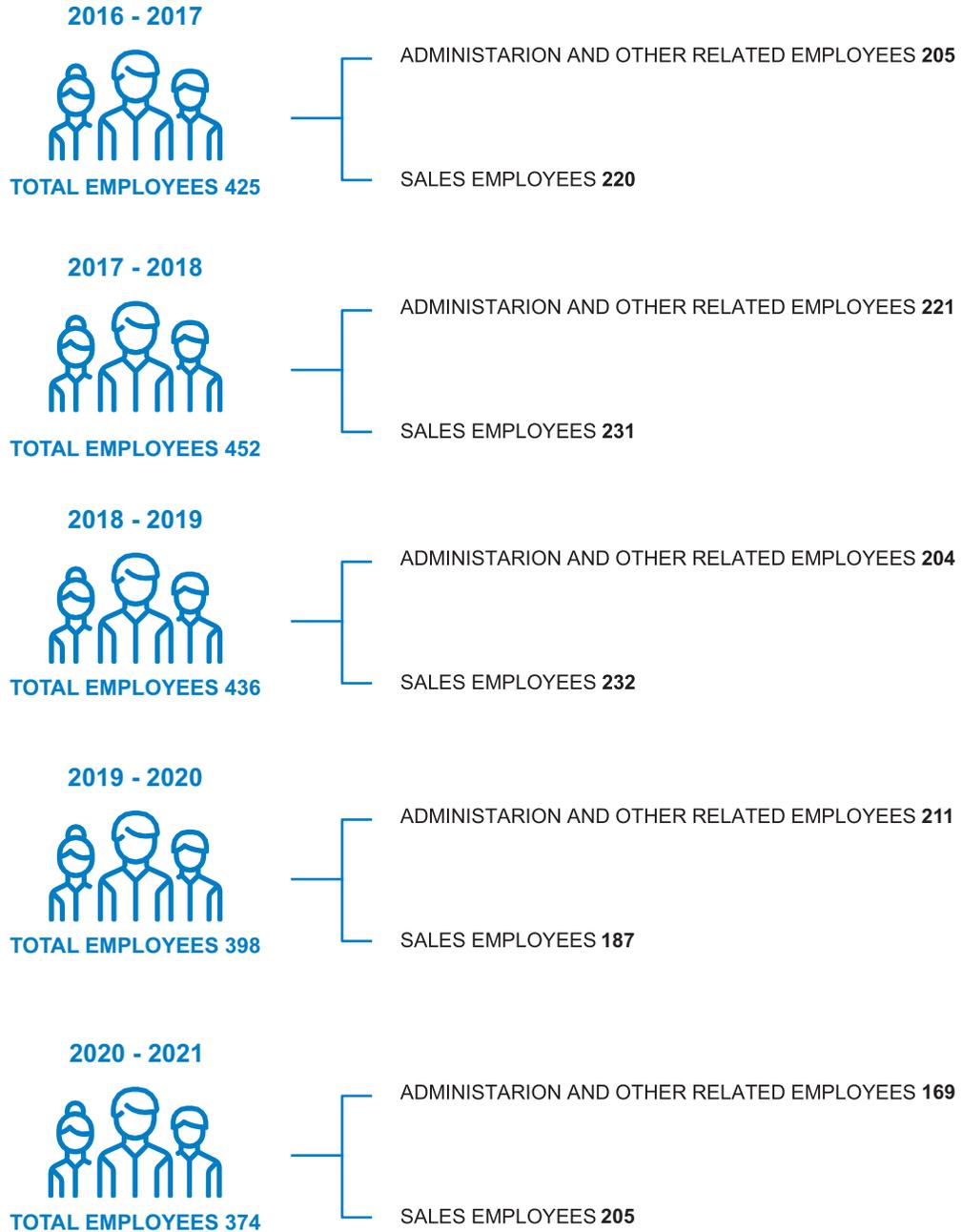
Net Profit (after Tax) Growth (Rs. Mn)



EMPLOYMENT GENERATION

2016 - 2021

Numbers in Employment since 2016/2017 to 2020/2021

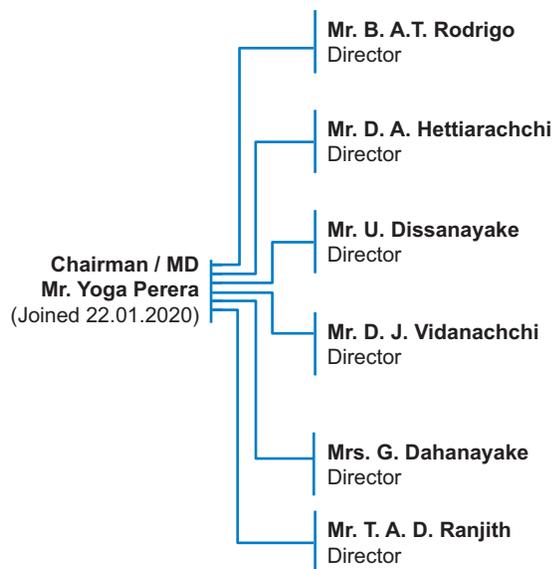


CORPORATE GOVERNANCE

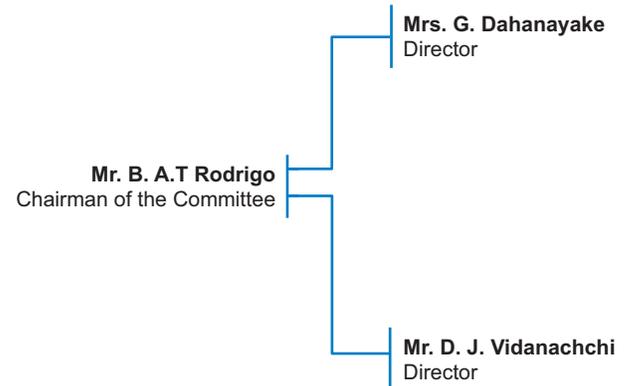
During the past year management of STC strived to rejuvenate governance structure and best business practices. In addition, STC has a separate Internal Audit Division and internal controls are in place to ensure a sound control environment. Further there is a separate Audit & Management Committee which reports to the Board of Directors.

Tender board is in place to monitor and control procurement mechanism in line with the Government procurement procedure.

Board Members



Audit Committee Members



Availability of Business Managing Instruments



- 1) Corporate Plan 2019/2021
- 2) Annual Report 2019-2020
- 3) STC Procurement Procedures
- 4) STC Action Plan
- 5) STC Product Profile
- 6) STC Profile
- 7) STC Credit Sales Policy
- 8) STC Approved carder

FINANCIAL HIGHLIGHTS

	2020/2021 (Rs.000'S)	2019/2020 (Rs.000'S)	Change% ↑ / ↓
Operation			
Turnover	2,676,667	2,453,551	9%
Earnings before interest & Tax	87,588	-50,720	-273%
Profit before Taxation	46,924	-125,231	-137%
Profit after Taxation	50,776	-124,798	-141%
Balance Sheet			
Non Current Assets	482,498	427,851	13%
Current Assets	2,032,038	2,064,781	-2%
Current Liabilities	1,626,047	1,738,884	-6%
Non-Current Liabilities	187,000	103,035	81%
Stated Capital & Reserves	701,489	650,713	8%
Cash Flow			
Net Cash generated from Operating Activities	448,530	319,716	40%
Net Cash Used in Operating Activities	440,363	311,448	41%
Net Cash generated from Investing Activities	-26,303	69,825	-138%
Net Cash generated from Financing Activities	-336,044	-338,339	-1%
Per Share Data			
Earnings per share	7	-12	-158%
Net Assets per Share	70.15	65.07	8%
Return on Equity (ROE)	0.07	-0.19	-138%
Return on Assets (ROA)	0.02	-0.05	-143%
Key Ratios			
Gross Profit Ratio	20%	17%	2%
Net Profit Ratio	2%	-5%	7%
Quick Ratio	0.98	0.87	13%
Current Ratio	1.25	1.19	5%
Gearing Ratio	1.21	1.63	-26%

GRAPHICAL VIEW OF FINANCIAL HIGHLIGHTS

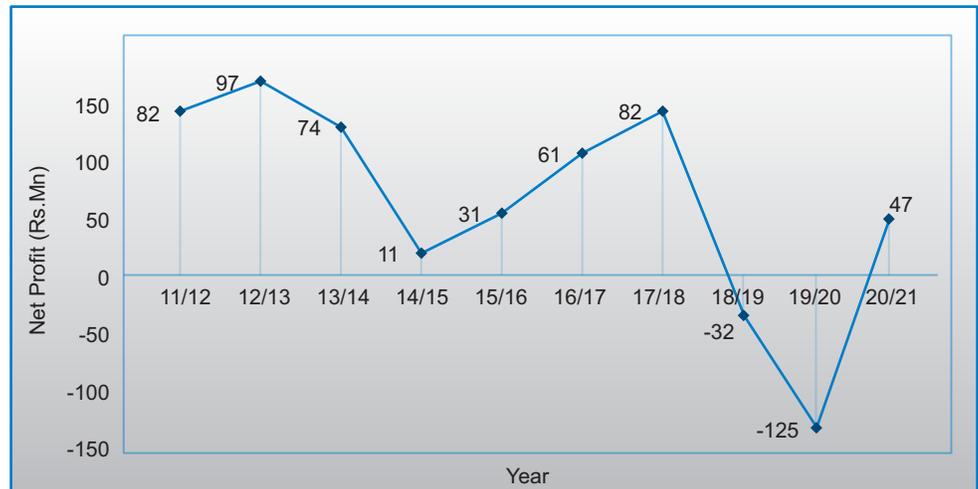
TURNOVER

Year	(Rs.Mn)
11/12	1872
12/13	2269
13/14	3052
14/15	3862
15/16	2949
16/17	3749
17/18	4334
18/19	3474
19/20	2454
20/21	2677



NET PROFIT BEFORE TAX

Year	(Rs.Mn)
11/12	82
12/13	97
13/14	74
14/15	11
15/16	31
16/17	61
17/18	82
18/19	-32
19/20	-125
20/21	47



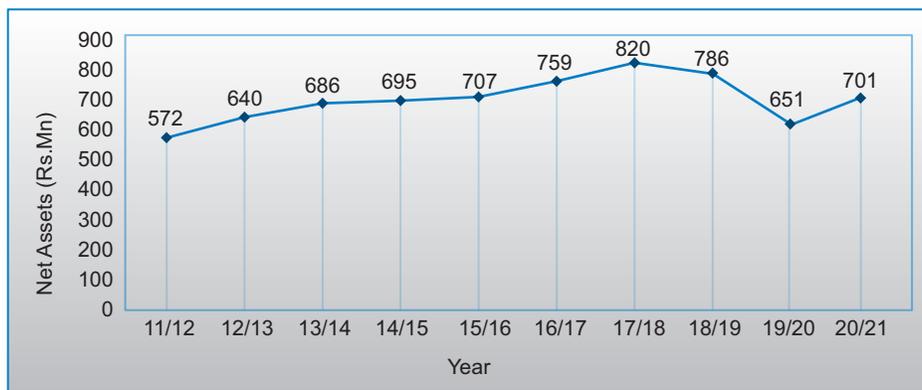
TOTAL ASSET

Year	(Rs.Mn)
11/12	2469
12/13	2059
13/14	2275
14/15	3051
15/16	2694
16/17	2650
17/18	2994
18/19	2796
19/20	2493
20/21	2515

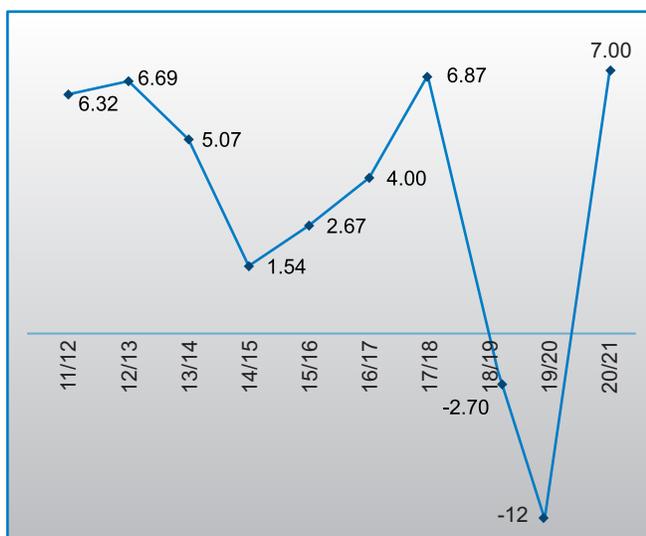


NET ASSETS

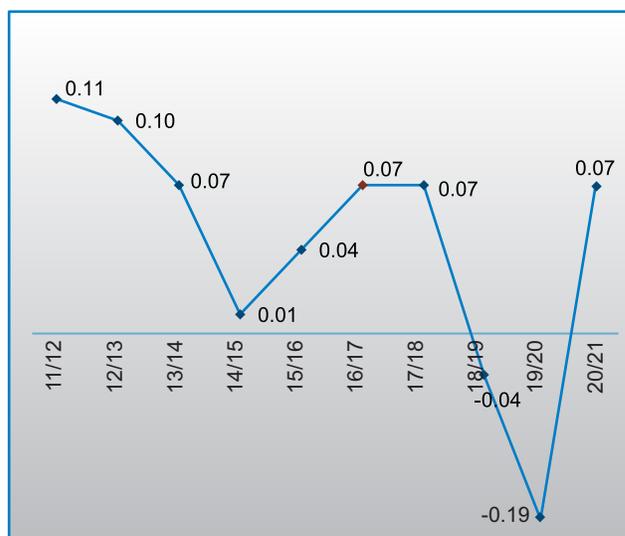
Year	(Rs.Mn)
11/12	572
12/13	640
13/14	686
14/15	695
15/16	707
16/17	759
17/18	820
18/19	786
19/20	651
20/21	701



EPS (Rs)

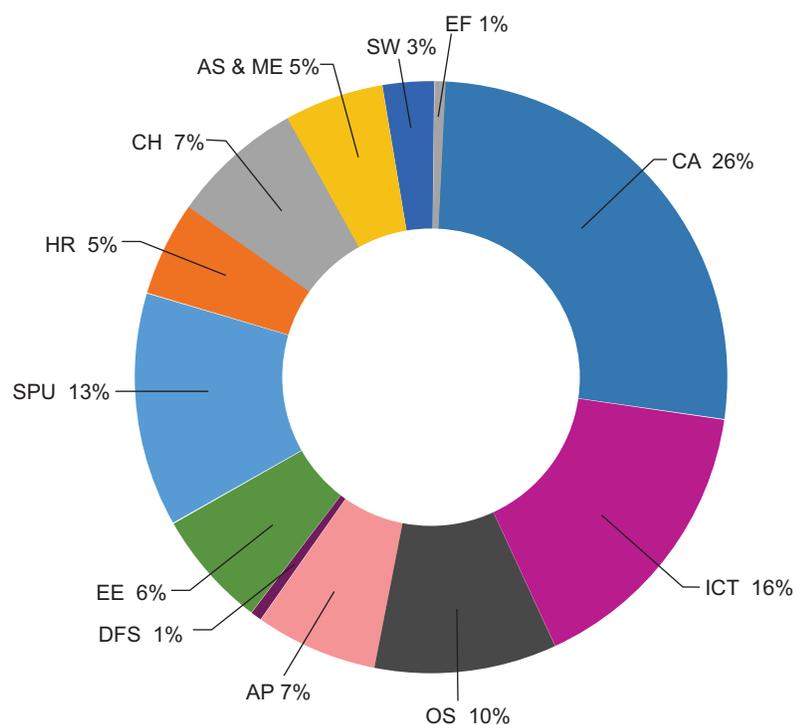


ROE (Rs)



DIVISIONAL PERFORMANCE OF STC

Revenue Drivers 2020-2021



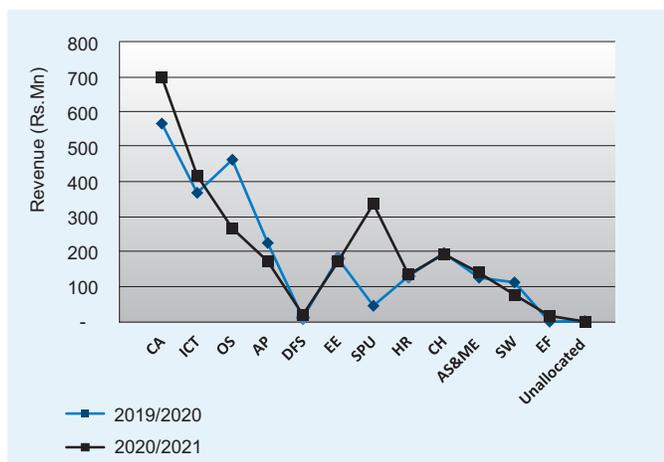
Performance of Revenue Drivers 2020/2021

Division	Revenue	GP	GP%
Chemical & Allied	707,639,942	227,575,716	32%
ICT Products	422,694,685	53,083,563	13%
Office Supplies	269,930,142	55,258,010	20%
Automotive Products	174,607,133	22,138,786	13%
Duty Free Shop	19,500,636	5,667,377	29%
Electrical & Electronic	173,558,668	30,872,105	18%
Special Project Unit	340,321,776	45,235,745	13%
Household Product	136,380,824	20,018,821	15%
Construction & Hardware	195,816,466	23,865,860	12%
Agri. Supplies & Machinery Equipments	141,611,771	26,653,450	19%
Swashakthi	77,757,387	10,006,610	13%
Essential Foods	16,526,407	2,276,436	14%
Unallocated	321,523	54,243	17%
Total	2,676,667,360	522,706,722	20%

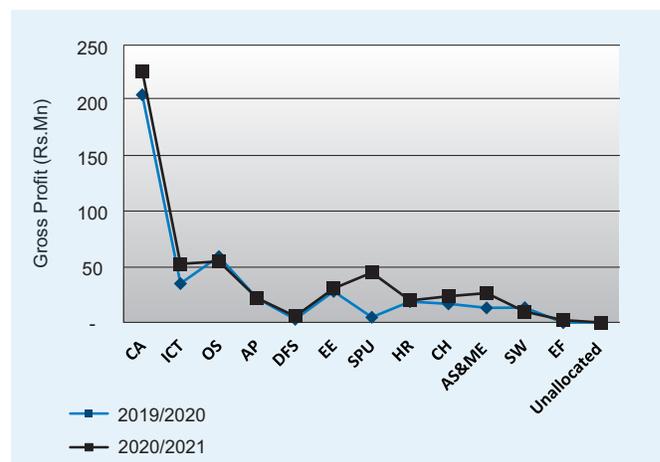
Comparison of Divisional Performance (2019-2020/2020-2021)

Dept	2019 / 2020			2020 / 2021			% ↑ / ↓		
	Sales	GP	GP%	Sales	GP	GP%	Sales	GP	GP%
CA	572,889,249	206,160,829	36%	707,639,942	227,575,716	32%	24%	10%	-4%
ICT	372,471,384	35,457,449	10%	422,694,685	53,083,563	13%	13%	50%	3%
OS	468,223,618	59,867,392	13%	269,930,142	55,258,010	20%	-42%	-8%	8%
AP	227,409,516	22,103,287	10%	174,607,133	22,138,786	13%	-23%	0%	3%
DFS	11,320,984	3,064,006	27%	19,500,636	5,667,377	29%	72%	85%	2%
EE	182,491,192	28,345,817	16%	173,558,668	30,872,105	18%	-5%	9%	2%
SPU	46,095,340	4,784,837	10%	340,321,776	45,235,745	13%	638%	845%	3%
HR	131,532,906	19,101,552	15%	136,380,824	20,018,821	15%	4%	5%	0%
CH	198,623,913	17,061,662	9%	195,816,466	23,865,860	12%	-1%	40%	4%
AS & ME	127,044,683	13,316,631	10%	141,611,771	26,653,450	19%	11%	100%	8%
SW	113,449,485	13,500,120	12%	77,757,387	10,006,610	13%	-31%	-26%	1%
EF	-	-	0%	16,526,407	2,276,436	14%	-	-	-
Unallocated	1,998,559	286,165	14%	321,523	54,243	17%	-84%	-81%	-3%
Total	2,453,550,870	423,049,748	17%	2,676,667,360	522,706,722	20%	9%	24%	2%

Divisional Revenue Comparison



Divisional Gross Profit Comparison





ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

TAC/D/STC/FA/2020/21/36

මගේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

09 May 2022

Chairman

Sri Lanka State Trading (General) Corporation Ltd



Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka State Trading (General) Corporation Ltd for

the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

II. Financial Statements

II.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka State Trading (General) Corporation Ltd (“Company”) for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 1154(11) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 1154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

- (a) According to paragraph 34 of the Sri Lanka Accounting Standards No.16, property, plant and equipment should be revalued at least every three or five years. However, land, buildings, office equipment, computers, tools & equipment and furniture and fixtures cost at Rs.226,240,000, Rs.52,123,790, Rs.38,335,095, Rs.62,579,382, Rs.3,902,500 and Rs.77,861,358 respectively had not being revalued after year 2012. Further, the vehicles valued at Rs.86,209,348 had not ever been revalued.
- (b) According to the paragraph 41 of Sri Lanka Accounting Standard No. 16, revaluation gain should be transferred to the retained earnings in the case of non-identification of property, plant and equipment. However, no revaluation reserve in respect of the assets disposed were transferred to the retained earnings during the year under review.
- (c) According to paragraph 50 of the Sri Lanka Accounting Standard No: 16 depreciation of property, plant and equipment shall be subject to depreciation on the basis of its effective life time. However, the company had not acted accordingly and in the purchasing and disposal of the assets. Due to the non-compliance with the standard, the depreciation was overstated and net profit was under stated by Rs.705,380.
- (d) As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful life of the fully depreciated assets amounting to Rs. 166,634,752 still in use had not been reviewed and accounted accordingly.
- (e) According to the paragraph 4 of Sri Lanka Accounting Standard No. 38, computer software should be accounted under the intangible assets. However, assets valued at Rs.14,491,580 had been accounted as property, plant and equipment. Further, net book value of this assets was zero.

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

1.3 Other information included in the Company's 2021 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.
 - 2.1.1 Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
 - 2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
 - 2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction -----	Description -----
(a) Cabinet Decision No.20/1909/313/035 of 22 December 2020	It was planned to build 20 Q-shops at a estimated cost of Rs.50,000,000 by of 21 September 2021 and 8 outlets had been set up. Out of that 5 outlets had been set up by exceeding the estimated cost in the cabinet decision. The exceeded cost was Rs.10,872,604.
(b) Public Enterprise Circular No. PED / 12 of 02 June 2003	
(i) Paragraph 6.5	The financial statements should be submitted to the Auditor General within 60 days after the end of financial year. However, the company had submitted the financial statements to the audit after six months from the end of the financial year. Further, draft annual report of the year under review should be submitted to the Auditor General along with the

financial statements. However, it had not been submitted.

(ii) Paragraph 9.10 Without having treasury approval, transport allowances amounting to Rs.2,170,000 had been paid to 19 officers who had been recruited on contract basis.

(c) Public Enterprise Circular No. PED 1/2015 (i) of 27 October 2016 Contrary to the circular provision, transport allowances aggregating to Rs.3,262,500 had been paid to 44 officers who are not entitled to use official vehicles.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a) The Company had reported a stock variance Rs.2,104,858 in the year under review. This variance was included net of the excess and shortage of stock verification and the variance in valuation of stocks. However, no proper mechanism to identify excess and shortage balances separately and loss of the shortage balances had not recovered from the responsible officers.

(b) A contractor had been selected to upgrade the accounting system of the company without following the procurement process. However, the company had not entered into an agreement with the contractor in terms of section 8.9.1 of the procurement guidelines. Further, in terms of section 5.4.8 (a) of the procurement guidelines, performance security had not been obtained. Although an advance payment of Rs.1,805,000 had been paid on 18 December 2017, none of the activities of twelve activities agreed in the letter of award had been completed as of the date of this report and the amount was shown as receivable in the financial statements of the year under review.

2.5 Other Matters

- (a) Advances received from customers on purchasing of the goods amounting to Rs.52,443,263 had been included as negative balance under the debtor balance. Subsequently these advance balances had not been settled and shown as unidentified balances. According to the age analysis these advances are remained outstanding from 2 to 5 years. However, no action had been taken to settle these advances.
- (b) The rent amount aggregating to Rs.4,972,320 had been paid during years 2017 and 2018 to the Ministry of Rural Economy for the company's mega showroom without any written agreement. Further, the Company has utilised this building from year 2019 without paying any rent.


W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	2020 / 2021 Rs.	2019 / 2020 Rs.
Revenue	03	2,676,667,360	2,453,550,870
Cost of Sales		(2,153,960,638)	(2,030,501,124)
Gross Profit		522,706,722	423,049,746
Other Operating Income / (Expenses)	04	24,082,805	30,584,532
		546,789,527	453,634,278
Distribution Expenses	05	57,043,238	93,149,348
Administration Expenses	06	388,699,840	407,274,485
		445,743,078	500,423,833
Earnings Before Interest & Tax		101,046,449	(46,789,555)
Net Finance Income / (Expenses)	07	(40,664,640)	(74,510,756)
Profit / (Loss) Before Taxation		60,381,809	(121,300,311)
Taxation	08	7,082,130	1,375,474
Net Profit / (Loss) For the Year		67,463,939	(119,924,837)
Other Comprehensive Income			
Actuarial Gain / (Loss) on Employee Benefits		(13,458,113)	(3,930,317)
Tax on Other Comprehensive Income		(3,229,947)	(943,276)
Deffered Tax Charge		-	-
Other Comprehensive Income / (Loss) - Net of Tax		(16,688,061)	(4,873,593)
Total Comprehensive Income / (Loss) for the Year - Net of Tax		50,775,878	(124,798,430)
Basic Earnings / (Loss) per Share	09	7	(12)

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2021

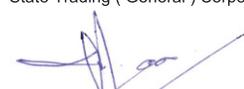
ASSETS	Notes	2020 / 2021 Rs.	2019 / 2020 Rs.
Non-Current Assets			
Property, Plant & Equipment	10	454,518,102	402,165,193
Investments in Shares	11	20	20
Loans Given to Employees	12A	12,258,615	13,016,948
Easy Payment Loan Scheme	12B	9,228	809,167
Net Deferred Tax Asset	17	15,711,660	11,859,477
Total Non Current Assets		482,497,625	427,850,805
Current Assets			
Inventories	13	433,059,829	548,736,369
Trade & Other Receivables	14	635,904,213	652,479,938
Loans Given to Employees - Current Maturity	12A	5,964,270	5,905,330
Easy Payment Loan Scheme	12B	786,777	2,010,039
Short Term Investment in Fixed Deposits		589,853,940	542,904,431
Short Term Investment - Build up Margin -Peoples Bank		323,119,498	281,840,823
Short Term Investment - Build up Margin -NDB Bank		614,543	8,055,588
Cash & Cash Equivalents	15	42,734,983	22,848,856
Total Current Asset		2,032,038,053	2,064,781,374
Total Assets		2,514,535,678	2,492,632,179
EQUITY & LIABILITIES			
		2020 / 2021 Rs.	2019 / 2020 Rs.
Capital & Reserves			
Stated Capital 10,000,000 Ordinary Shares Rs. 10/- each		100,000,000	100,000,000
General Reserves		45,607,646	45,607,646
Revaluation Reserves		241,108,234	241,108,234
Other Reserves		(34,192,676)	(17,504,616)
Retained Earnings		348,965,936	281,501,998
Total Equity		701,489,140	650,713,263
Non-Current Liabilities			
Retirement Benefit Obligations	16	46,296,906	35,156,945
Government Grants Deferred Income A/C	21	139,392,638	50,944,377
Long Term Borrowings	18	1,310,000	16,934,000
Total Non-Current Liabilities		186,999,544	103,035,322
Current Liabilities			
Short Term Borrowings	18	571,149,623	708,776,886
Trade & Other Payables	19	781,272,588	698,351,859
Bank Overdrafts	20	273,624,781	331,754,848
Total Current Liabilities		1,626,046,992	1,738,883,593
Total Equity & Liabilities		2,514,535,678	2,492,632,179

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements. (Figures in brackets indicate deductions.)
These Financial Statements are in Compliance with the requirements of the Companies Act No.07 of 2007.



DGM Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved & Signed for and on behalf of the Board of Directors of Sri Lanka State Trading (General) Corporation Limited.



Chairman



Director

Date: 14.12.2021

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2021

	Stated Capital Rs.	Revaluation Reserves Rs.	General Reserves Rs.	Other Reserves Rs.	Retained Profit/(Loss) Rs.	Total Rs.
Balance as at 1st April 2019	100,000,000	241,108,234	45,607,646	(12,631,022)	412,316,835	786,401,693
Prior Year Adjustment	-	-	-	-	110,000	110,000
Net Profit / (Loss) for the year	-	-	-	-	(119,924,837)	(119,924,837)
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-	-	-	(4,873,593)	-	(4,873,593)
Proposed Dividend (Gross)	-	-	-	-	(11,000,000)	(11,000,000)
Balance as at 31st March 2020	100,000,000	241,108,234	45,607,646	(17,504,616)	281,501,998	650,713,264
Balance as at 01st April 2020	100,000,000	241,108,234	45,607,646	(17,504,616)	281,501,997	650,713,263
Net Profit / (Loss) for the year	-	-	-	-	67,463,939	67,463,939
Net of Actuarial Gain / (Loss) on Retirement Benefit Obligations	-	-	-	(16,688,061)	-	(16,688,061)
Balance as at 31st March 2021	100,000,000	241,108,234	45,607,646	(34,192,676)	348,965,936	701,489,139

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2021

	2020 / 2021 Rs.	2019 / 2020 Rs.
Cash Flow from Operating Activities		
Net Profit Before Taxation	60,381,809	(121,300,311)
Adjustments for		
Lease Interest	-	2,724
Depreciation / Amortization	38,436,869	32,981,970
Interest Income	(61,340,768)	(78,203,171)
Trust Receipt Loan & Overdraft Interest	102,005,408	152,711,204
Disposal Profit / (Loss) of PPE	(39,101)	(70,709)
Provision of Audit Fees	1,296,000	1,152,000
Stocks & Debts Written Off	538,017	(244,178)
Prior Year Adjustment	-	110,000
Proposed Dividend	-	(11,000,000)
Impairment of Debtors	(165,563)	452,651
Impairment of Stocks	6,160,722	24,860,434
Provision for Retirement Benefit Obligations	5,848,964	6,502,705
Operating Profit Before Working Capital Changes	153,122,357	7,955,318
(Increase) / Decrease in Inventories	109,515,818	81,485,020
(Increase) / Decrease in Trade Debtors	11,783,737	246,822,449
(Increase) / Decrease in Government Grants Deferred Income	88,448,261	11,370,000
(Increase) / Decrease in Easy Payment Loan Scheme	2,738,888	3,277,614
Increase / (Decrease) in Trade & Other Payables	82,920,729	(31,194,222)
Cash Generated From Operations	448,529,792	319,716,180
WHT Paid	-	(3,274,956)
Income Tax Paid	-	498,265
Gratuity Paid	(8,167,116)	(5,491,284)
Net Cash Used in Operating Activities	440,362,676	311,448,205
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(90,861,676)	(5,443,129)
Disposal Proceed Received	74,400	4,000
Interest Received from Short Term Investments	64,484,605	75,264,006
Net Cash from Investing Activities	(26,302,671)	69,824,876
Cash Flows from Financing Activities		
Investments in Fixed Deposits	(46,949,509)	(48,942,088)
Short Term Investment - Build up Margin - People's Bank	(41,278,676)	(46,587,028)
Short Term Investment - Build up Margin - NDB Bank	7,441,045	(1,359,933)
Net Loan Repayments & Proceeds	(153,251,263)	(88,566,401)
Trust Receipt Loan & Overdraft Interest Paid	(102,005,408)	(152,711,204)
Lease Rentals Paid	-	(172,643)
Net Cash from Financing Activities	(336,043,811)	(338,339,297)
Net Increase / (Decrease) in Cash & Cash Equivalents	78,016,194	42,933,784
Cash & Cash Equivalents at the beginning of the year	(308,905,992)	(351,839,776)
Cash & Cash Equivalents at the End of the year - (Note A)	(230,889,798)	(308,905,992)

Note A - Analysis of Cash & Cash Equivalents	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
Cash at Bank		
BOC (A/C No 8859546)	270,158	270,158
Sampath Bank (A/C No 000930000337)	1,527,530	114,961
BOC (A/C No 1060)	20,097	20,097
People's Bank - Kurunegala	1,645,122	243,060
People's Bank - Matara	1,453,042	-
People's Bank - Kandy	889,238	792,596
People's Bank - Polonnaruwa	974,132	3,829,302
People's Bank - Kalmunai	1,068,091	526,004
NDB (A/C - 101000160408)	-	15,357,749
Cash in Hand		
Petty Cash Imprest	657,273	607,248
Cash in Hand	34,230,299	1,087,680
Bank Overdrafts		
Sampath Bank - DFS (A/C No 002930006974)	(17,471,340)	(16,242,595)
People's Bank - Matara	-	(351,532)
People's Bank (A/C No - 004100120210918)	(235,770,839)	(315,160,721)
NDB (A/C - 101000160408)	(20,382,602)	-
	(230,889,798)	(308,905,992)

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

1. GENERAL INFORMATION

Sri Lanka State Trading (General) Corporation Ltd is a limited liability Company, incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 100, Nawam Mawatha, Colombo 02.

The Company primarily involved in operating a trading business and is a Procurement agent for government institutions.

The staff strength of the company as at 31st March 2021 was 374. (2019/20 – 398)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The financial statements have been prepared in accordance with new Sri Lanka Accounting Standards (SLFRS / LKAS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- (a) Defined benefit obligations are measured at its present value, based on the projected unit credit method prescribed in Sri Lanka Accounting Standard 19.

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.1.3 Comparative Information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

2.1.4 Use of estimates and judgments

The preparation of the financial statements in conformity with SLFRS / LKAS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in notes;

Note 16 – Retirement Benefit Obligations

No adjustments are made for inflationary factors affecting these Financial Statements.

Appropriate significant policies are explained in succeeding notes.

2.1.5 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements the company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation

at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Monetary assets and liabilities balances are translated at year end exchange rate.

2.2 Assets and the bases of their valuation

2.2.1 Property, plant and equipment

2.2.2 Recognition and Measurement

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Carrying amounts of property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Land and Buildings are accounted on the basis of revaluation done in 2006. However Land and Building were not revalued thereafter although Sri Lanka Accounting Standards required to do so since positive benefit of revaluing Land and Building may not be materialized

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

despite substantial cost to be incurred on revaluing. Further there is no negative impact likely appearing in the above financial standards.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, any increases in the carrying amount is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve statement of equity, any excess and all other decreases are charged to the statement of comprehensive income.

2.2.3 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.2.4 De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized within other income in profit or loss.

2.2.5 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives and rates of depreciation for the current and comparative periods are as follows:

Building	7.5%
Motor Vehicles	20%
Equipment	10%
Furniture & Fittings	10%
Computers	33.33%

Leasehold Building - Over the lease period or building depreciable period whichever is lower.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

2.2.6 Financial assets - classification

The Company classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the reporting period and as at the reporting date the Company did not have financial asset classified as fair value through profit or loss, available for sale and held to maturity. All financial assets are initially recognized at fair value plus transaction cost.

2.2.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months

after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprises of 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

'Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.2.9 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or 'events') has an impact on the estimated future cash flows of the financial asset or 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, the probability that they will enter bankruptcy or other financial reorganization, and where

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

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. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

2.2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.2.11 Inventories

- (i) Inventories are stated at the lower of cost or net realizable value. Cost is determined by the Weighted Average method, Net realizable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses. Physical verification has been carried out for the financial year end and damaged stock items have been identified and net realizable value accounted.
- (ii) The amount of inventories recognized as cost of sales in the Profit and Loss during the year is Rs. 2,153,960,638 .
- (iii) A provision for impairment of inventory is established on the basis of collective impairment of 5 % for inventories, that are more than 1 year and damaged stock items have been included in full when there is objective evidence that the Company will not be able to realize all amounts status in the inventory.
- (iv) The following inventory values have been mortgaged to financial institutions as for credit facilities, provided.

Name of Bank	Mortgage Amount (Rs.)
People's Bank	116,500,000
Sampath Bank	142,000,000
National Development Bank	158,000,000

2.2.12 Trade Receivables

Company recognizes trade receivables as financial assets in its statement of financial position when, and only when, the Company has a contractual right to receive cash or another financial asset.

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business) if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivable is carried at anticipated realizable value and estimates are made for doubtful receivable based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

A provision for impairment of trade receivables is established on the basis of collective impairment of 5 % for debtors, outstanding more than 1 year and in full when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the contractual right.

2.2.13 Investments

(a) Long Term Investments

Investment held on long term basis is clarified as non-current investment and are measured at cost. The cost of investment is the cost of acquisitions inclusive of brokerage and cost of transaction.

(b) Short Term Investments

Short term investments are recognized at market value. Any gain or loss is recognized in the statement of comprehensive income.

2.2.14 Cash & Cash Equivalents

Cash & Cash Equivalent are defined as cash in hand, demand deposits and short term highly liquid investments. For the purpose of Cash Flow Statement, Cash & Cash Equivalent consist of Cash in hand deposits in banks net of outstanding bank overdrafts.

2.2.15 Stated Capital

The stated capital includes the total of all amounts received by the Company in respect of the issue of Shares.

The entity is fully owned by the Government of Sri Lanka and comes under the purview of The Ministry of Trade.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

2.2.16 Trade Payables

Company recognizes trade payables as financial liabilities in its statement of financial position when, and only when, the Company has a contractual obligation to deliver cash or another financial asset.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business) if longer, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value.

2.2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.2.18 Income Tax**(a) Current Taxes**

The provision for income tax is based in the results of the operation during the year according to the Inland Revenue Act no.10 of 2006 and amendments thereto.

(b) Deferred Taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses / credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

A deferred tax asset account has arisen due to brought forward tax losses in the past. This asset was not taken into accounts since recoverability of tax losses is beyond the normal time limits. However this has been disclosed in the notes.

(c) Turnover Based Taxes

Turnover based tax includes Value Added Tax (VAT).

2.2.19 Post-Employment Benefits**(a) Defined Benefit Plan**

A defined benefit plan is a post - employment benefit plan other than a defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plan is the future value of the defined benefit obligation at the reporting date.

Any gain and loss of the defined benefit obligation are charged or credited to statement of comprehensive income in the period in which they arise.

According to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 05 years of continued service with the company.

Projected unit credit method prescribed in Sri Lanka Accounting Standard 19; Employee Benefits has been used to identify Deficit or Charge for the year and assumptions used are disclosed in Note No 16.

(b) Defined Contribution Plan – EPF & ETF

All employees who are eligible for the Employee Provident Fund (EPF) and Employees Trust Fund (ETF) contribution are covered by relevant contribution fund in line with respective statutes and regulation.

EPF & ETF covering the employees are recognized as expenses in the statement of comprehensive income in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

2.2.20 Revenue Recognition

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 and excluding taxes. The following specific recognition criteria must also be met before revenue is recognized.

(a) Sale of goods

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

(b) Rendering of Services

Revenue of the rendering of services are recognized in the accounting period in which the services are rendered or performed.

(c) Interest Income

Interest income is recognized on cash basis.

(d) Other Income

Other income is recognized on an accrual basis.

(e) Disposal of property, plant and equipment

Profit / (loss) from sale of property, plant and equipment is recognized in the period in which the sale occurs and the delivery order is issued.

2.2.21 Expenditure Recognition

(a) Revenue Expenditure

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and the maintaining the capital assets in the state of efficiency, has been

charged to revenue in arriving at the profit or loss for the year.

(b) Capital Expenditure

Expenditure incurred for the purpose of squaring, extending or improving Assets of a permanent nature by means of which to carry on business or for the purpose of increasing the capacity of business has been treated as capital expenditure.

(c) Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that Company incurs in connection with the borrowing of funds.

(d) Net Finance Income / Cost

Finance income comprises interest income on funds invested and staff loans, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(e) Provisions for Bad Debts

Provisions are recognized when the company has present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Recoverability of individual

balances have been scrutinized and specific bad debts which were identified have been recognized as expenses.

2.2.22 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged or not. The relevant details are disclosed in the Note 22 to the Financial Statements.

Transactions with Related Entities

There are no any related entities of Sri Lanka State Trading (General) Corporation Limited.

2.2.23 Statement of Cash Flows

Statement of cash flows has been prepared using "Indirect Method".

2.2.24 Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The relevant details are disclosed in the respective notes to the Financial Statements.

2.2.25 Earning Per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

shareholders of the Company by the weighted average number of shares outstanding during the period.

2.2.26 Events after the Reporting Date

Events after the reporting date are events, favorable and unfavorable, that occur between the end of the reporting period and the date of the financial statements were authorized for issue.

Those events have been considered and where necessary appropriate adjustments or disclosures have been made in the financial statements. There are no any events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

2.2.27 Commitments and Contingencies

Commitments and contingencies as at the reporting date, is disclosed in Note 22 to the Financial Statements.

2.2.28 Responsibility for the Financial Statements

The Board of directors of the company is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 03 - REVENUE

	2020 / 2021 Rs.	2019 / 2020 Rs.
Gross Sales	2,677,860,191	2,454,817,306
Less : Sales Returns	(1,192,831)	(1,266,435)
Net Sales (Note 03.01)	2,676,667,360	2,453,550,870

Note 03.01 - Business Segments (Net Sales)

	2020 / 2021 Rs.	2019 / 2020 Rs.
Chemical & Allied	707,639,942	572,889,249
ICT Products	422,694,685	372,471,384
Office Suppliers	269,930,142	468,223,618
Automotive Products	174,607,133	227,409,516
Duty Free Shop	19,500,636	11,320,984
Electricals & Electronics	173,558,668	182,491,192
Special Project Unit	340,321,776	46,095,340
Household Products	136,380,824	131,532,906
Construction & Hardware	195,816,466	198,623,913
Agricultural Supplies & Machinery & Equipments	141,611,771	127,044,683
Swashakthi	77,757,387	113,449,485
Essential Foods	16,526,407	-
Unallocated (Others)	321,523	1,998,599
	2,676,667,360	2,453,550,870

Note 03.02 - Segmental Operating Results (Gross Profits)

	2020 / 2021 Rs.	2019 / 2020 Rs.
Chemical & Allied	227,575,716	206,160,829
ICT Products	53,083,563	35,457,449
Office Suppliers	55,258,010	59,867,392
Automotive Products	22,138,786	22,103,287
Duty Free Shop	5,667,377	3,064,006
Electricals & Electronics	30,872,105	28,345,817
Special Project Unit	45,235,745	4,784,837
Household Products	20,018,821	19,101,552
Construction & Hardware	23,865,860	17,061,662
Agricultural Supplies & Machinery & Equipments	26,653,450	13,316,631
Swashakthi	10,006,610	13,500,120
Essential Foods	2,276,436	-
Unallocated (Others)	54,243	286,165
	522,706,722	423,049,746

NOTE 04 - OTHER OPERATING INCOMES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Gain / (Loss) on Exchange	(7,818)	9,926
Miscellaneous Income (Note 04.01)	4,183,401	28,964
Earned Income & Other Income - Loan / Hire Purchases	368,121	818,865
Sale of Fixed Assets	39,101	70,709
Rent Income - Rajagiriya Premises	19,500,000	24,000,000
Smartchem Technologies Ltd - Rebate	-	5,656,068
	24,082,805	30,584,532

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

(Note 04.01) - Miscellaneous Income	2020 / 2021 Rs.	2019 / 2020 Rs.
Sale of Damages Items	1,070,182	16,147
Sale of Uniform Materials	3,111,888	-
Others	1,332	12,817
	4,183,401	28,964

NOTE 05 - DISTRIBUTION EXPENSES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Sample Expenses	2,546,668	1,964,386
Tender Forms	538,859	1,260,963
Expenses of Registration of Suppliers	3,028,400	3,227,263
Stores & Showroom Rent	24,372,995	25,684,383
Lorry Hire / Transport	1,392,818	1,746,149
Servicing Charges	1,242,629	686,512
Reimbursement of Sales Expenses	13,453,665	17,128,972
Reimbursement of Debt Collection Expenses	770,930	1,195,942
Trade Fair Expenses	-	50,000
License Fees - Selling	208,793	442,734
Overseas Travelling	-	290,185
Trade Promotional Expenses	615,099	508,852
Advertising	2,213,606	1,397,755
Gift Vouchers	-	100,000
Loading & Unloading Expenses	63,800	-
Disallowed VAT	42,402	285,909
Nation Building Tax	-	12,110,436
Bad & Doubtful Debts	570,787	100,715
Stocks / Others Written Off	(32,770)	(344,894)
Sales Promotion to Co-Operate Customers	19,400	-
Imparement loss of Stocks	6,160,722	24,860,434
Imparement loss of Debtors	(165,563)	452,651
	57,043,238	93,149,348

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 06 - ADMINISTRATIVE EXPENSES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Salaries	132,369,778	131,397,862
EPF	23,653,847	24,155,176
ETF	4,730,749	4,829,555
Overtime & Special Allowances	27,030,969	28,280,221
New Year Festival Allowances	11,310,000	4,889,000
Contract & Casual Employee Salaries	40,699,090	49,856,981
Staff Benefits Cost	944,747	730,263
Staff Welfare	9,602,724	16,122,052
Staff Medical Expenses	3,621,933	2,870,524
Staff Vehicle, Fuel, Transport, Professional & Other Allowances	11,007,860	13,659,796
Uniforms	706,082	676,495
Labour Charges	13,500	34,600
Death Gratuity	200,000	350,000
Leave Encashments	9,451,075	7,630,864
Gratuity Provision	5,848,964	6,502,705
Travelling & Subsistence	4,427,801	4,683,298
Audit Fees	1,296,000	1,152,000
Professional & Consultancy Fees	59,000	193,490
Legal Fees	745,155	384,270
Secretarial & Other Expenses	1,080,882	-
Directors Salaries	960,000	1,308,473
Directors Fees	583,000	195,500
Board Meeting Expenses	47,720	8,698
Insurance - General	1,067,184	1,544,296
Rates & Taxes	3,110,117	1,592,996
License Fees	360,426	174,447
Telephone Charges	9,436,940	10,775,407
Electricity	16,666,292	17,194,744
Postage	871,467	1,746,531
Water	1,707,197	2,114,400
News Papers & Periodicals	29,070	192,900
Printing & Stationery	8,250,478	8,016,638
Maintenance - Building	113,194	140,585
Maintenance - Office Equipment	8,251,338	9,671,994
Maintenance - Stores Equipment	2,484,459	448,270
Maintenance - Showrooms	9,695,083	12,324,474
Maintenance & Other Expenses - Rajawasa	1,352,922	-
Maintenance & Other Expenses - Q Shop	1,232,428	-
Maintenance - Motor Vehicles	3,785,695	4,407,215
Motor Vehicle Registration & Insurance	104,054	149,280
Fuel & Lubricant	3,779,590	4,471,583
Computer Management Fees	80,400	295,312
Computer Maintenance	1,344,368	987,987
Depreciation - Building	1,109,867	1,661,084
Depreciation - Motor Vehicle	642,356	642,356
Depreciation - Plant & Equipment	6,858,369	8,479,041
Depreciation - Furniture	7,786,136	7,575,427
Depreciation - Tools & Equipments	390,250	368,304
Depreciation of Office / Showroom Construction on Leasehold		
Premises & Rajawasa projects & Q Shop Constructions	7,285,925	7,887,710
Hire of Vehicles	502,553	3,923,328
Staff Training & Development Expenses	5,000	174,822
Surcharges & Panalty Expenses	5,805	401,531
	388,699,840	407,274,485

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 07 - NET FINANCE INCOME / (EXPENSE)

	2020 / 2021 Rs.	2019 / 2020 Rs.
Interest Income		
Interest Income on Short Term Deposits	58,993,224	76,291,787
Interest on Staff Loans	1,402,797	1,181,121
Un - winding of Pre-Paid Staff Benefits	944,747	730,263
	61,340,768	78,203,171
Finance Expenses		
Overdraft Interest	26,688,521	35,846,718
Trust Receipt Loan Interest	68,856,117	106,765,628
Festival Loan Interest	60,592	-
Lease Interest	-	2,724
Bank Charges	6,400,179	10,098,858
	102,005,408	152,713,927
	(40,664,640)	(74,510,756)

NOTE 08 - INCOME TAX EXPENSE

	Note	2020 / 2021 Rs.	2019 / 2020 Rs.
Income Tax on Profits for the year - 2020/2021	08.01	-	-
Deferred Tax Expense (Reversal)	08.02	(7,082,130)	(1,375,474)
		(7,082,130)	(1,375,474)

(Note 8.1) Reconciliation between Accounting Profit to Income Tax

For the year ended 31st March

	2020 / 2021 Rs.	2019 / 2020 Rs.
Accounting Profit Before Taxation	60,381,809	(121,300,311)
Income From Investment Income	(78,493,224)	(100,291,787)
Aggregate Deduction not allowed	50,296,428	65,414,492
Aggregate Allowable Items	(47,760,241)	(49,033,903)
Adjusted Business Income	(15,575,229)	(205,211,510)
Investment Income	78,493,224	100,291,787
Utilisation of carry forward tax losses	(78,493,224)	(100,291,787)
Assesable Income	-	-
Income Tax on Profits for the year @ 24%	-	-

The unutilised tax loss carried forward as at the reporting date amounted to Rs.256,326,492/- (2019/20 - Rs 319,244,488/-).

(Note 8.2) Deferred Tax Expense / (Reversal)

Deferred tax expense / (reversal) arises from :

	2020 / 2021 Rs.	2019 / 2020 Rs.
Charge / (Reversal) during the year for Deffered Tax Assets	(1,178,592)	(5,206,388)
Charge / (Reversal) during the year for Deffered Tax Liabilities	(2,673,591)	4,774,190
Charge / (Reversal) during the year for Actuarial Loss	(3,229,947)	(943,276)
	(7,082,130)	(1,375,474)

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 09 - EARNINGS PER SHARE**Basic Earning per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2020 / 2021 Rs.	2019 / 2020 Rs.
Net profit attributable to shareholders - (Rs. Cts.)	67,463,939	(119,924,837)
Weighted average number of ordinary shares in issue	10,000,000	10,000,000
Basic earnings / (Loss) per share (Rs. Cts.)	7	(12)

Diluted Earning per share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st March 2021.

Therefore, Diluted Earnings per Share is same as Basic Earnings per Share reported above.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 11 - INVESTMENTS IN SHARES

	2020 / 2021 Rs.	2019 / 2020 Rs.
STC Medical Ltd.	49,990	49,990
Less : Provision for Impairment of STC Medical Company Investment	(49,990)	(49,990)
	-	-
Ceylon Shipping Lines	20	20
	20	20

NOTE 12A - LOANS GIVEN TO EMPLOYEES

	Note	2020 / 2021 Rs.	2019 / 2020 Rs.
Non - Current			
Loans given to employees	12.1	11,433,857	12,110,696
Pre paid Staff Benefits	12.2	824,758	906,252
		12,258,615	13,016,948
Current			
Loans given to employees	12.1	5,317,287	5,241,152
Pre paid Staff Benefits	12.2	646,983	664,178
		5,964,270	5,905,330
		18,222,885	18,922,278

NOTE 12.1 - LOANS GIVEN TO EMPLOYEES

Balance at the beginning of the year	18,922,278	15,259,988
Loans granted	8,260,500	10,013,332
Loans recovered	(8,959,891)	(6,351,042)
	18,222,887	18,922,278
Transfer to prepaid staff benefit	(1,471,743)	(1,570,430)
Balance at the end of the year	16,751,144	17,351,848
Non Current	11,433,857	12,110,696
Current	5,317,287	5,241,152
	16,751,144	17,351,848

NOTE 12.2 - PREPAID STAFF BENEFITS

Balance at the beginning of the year	1,570,455	1,246,270
Additions during the year	842,030	1,054,448
Amortization	(944,747)	(730,263)
Balance at the end of the year	1,467,737	1,570,455
Non Current	824,758	906,252
Current	646,983	664,178
	1,471,741	1,570,430

The Company provide loans to employees at concessionary rate. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for the similar loans . The differences between cost and fair value of employee loans are recognised as pre-paid staff benefits. These loans have been subsequently measured at amortised cost.

Sri Lanka State Trading Corporation Interest	7%	7%
Market Interest Rate	7%	12%

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 12 B - EASY PAYMENT LOAN SCHEME

	Note	2020 / 2021 Rs.	2019 / 2020 Rs.
Non - Current			
Gross Investment	12.3	9,391	879,697
Less : Unearned Finance Income	12.4	(163)	(70,530)
		9,228	809,167
Current			
Gross Investment	12.3	856,444	2,341,338
Less : Unearned Finance Income	12.4	(69,667)	(331,299)
		786,777	2,010,039
		796,005	2,819,206

NOTE 12.3 - Gross Investment

Balance at the beginning of the year		2,819,206	6,024,888
Gross Investment during the year		-	303,602
Less : Rentals Received		(2,023,200)	(3,509,284)
		796,006	2,819,206
Add : Unearned Finance income		69,830	401,829
Balance at the end of the year		865,835	3,221,035
Non - Current		9,391	879,697
Current		856,444	2,341,338
		865,835	3,221,035

NOTE 12.4 - Unearned Finance Income

Balance at the beginning of the year		401,829	1,156,222
Additions during the year		-	88,642
Less : Interest income for the year		(331,999)	(843,035)
Balance at the end of the year		69,830	401,829
Non - Current		163	70,530
Current		69,667	331,299
		69,830	401,829

NOTE 13 - INVENTORIES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Closing Inventory	439,447,849	482,425,806
Goods in Transits	36,881,896	103,419,757
Provision for Damage & Slow Moving Stock	(43,269,916)	(37,109,194)
	433,059,829	548,736,369

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 14 - TRADE & OTHER RECEIVABLES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Trade Debtors	544,166,336	544,864,153
Impairment of debtors	(9,192,349)	(9,357,912)
	534,973,987	535,506,241
Other Receivables	5,100,000	24,000,000
Festival Advance	48,000	2,299,250
Festival Loan	4,056,000	-
Electricity Deposits	828,000	825,000
Security Deposits - NSB	1,039,642	1,057,641
Container Deposits	339,000	450,138
Rent Deposits	19,764,288	20,694,288
Sundry Deposits	606,500	596,500
Port Authority - PVQ	50,000	50,000
Bid Bond Ac.	26,840	33,640
Prepayments	-	1,756,207
Advance to Staff on Petty Cash	70,500	68,200
L/Guaranty Margin - People's Bank	600,000	600,000
Interest Receivable	21,346,502	26,837,883
IT Self Assessment Payment	2,776,691	2,776,691
With Holding Tax Receivable	46,413	46,413
Ministry of Education	7,784,039	7,784,039
Advance on Sundry Expenses	957,502	1,005,199
Advance on Services	543,970	182,195
Advance on Other Payments	4,517,081	4,517,081
Advance on Q Shop	2,410	-
Tender & Other Deposits	-	119,500
Rent Advance Payment - Year 01	382,500	-
WHT on Interest	6,925,363	6,925,363
Shipping Guaranty Margin - People's Bank	3,652,043	1,645,660
Shipping Guaranty Margin - Sampath Bank	6,186,000	-
Staff Debtors - Salary Advance	2,896,680	3,832,700
David Pieris Motor Co.Ltd	1,074,440	1,074,440
Scrap Battery Control A/C	2,824,248	1,498,109
Scienter Technologies (Pvt) Ltd	1,805,000	1,805,000
Loan / Hire purchases Rent, Insurance & Other Receivable	4,248,110	4,492,562
Reimbursement of Name Board - Rajawasa	432,465	-
	635,904,213	652,479,938

NOTE 15 - CASH HAND CASH EQUIVALENTS

	2020 / 2021 Rs.	2019 / 2020 Rs.
Cash at Bank		
BOC (A/C No 8859546)	270,158	270,158
Sampath Bank (A/C No 000930000337)	1,527,530	114,961
BOC (A/C No 1060)	20,097	20,097
NDB (A/C - 101000160408)	-	15,357,749
People's Bank - Kurunegala	1,645,122	243,060
People's Bank - Kandy	889,238	792,596
People's Bank - Matara	1,453,042	-
People's Bank - Kalmunai	1,068,091	526,004
People's Bank - Polonnaruwa	974,132	3,829,302
Petty Cash Imprest	657,273	607,248
Cash in Hand	34,230,299	1,087,680
	42,734,983	22,848,856

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 16 - RETIREMENT BENEFIT OBLIGATIONS

	2020 / 2021 Rs.	2019 / 2020 Rs.
Balance at the beginning of the year	35,156,945	30,215,207
Provision made during the year	19,307,077	9,736,844
Payments made during the year	(8,167,116)	(4,795,106)
Balance at the end of the year	46,296,906	35,156,945

The Valuation method used by the management to value the benefit is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No. 19 ((LKAS - 19), 'Employee Benefits'

The movement in the retirement benefit obligations over the year is as follows.

	2020 / 2021 Rs.	2019 / 2020 Rs.
Interest Cost	2,450,074	3,625,825
Current Service Costs	3,398,890	2,180,702
Total included in the staff cost	5,848,964	5,806,527
Net Actuarial (Gain)/Loss recognized immediately	13,458,113	3,930,317
Total recognized in the comprehensive income	19,307,077	9,736,844

The Key Assumptions used by the management include the following,

Financial Assumptions

	31.03.2021	31.03.2020
Rate of Interest	7%	12%
Rate of Increase of Salaries	1%	1%
Staff Turnover Factor	5%	4%
Retiring Age (Years)	60	60

The Company will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 17 - NET DEFERRED TAX LIABILITY (ASSET)

	2020 / 2021 Rs.	2019 / 2020 Rs.
Balance at the beginning of the year	(11,859,477)	(11,427,278)
Provision / (Reversal) for the year	(3,852,183)	(432,198)
Balance at the end of the year	(15,711,660)	(11,859,477)

Deferred tax is calculated on temporary differences between carrying value of fixed assets and tax written down value of such assets, as analysed by each taxable activity.

The reconciliation of tax effect arising from the timing differences related to carrying amounts of assets and liabilities of the statement of financial position is as follows:

	2020 / 2021 Rs.	2019 / 2020 Rs.
Provision for slow moving stocks	(1,478,573)	(5,476,554)
Provision for bad & doubtful debts	39,735	247,574
Employee Benefit Liability	(2,673,591)	22,591
Accelerated depreciation for tax purpose	260,246	4,774,190
	(3,852,183)	(432,199)

NOTE 18 - SHORT TERM BORROWINGS

	2020 / 2021 Rs.	2019 / 2020 Rs.
Non Current Liabilities		
T.R. Loans - Peoples' Bank	1,310,000	16,934,000
T.R. Loans - Sampath Bank -Lease	-	-
	1,310,000	16,934,000
Current Liabilities		
Long Term		
T.R. Loans - Peoples' Bank	15,624,000	15,624,000
T.R. Loans - Sampath Bank -Lease	-	3,125,430
	15,624,000	18,749,430
Short Term		
T.R. Loans - Peoples' Bank	69,630,020	423,948,522
Festival Loan - Peoples Bank	4,101,236	-
T.R. Loans - Sampath Bank	134,878,886	214,590,601
T.R. Loans - NDB Bank	346,915,480	51,488,333
	555,525,623	690,027,456
	571,149,623	708,776,886
Total Loan Liability	572,459,623	725,710,886

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 19 - TRADE OTHER PAYABLES

	2020 / 2021 Rs.	2019 / 2020 Rs.
Trade Creditors	478,771,502	400,888,236
Foreign Import Liability	177,969,241	203,641,921
Accrued Expenses	58,418,580	37,945,861
Dividend Payable	11,000,000	11,000,000
VAT	10,454,982	14,133,886
Other Creditors - Sundry	7,667,267	12,420,074
Audit Fees	3,600,000	2,304,000
Security Deposit - NSB	1,040,054	1,057,641
EPF	3,262,865	3,385,561
ETF	391,532	406,268
Staff Creditors - Re Banked Salaries etc.	372,215	500,009
Salary Deductions	313,912	392,143
Salary Deductions - Staff & Others	74,475	49,056
Staff Recreation Fund	225,021	225,021
ABC Trade & Investment	1,041,629	1,041,629
Sala Enterprises	94,507	95,507
Abans (Pvt) Ltd	1,920,661	1,920,661
Refundable Tender Deposits	132,000	60,000
Withholding Tax Payable	-	57,363
Etisalat Credit Card Proceed	748,683	748,683
Free Issues Contro A/C	109,584	109,584
Stamp Recoveries	25,900	25,950
Loan / Hire Purchases Advance	1,196,534	1,193,953
Creditor for Lease Equipment	165,012	165,012
Money Received for Jaffna SR	415,128	415,128
Insurance Payable for Loan / Hire Purchases	49,232	49,232
Stafford Motors (Pvt) Ltd	28,000	28,000
Retention	3,098,937	2,896,059
Retention on Service Contracts	1,363,112	956,659
Settlement Account of Loss of Revenue - Jaffna SR	238,765	238,765
Non Refundable Security Deposit- Rajawasa	17,083,258	-
	781,272,588	698,351,859

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 20 - BANK OVERDRAFTS

	2020 / 2021 Rs.	2019 / 2020 Rs.
People's Bank - (A/ C No 004100120210918)	235,770,839	315,160,721
People's Bank - Matara	-	351,532
Sampath Bank - DFS (A/C No 002930006974)	17,471,340	16,242,595
NDB - (A/C - 101000160408)	20,382,602	-
	273,624,781	331,754,848

NOTE 21 - GOVERNMENT GRANT DEFERRED INCOME

	Government Grant Deffered Income A/C 1 Rs.	Government Grant Deffered Income A/C - 2 Rajawasa Rs.	Government Grant Deffered Income A/C - 3 Q Shop Container Exp Rs.	Government Grant Deffered Income A/C - 4 Q Shop Contruccion Exp Rs.	Total Rs.
Opening Balance	50,944,377	-	-	-	50,944,377
Government Grant - During the Year	-	93,328,028	7,200,000	2,284,200	102,812,228
Total	50,944,377	93,328,028	7,200,000	2,284,200	153,756,604
Charged P & L A/C 2020/2021	6,368,047	7,179,079	360,000	456,840	14,363,966
Balance	44,576,330	86,148,949	6,840,000	1,827,360	139,392,638

NOTE 22 - TRANSACTIONS WITH RELATED PARTIES**A) Transactions with Key Managerial Personnel**

According to Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors), Senior Managers of the Company who are in the very next level to the Board of Directors have been classified as Key Management Personnel of the Corporation.

(i) Loans to the Directors

No loans have been granted to the Directors of the Company.

(ii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 21A to these Financial Statements.

NOTE 23 - CAPITAL COMMITMENTS

There were no contracted capital expenditure and contingencies approved by the Board of Directors as at 31st March 2021.

NOTE 24 - COMPARATIVE INFORMATION

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification.

NOTES TO THE FINANCIAL STATEMENTS - 2020/2021

NOTE 25 - FINANCIAL RISK MANAGEMENT**Overview**

The Corporation has exposure to the following risks from its use of financial instruments:

- * Credit Risk
- * Liquidity Risk
- * Market Risks (Including Currency Risk and Interest Rate Risk)

This note presents qualitative and quantitative information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and procedures for measuring and managing risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's risk management policies are established to identify and analyze the risk faced by the Corporation's, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit Risk

Credit risk is the risk of financial Loss to the Corporation's if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers and investment securities.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable Losses or damages to the Company's reputation.

To measure and mitigate liquidity risk, the Corporation closely monitored its net operating cash flow, maintained a level of Cash and Cash equivalents and secured committed funding facilities from financial institutions.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates, etc; will affect the Corporation's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future Cash Flows of financial instruments fluctuate because of changes in market interest rates. The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's long term debt obligation and Investments with floating Interest rates. However the Corporation does not have material long-term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.



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