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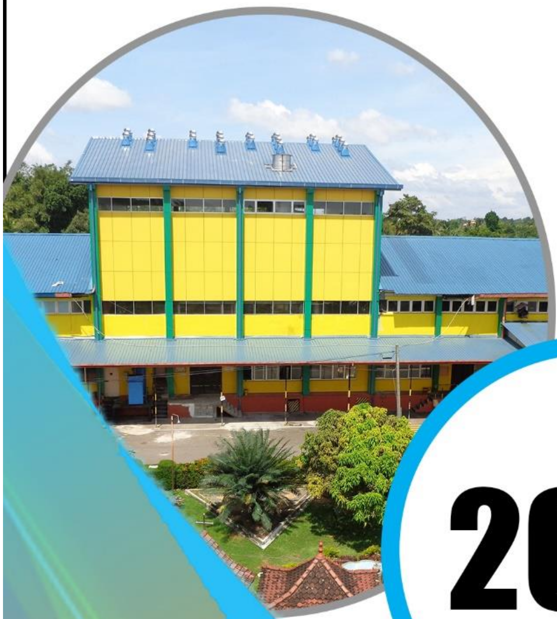
ர்றஹஜஜஹஉ மஇகரஷர்

யதஷஇற ஜபஉபந்கஹஆ றகஷகடப

Ministry of Health

Sri Lanka Thriposha Ltd.



2019

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Annual Report

Sri Lanka Thriposha Limited
Annual Report – 2019

Table of Contents **Page**

Our Vision

To make the Sri Lankan general community
a prosperous, proud, healthy and
nourished nation
void of malnutrition.

Our Mission

Our objective is to
contribute towards the national mission
for bringing forth
a healthy community of people
by hygienically manufacturing
the Thriposha supplementary meal
with all quality nutrients
making it available
to the targeted beneficiaries and
to introduce items of wholesome
supplementary food to the market
for fulfilling the nutritional need of
the entire Sri Lankan community
whilst empowering the indigenous farmer
who is the main raw material supplier
for all these products.

Message of the Chairman
of Sri Lanka Thriposha Limited

The production and free of charge distribution of the Thriposha supplementary meal through the health clinics island-wide to all pregnant and lactating mothers and underweight infants below five years of age living in Sri Lanka towards the cause of the fulfilment of the national mission of bringing forth a healthy populace replete with nutrition was the uppermost purpose among the objectives set out in the Memorandum of Articles when Sri Lanka Thriposha Ltd. was incorporated in the year 2011 as a Company fully owned by the government with affiliation to the Ministry of Health and it was possible to well reach out to that goal up to this point of time as from the date of my assumption of duties in the year 2019.

Likewise, one of the other prime objectives in the Articles of Association was to set up this entity as an institution that earns revenue to the government through the introduction of commercial products to the market not being dependent upon it. It was during this year the Company was able to earn the highest ever profit in comparison to the preceding years by the help of the product, 'Suposha' which was introduced to the market. Therefore, I am very pleased to state that the accomplishment of these achievements was made possible in so shorter period of time such as one year.

Furthermore, the other major tasks undertaken by the Company during this year under review were making preliminary arrangements necessary for the purpose of purchasing a machinery system required to manufacture a brand of biscuit with the use of Thriposha flour, being able to handle the distribution network across the island in a very systematic and streamlined manner, setting up of an insurance scheme towards the cause of the welfare of the employees and introducing a system of internal control needed to strengthen the administrative as well as operational activities and taking a good deal of measures towards that end.

I owe a debt of gratitude to His Excellency the President, Maithripala Sirisena, Hon. Minister of Health, Nutrition and Indigenous Medicine, Dr. Rajitha Senaratne, Hon. State Minister of Health, Mr. Faizal Cassim, Mrs. Wasantha Perera, Secretary of the Ministry of Health, Dr. R.H.S. Samaratunga, Secretary of the Ministry of Finance and Secretary to the General Treasury, whole of the staff at Thirposha including the Board of Directors as well as our suppliers who provide us with raw materials on time for an uninterrupted production and all the others who assisted us in many ways.

Mrs. B.G.S. Gunathilaka
Chairman
Sri Lanka Thriposha Limited
02/12/2019

Board of Directors
of Sri Lanka Thriposha Limited - 2019

- Mrs. B.G.S. Gunathilaka, Chairman.

- Dr. Anil Jasingha, Director
  Director General of Health Services
  Ministry of Health, Nutrition and Indigenous Madicine.

- Dr. (Mrs.) Shanthi Gunawardane, Director
  Consultant Community Physician
  Ministry of Health, Nutrition and Indigenous Madicine.

- Ms. H.M. Chamindika Herat, Attorney at Law, Director
  Legal Officer
  Ministry of Health, Nutrition and Indigenous Madicine.

- Mrs. Theja Herat, Director
  Senior Research Officer
  Industrial Technology Institute.

- Dr. (Mrs.) Damayanthi Hapugoda, Director
  Consultant Paediatrician
  General Hospital, Panadura.

- Mrs. M.T.R.C. Chithralatha, Observer
  Chief Accountant
  Ministry of Health, Nutrition and Indigenous Madicine.

- Mrs. Thanuja Priyadarshani Alwis
  Secretary to the Board of Directors.

Let's know of Sri Lanka Thriposha Ltd. in brief

❖ Address	-	Sri Lanka Thriposha Ltd., P.O. Box 17, Colombo Road, Kapuwatta, Ja Ela.
❖ Telephone	-	0112 - 236588 0112 - 237418 0112 - 233451
❖ Fax Number	-	0112 - 237363
❖ E-mail address	-	thriposha@gmail.com
❖ Ministry	-	Ministry of Health, Nutrition and Indigenous Medicine
❖ Nature of the Institution	-	Fully government owned company under Ministry of Health
❖ Company Registration No.	-	PB /3873
❖ Main Product	-	Wholesome Thriposha supplementary meal replete with healthy nutrients offered free of charge & Suposha for sale
❖ Distribution Centres	-	∗ Medical Centres island-wide ∗ Estates ∗ Probation & Child Care Centres
❖ Distribution of Suposha	-	Suposha is distributed through 47 Sales Agents spread out across the island
❖ Mode of distribution	-	By railway wagons and lorries
❖ Beneficiaries	-	∗ All pregnant and lactating mothers ∗ Mothers ∗ Children with nutritional needs ∗ Certain types of patients
❖ Total number of beneficiaries	-	In excess of One Million
❖ Banker	-	Bank of Ceylon
❖ Auditor	-	Auditor General National Audit Office No. 306/72, Polduwa Road, Battaramulla.

Sri Lanka Thriposha Limited
Audit & Management Committee - 2019

- **Mr. Dharshana Wijesiriwardena**
  Chairman - Audit & Management Committee
  Director - Sri Lanka Thriposha Limited

- **Dr. (Mrs.) Shanthi Gunewardena**
  Member - Audit & Management Committee
  Director - Sri Lanka Thriposha Limited

- **Ms. H.M. Chamindika Herat, Attorney at Law**
  Member - Audit & Management Committee
  Director - Sri Lanka Thriposha Limited

- **Mrs. N.N.K. Divakara**
  Observer - Audit & Management Committee
  Audit superintendent - National Audit Office

- **Mrs. M.T.R.C. Chithralatha**
  Observer - Audit & Management Committee Chief
  Accountant - Ministry of Health

- **Mr. D.B. Tharindu Chamika**
  Finance Manager - Sri Lanka Thriposha Limited

- **Mr. L. J. S. Premachandra**
  Convenor - Audit & Management Committee
  Internal Auditor - Sri Lanka Thriposha Limited

Main Procurement Committee
(Up to Rs. 100 million)

- Mrs. B.G.S. Gunathilaka
  Chairman
  Sri Lanka Thriposha Limited

- Mr. P.P.S.R. De Silva
  Senior Asst. Secretary (Procurement)

- Mrs. R.A.K. Fonseka
  Accountant
  Medical Supplies Unit

Small Procurement Committee
(Up to Rs. 10 million)

- Mr. Champika Salgado
  Senior Manager (Operations)
  Sri Lanka Thriposha Limited

- Mrs.Thanuja Priyadarshani Alwis
  Senior Manager (Human Resources & Legal)
  Sri Lanka Thriposha Limited

- D.B. Tharindu Chamika
  Manager (Finance)
  Sri Lanka Thriposha Limited

History and present progress of Sri Lanka Thriposha Limited

History

The Thriposha Product was initially imported from the United States of America and thereafter packetted in Sri Lanka and given away to the hands of the beneficiaries concerned on an agreement entered into with the Ministry of Health and the CARE Organization during the year 1973.

The management of the Thriposha Programme was handed over to the Lanka Tobacco Company by calling for tenders in the year 1979 and the CARE Organization completely backed out from this Programme from the year 1987. The Lanka Tobacco Company under the direct supervision of the Ministry of Health undertook to run the management of the Thriposha Programme from the year 1987 up to 17.09.2010.

The Thriposha Programme was incorporated by a Cabinet Decision as a fully government owned company under the Companies Act, No. 7 of 2007 to take effect from 17.09.2010 with the objective of giving more impetus empowering the national programme for the eradication of malnutrition from the country.

The Sri Lanka Thriposha Limited which was incorporated with the constitution of 07 members of the Board of Directors commenced its business with effect from 01.01.2011 following the complete taking over of its management.

Present Progress

The total number of beneficiaries having entitlement to receive the Thriposha meal in Sri Lanka was 928,000 at the time of the takeover of the Company by the government in the year 2010. In order to supply the total monthly requirement of Thriposha for these beneficiaries a quantity of 1,392 metric tonnes needed to be produced, nonetheless, the production per month was 725 metric tonnes and it was only 52% of the total requirement.

The total number of beneficiaries during the year 2019 will be 1,077,243 and the monthly requirement of Thriposha for them will be a quantity of 1,615 metric tonnes. The production per month is 976 metric tonnes and it is only 60% of the total requirement.

The quantity of Suposha manufactured during this year is 3,717 metric tonnes. Its sales income amounts to Rs. 747 million and a sum amounting to Rs. 540 million out of this total has been paid out to the Ministry of Health as cost.

The number of Services, Posts and Cadre approved by the Department of Management Services of the Ministry of Finance

01.	**Senior Managers**		
	• Senior Manager (Operations)	01	
	• Senior Manager (Human Resource and Legal)	01	**02**
02.	**Middle Level Managers**		
	• Manager (Engineering and Production Services)	01	
	• Manager (Quality Control)	02	
	• Manager (Finance)	01	
	• Manager (Trade Promotion)	01	**05**
03.	**Junior Managers**		
	• Distribution Officer	01	
	• Internal Auditor	01	
	• Finance Officer	01	
	• Supplies Officer	01	
	• Stores Officer	01	
	• Warehouse Officer	01	
	• Production Officers	03	
	• Administrative Officer	01	
	• Accounts Officer	01	
	• Engineering Service Officer	01	**12**
04.	**Management Assistant (Technical)**		**04**
05.	**Management Assistant (Non-Technical)**		**18**
06.	**Primary Services**		
	Primary Services (Skilled)		
	• Driver	07	
	• Electrician	04	**11**
	Primary Services (Semi skilled)		
	• Boilerman	03	
	• Fitter	03	
	• Latheman	02	
	• Machine Operator	28	
	• Quality Controller	07	
	• Fireman	01	
	• Fork Lift Operator	02	**46**
	Primary Services (Non skilled)		
	• Gardener	02	
	• Labourer / Office Assistant	02	
	• Ordinary Labourer	129	
	• Overseer	01	**134**
Total			**232**

Details of Suppliers in 2019

- **Soya Beans**

S.D.K. United Agriventures (Pvt.) Ltd.
No. 1280/5,
Rajamalwatta Road,
Battaramulla.

- **Maize**

K. S. T. Evergreen (Pvt) Ltd.
No. 71,
Negombo Road,
Kandana.

National Food Promotion Board
No. 48,
Kirimandala Mawatha,
Narahenpita,
Colombo 08.

- **Milk Powder**

Milco (Pvt) Ltd.
No. 48,
Nawala Road,
Narahenpita,
Colombo 08.

- **Kraft Paper Bags**

Abdullah Industries Packaging (Pvt) Ltd.
No. 72, Maha Vidyala Road,
Colombo 13.

- **Polythene**

New Jeewa Industry (Pvt) Ltd.
No. 71 – B,
Castle Hill Street,
Kandy.

Selmo (Pvt) Ltd.
No. 59/1,
Narampola Road,
Moragala,
Dekatana.

Ranfer Flexible Packaging (Pvt) Ltd.
D – 01,
Industrial Estate,
Ekala,
Ja Ela.

- **Vitamins & Minerals**

J. K. Tradelink (Pvt) Ltd.
No. 44,
Thalawathugoda Road,
Pitakotte.

D.P.O. Lanka (Pvt) Ltd.
No. 235/2,
Hekiththa Road,
Wattala.

- **Corrugated Boxes**

  Expack Corrugated Cartons (Pvt) Ltd
  No. 78, Pattiwila Road,
  Gonawala,
  Kelaniya. Corrugated

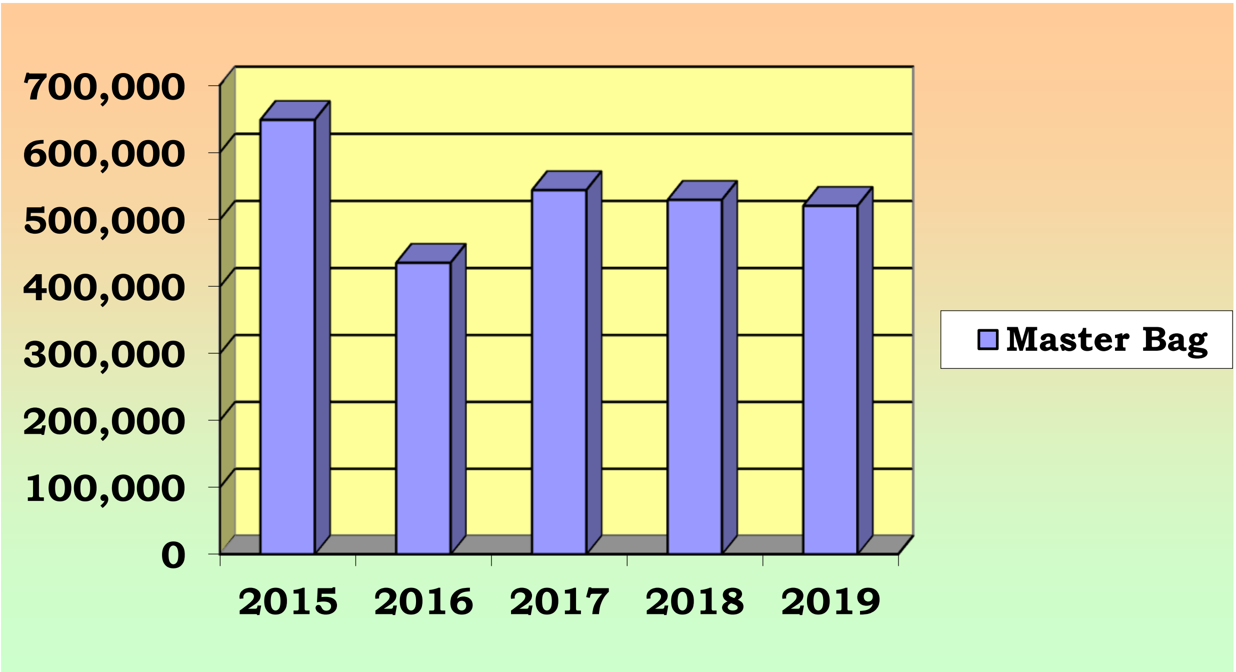
- **Polythene**

  Toughline Ltd,
  No. 188,
  High Level Road,
  Meegoda

Production of Thriposha in Master Bags from 2015 to 2019

Month	**2015**	**2016**	**2017**	**2018**	**2019**
January	47,901	57,542	56,236	51,069	43,003
February	43,679	53,416	48,288	40,351	35,715
March	53,206	55,410	58,150	47,969	47,125
April	42,176	44,501	46,956	25,720	28,954
May	57,367	52,757	49,432	55,122	38,109
June	53,393	15,757	40,134	50,268	43,372
July	61,000	-	48,128	49,042	38,534
August	57,719	3,060	53,179	40,374	52,835
September	60,182	38,071	36,295	48,670	47,082
October	62,381	38,806	27,311	50,036	71,004
November	60,908	47,392	49,829	47,152	57,490
December	48,633	28,898	30,017	23,703	17,329
Master bags	**648,545**	**435,610**	**543,955**	**529,476**	**520,552**
Metric Tons	**14,592**	**9,801**	**12,239**	**11,913**	**11,712**

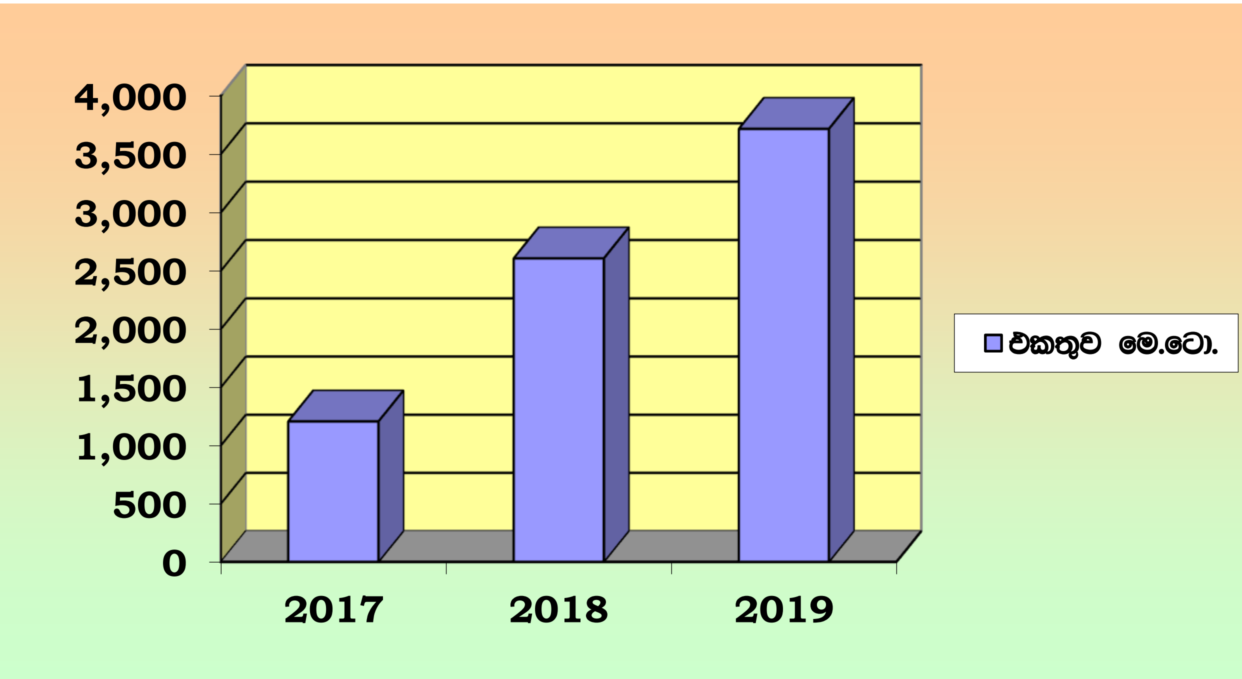
Production of Thriposha from 2015 to 2019 in a Chart (Master Bags)



Production of Suposha from April 2017 to 2019 (Metric Tons)

Month//Year	**2017**	**2018**	**2019**
January	-	118	267
February	-	190	291
March	-	296	393
April	49	174	142
May	69	112	381
June	56	261	283
July	157	277	283
August	152	229	317
September	157	265	294
October	135	300	430
November	252	224	321
December	180	161	315
Total	**1,207**	**2,607**	**3,717**

Production of Suposha from April 2017 to 2019 in a Chart (M.T.)



Targets expected in 2020

- Achieving the 100% target of providing the Thriposha product that is made available to all the beneficiaries free of charge.
- Seeing to have the production of the farmer organizations supplied into Thriposha Ltd with a view to safeguarding the local farmer in a more secure way.
- Further expansion of the Sales Agent Network owned by us.
- Finding solutions for the shortage of raw materials by purchasing the main raw materials required to continue in production, by way of Cabinet Decisions.
- Making arrangements to purchase following in order to handle the production more efficiently and in a level of high quality.

    - ✓ Finalization of the work initiated for the installation of an air conditioning plant in the factory.
    - ✓ Establishment of a silo system required for the storage of maize and soya beans after having them purchased from farmer organizations.

The sole expectation of the Company is to augment the growth of the Thriposha production during the year 2020 in the following manner.

Month	**Quantity (M.T.)**
January	2,748
February	2,424
March	2,775
April	2,221
May	2,653
June	2,869
July	2,761
August	2,748
September	2,748
October	2,734
November	2,532
December	2,343
Total	**31,556**

Distribution Process of Thriposha

Thriposha Factory (Ja Ela)

Distribution activities (by lorries and railway wagons)

Regional Directors of Health Services

Medical Officer of Health

Health Centres (Clinics)

Family Health Service Officer (Midwife)

Estates

Children's Centres

Thriposha Distribution Centres

Sri Lanka Thriposha Limited manufactures Thriposha and undertakes the distribution activities systematically through the Ministry of Health.

Areas of Authority of Provincial Director of Health Services

1. Central Province
2. Eastern Province
3. North Central Province
4. North Western Province
5. Northern Province
6. Sabaragamuwa Province
7. Southern Province
8. Uva Province

Estate Suprintendents

1. Hatton
2. Matale
3. Kegalle
4. Kandy
5. Kalutara
6. Nuwara Eliya
7. Matara
8. Badulla
9. Galle
10. Ratnapura

Other

1. Military Hospitals
2. Police Hospitals
3. Nurseries
4. Municipal Councils
   - Negombo
   - Colombo
   - Matale
   - Galle
   - Kandy

Probation and Child Care Authority

1. Anuradhapura
2. Battaramulla
3. Badulla
4. Galle
5. Jaffna
6. Trinncomalee
7. Kurunegala
8. Ratnapura
9. Kegalle
10. Kandy

Areas of Authority of Regional Director of Health Services

1. Ampara
2. Anuradhapura
3. Badulla
4. Batticaloa
5. Colombo
6. Galle
7. Gampaha
8. Hambantota
9. Jaffna
10. Kalmune
11. Kalutara
12. Ratnapura
13. Trincomalee
14. Kandy
15. Kegalle
16. Kilinochchi
17. Kurunegala
18. Matale
19. Matara
20. Mannar
21. Monaragala
22. Nuwara Eliya
23. Polonnaruwa
24. Puttalam
25. Vavuniya

Number of M. O. H. Divisions

1. Ampara	07
2. Anuradhapura	18
3. Badulla	15
4. Batticaloa	13
5. Colombo	11
6. Galle	19
7. Gampaha	16
8. Hambantota	12
9. Jaffna	11
10. Kalmune	13
11. Kalutara	13
12. Ratnapura	17
13. Trincomalee	10
14. Kandy	21
15. Kegalle	11
16. Kilinochchi	04
17. Kurunegala	23
18. Matale	12
19. Matara	16
20. Mannar	03
21. Monaragala	11
22. Nuwara Eliya	11
23. Polonnaruwa	07
24. Puttalam	11
25. Vavuniya	04

Details of Distribution of Thriposha in 2019

Areas of Authority of the Regional Director of Health Services	Number of Beneficiaries 2019	No. of Thriposha Master Bags distributed in 2019
Ampara	26,115	11,173
Anuradhapura	54,570	23,146
Badulla	41,070	13,609
Batticaloa	53,175	17,725
Colombo	67,590	44,327
Galle	45,675	18,117
Gampaha	55,770	31,044
Hambantota	37,125	23,776
Jaffna	23,115	9,336
Kalmune	49,260	16,489
Kalutara	38,775	21,237
Kandy	67,920	27,870
Kegalle	29,355	20,112
Kilinochchi	6,525	3,312
Kurunegala	77,430	30,128
Mannar	8,145	5,693
Matale	29,685	11,755
Matara	52,605	23,577
Monaragala	28,365	11,135
Mullaitivu	5,040	3,945
Nuwara Eliya	62,700	27,504
Polonnaruwa	41,805	15,546
Puttalam	30,960	21,285
Ratnapura	47,670	31,857
Trincomalee	27,015	10,370
Vavuniya	10,440	4,176
Estates	31,384	22,165
Probation and Child Care Authority	23,849	18,394
Chest Clinic	4,410	2,936
Total	**1,077,243**	**521,742**

Sales Division

01. Inauguration of the Sales Division

One of the other objectives of the establishment of the Sri Lanka Thriposha Ltd was "Production and marketing of other approved nutritional substances in conformity to the policy of the Government". Making this objective a reality measures were initiated during the year 2017 to introduce the surplus production of Thriposha under a brand name of "Suposha" as a result of the increased output through the new machinery installed in the year 2016.

02. Purpose of inauguration of the Sales Division

To become a state institution that generates profits relying on its independently earned income without being dependent upon the state by not being burden to the government challenging the false notion that the government institutions are supposed to be incurring losses.

03. Expansion of the Sales Division

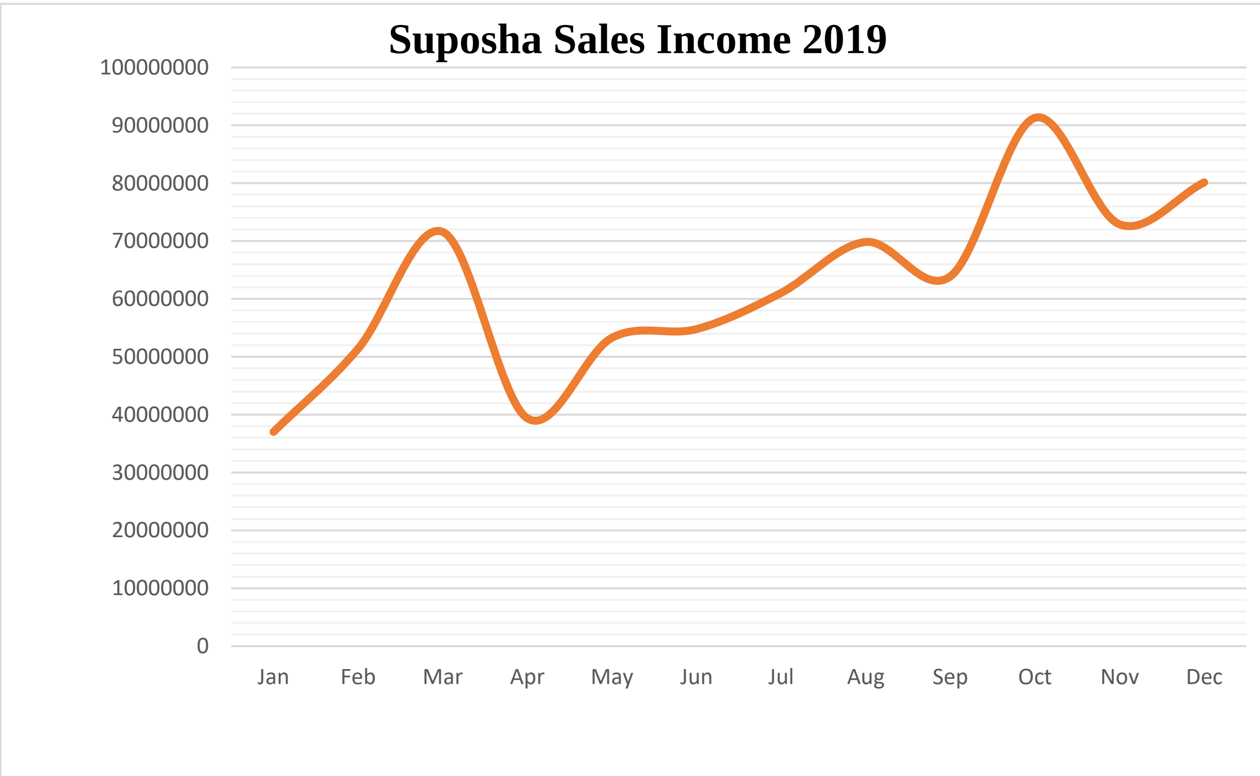
This Suposha product was initially introduced to the market under 04 categories of packs comprising 100 grammes, 250 grammes, 500 grammes and 750 grammes covering the districts of Kandy, Kalutara and Galle through 06 sales agents.

By the end of the year 2019, coverage of 11 districts in the island was possible through a network of sales agents comprising 47 persons. Apart from this, a sales outlet to sell Suposha and Highland products was also kept open in the premises of the Company.

The income earned through the reimbursement of expenditure from the Ministry of Health and the sales of other products including Suposha during the year 2019 was Rs. 3,262 million whereas the net profit before tax was Rs. 178 million.

Suposha Sales Income in 2019

Month	Value (Rs. '000)
January	37,025
February	51,403
March	71,580
April	39,366
May	53,280
June	54,785
July	61,044
August	69,838
September	63,893
October	91,294
November	72,901
December	80,136
Total Sales Income	**746,546**



Achievements realized and challenges faced during the year 2019

Achievements realized by us during the year 2019

01. Increasing the Suposha Dealer Network up to 47 and as a result, it was possible to boost the Suposha sales income by 42.76% during the year 2019 in comparison to the year 2018. Accordingly, the Company was in a position to bolster its net profit prior to tax during the current year up to Rs. 178 million from Rs. 78 million in the preceding year.

02. Making preliminary arrangements required to purchase a machinery system from Soken Tech Co. Limited of Japan for the purpose of manufacturing a brand of nutritional biscuit by the use of Thriposha flour.

03. Constructing a new rest room for drivers and a parking lot for vehicles at a cost of Rs. 27.50 million.

04. Purchasing 02 new packing machines at a cost of Rs. 18.78 million.

Challenges faced during the year 2019

01. Having to face up to the competition posed by the institutions that have set a firm footing in the market enjoying a monopoly with popular brand names having remained in the field over a long period of time. Nevertheless, the engagement in propaganda work of Suposha along with Thriposha brand name against high competition would prove to be effective in retaining a sizable market share and a resultant consumer base.

02. Increased advertising campaigns by the institutions engaged in this industry in a grand scale for their products by multitude of different modes.

03. Inability to meet the demand in tandem with the supply due to inhibitive factors.

Proposals for success during the year 2020

01. Purchase of raw materials necessary for the production in order to meet 100% requirement of the consumer.

02. Improvement of storage facilities required to store raw material necessary to continue in the production process even during the off seasons of raw material and the construction of two silo in the capacity of 4000 metric tonnes for this purpose.

03. Increase in the financial provision allocated through annual budget for Thriposha Ltd.

04. Giving increased publicity to the new product, Suposha among consumers and introducing it to the market through the sales promotion programs.

05. Expansion of the coverage of the network of sales agents encompassing the entire island.

06. Streamlining the distribution activities of the end product and making them more efficient so as to enable it to reach out to the right beneficiary.

Ultimate Goal

Our ultimate goal is to be a state venture dependent upon the independently generated income without relying on the government by not being a burden on the state.

Acknowledgement...!!!

We pay our gratitude to Hon. Dr. Rajitha Senaratne, Minister of Health for encouraging us with his continuous guidance, Hon. Faizal Cassim, Deputy Minister of Health for his continuous ready assistance, Mrs. Wasantha Perera, Secretary of Health for leading us in the right direction with necessary instructions and Dr. R.H.S. Samaratunga, Secretary of the Ministry of Finance and the Secretary to the Treasury for lending us a helping hand with requisite annual provisions.

Likewise, it indeed was a blessing to all of us the cooperation extended by all ladies and gentlemen of the Board of Directors holding the Company's management together. I also gratefully wish to thank all our suppliers and those who render us services externally.

It is heartwarming to witness a staff serving satisfactorily from top to bottom in the institutional hierarchy. The contribution they make towards the Company has to be duly appreciated. Finally, we do owe a debt of gratitude to the entire members of such a staff of Sri Lanka Thriposha Limited, who strives to achieve the set targets at all times.

SRI LANKA THRIPOSHA LTD

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31st December 2019

	Notes	31/12/2019 Rs. Cts.	31/12/2018 Rs.
INCOME			
Revenue	02	3,271,379,657.40	2,806,718,130
Less : Cost of Ready to used product	03	(2,470,824,588.09)	(2,230,761,256)
: Cost of Sales	04	(546,683,677.24)	(424,567,750)
		253,871,392.07	**151,389,124**
Other Income	05	50,441,659.25	37,813,850
Less:Expenses			
Sales and Distribution Expenses	06	22,243,384.71	19,710,986
Administration Expenses	07	102,800,346.85	80,045,635
Financial and other Expenses	08	1,134,223.04	10,805,380
		126,177,954.60	**110,562,001**
Income over expenditure for the year		**178,135,096.72**	**78,640,973**

The above statement of comprehensive income is to be read in conjunction with the accounting policies and note to the financial statements appear on pages 06 to 27 which form an integral part of these financial statements.

SRI LANKA THRIPOSHA LTD
STATEMENT OF FINANCIAL POSITION
As at 31st December 2019

	Notes	31/12/2019 Rs. Cts.	31/12/2018 Rs.
ASSESTS			
Non Current Assets			
Property, Plant & Equipment	12	671,709,769.14	655,757,870
Intangible Assets	13	-	165,297
		671,709,769.14	**655,923,167**
Capital Working Progress	14	-	22,513,629
Current Assets			
Inventories	15	178,860,757.36	127,134,727
Trade & Other Receivables	16	186,986,741.79	212,780,368
Cash & Cash Equivalents	17	487,882,034.93	335,266,293
		853,729,534.08	**675,181,389**
Total Assets		**1,525,439,303.22**	**1,353,618,185**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	304,600,000.00	-
Deferred Liability	19	250,562,775.50	390,085,608
Revaluation Reserves	20	131,176,703.11	306,378,658
Accumulated Income Over Expenditure		600,524,514.63	422,306,485
Total Equity		**1,286,863,993.24**	**1,118,770,750**
Non Current Liabilities			
Retirement Benefit Obligation	21	53,309,803.83	44,898,532
Medical Fund	22	246,836.57	209,447
		53,556,640.40	**45,107,979**
Current Liabilities			
Trade & Other Payables	23	185,018,669.58	189,739,456
Total Equity & Liabilities		**1,525,439,303.22**	**1,353,618,185**

The above statement of financial position is to be read in conjunction with the accounting policies and notes to the financial statements appear on pages 06 to 27 which form an integral part of these financial statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

Sri Lanka Thriposha Limited

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Head of Finance

D B Tharindu Chamika
Finance Manager

The Board of directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board

.... Chairman

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.... Director

Director
Sri Lanka Thriposha Limited

Ja-Ela, Kapuwatta
Date: 27/02/2020

SRI LANKA THRIPOSHA LTD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2019

	Notes	Stated Capital	Capital Reserves	Revaluation Reserves	Accumulated Income Over Expenditure	Total
		Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.
Balance as at 01/01/2018			395,491,067.02	306,378,657.65	343,665,512.04	1,045,535,236.71
Capital grant from Ministry of Health			50,974,042.59	-	-	50,974,042.59
Depreciation - Capital Assets Grant by Ministry of Health			(56,379,502.03)	-	-	(56,379,502.03)
Income over expenditure - 2018			-	-	78,640,973.06	78,640,973.06
Balance as at 31/12/2018		-	**390,085,607.58**	**306,378,657.65**	**422,306,485.10**	**1,118,770,750.33**
Balance as at 01/01/2019		-	390,085,607.58	306,378,657.65	422,306,485.10	1,118,770,750.33
Adjustment	18	304,600,000.00	(129,574,367.55)	(175,025,632.45)	-	-
Addition/Deduction-2019		-	49,916,074.87	(176,322.09)	-	49,739,752.78
Depreciation - Capital Assets Grant by Ministry of Health	19	-	(59,864,539.38)	-	-	(59,864,539.38)
Prior Adjestment	24	-	-	-	82,932.81	82,932.81
Income over expenditure 2019		-	-	-	178,135,096.72	178,135,096.72
Balance as at 31/12/2019		**304,600,000.00**	**250,562,775.52**	**131,176,703.11**	**600,524,514.63**	**1,286,863,993.26**

SRI LANKA THRIPOSHA LTD
CASH FLOW STATEMENTS
For the year ended 31st December 2019

	31/12/2019 Rs.	31/12/2018 Rs.
Cash Flow from Operating Activities		
Income over expenditure for the year	178,135,097	78,640,973
Adjustments for		
Depreciation	61,971,983	57,664,125
Disposal Loss	-	10,639,533
With Holding Tax	277,251	-
Interest Income	(14,433,406)	-
Gratuity Provision for the year	14,827,855	5,663,671
Provision Medical Contribution	208,740	231,068
Prior year adjestment	(1,420,800)	-
	61,431,623	**74,198,397**
Operating Profit Before Changes in Working Capital	**239,566,719**	**152,839,370**
Changes in Working Capital		
Increase / (Decrease) in Trade & Other Receivables	25,793,626	(63,429,775)
Increase / (Decrease) in Trade & Other Payables	(4,720,786)	58,913,620
Increase / (Decrease) in Inventories	(51,726,030)	72,948,513
	(30,653,190)	**68,432,358**
Cash Generated from Operating Activities	**208,913,530**	**221,271,728**
Less: Gratuity Paid	(6,416,584)	(3,721,918)
Medical Benefits Paid	(171,350)	(198,044)
Net Cash Flow from Operating Activities	**202,325,596**	**217,351,767**
Cash Flow from Investing Activities		
Acquisition of Property, Plant & Equipment	(77,758,585)	(55,024,828)
Investment in Short Term Investment	(125,000,000)	-
Capital Working Progress	22,513,629	(22,513,629)
Interest Received	7,642,613	642,143
Net Cash Flow from Investing Activities	**(172,602,343)**	**(76,896,315)**
Cash Flow from Financing Activities		
Capital Grant from Ministry of Health	(10,124,787)	(5,405,459)
Net Incresed in Cash & Cash Equivalent	19,598,466	135,049,992
Cash & Cash Equivalent Brought Forward	183,342,473	200,216,301
Cash & Cash Equivalent Carried Forward	**202,940,940**	**335,266,293**
Analysis of the Cash & Cash Equivalent shown in the statement of financial position		
Cash In Hand	-	20,000
Bank of Ceylon Ja-Ela Ac No 71324617	16,524,816	29,691,455
Bank of Ceylon Ja-Ela Ac No 80306903	186,416,124	153,631,019
Investment on Trasury Bill	-	92,580,625
Investment on Fixed Deposit	-	59,343,195
	202,940,940	**335,266,293**

04

SRI LANKA THRIPOSHA LTD

MANUFACTURING ACCOUNT

For the year ended 31st December 2019

	Notes	31/12/2019 Rs. Cts.	31/12/2018 Rs.
COST OF MANUFACTURING			
Raw Materials & Packing Material			
Balance as at 01/01/2019		88,411,099.24	146,784,459
Purchase	09	2,065,207,867.92	1,813,404,373
		2,153,618,967.16	1,960,188,832
Impairment of Inventory		(291,031.60)	-
Balance as at 31/12/2019	15	(117,286,466.32)	(88,411,099)
Cost of Raw Materials Consumed		**2,036,041,469.24**	**1,871,777,733**
Direct Labour and Management Cost	10	213,981,333.10	187,261,755
Factory Overheads	11	205,377,938.96	162,148,537
Re-Processing Loss		-	(112,656)
Prime Cost		**2,455,400,741.30**	**2,221,075,368**
Working Progress			
Balance as at 01/01/2019		12,605,572.55	2,388,929
Balance as at 31/12/2019	15	(2,192,397.76)	(12,605,573)
		10,413,174.79	(10,216,643)
Total Production Cost		**2,465,813,916.09**	**2,210,858,725**

1. Significant Accounting Policies

1.1.1 Reporting Entity

Sri Lanka Thriposha Ltd. is a limited liability company incorporated and domiciled in Sri Lanka as a fully Government owned company under the supervision of Ministry of Health. The registered office of the Company and the principal place of business is located at P O Box 17, Kapuwatta, Ja-Ela, Sri Lanka.

1.1.2 Principal Activities and Nature of Operations

The Company is the sole company for manufacturing "Thriposha"; for "Thriposha distribution program" of Ministry of Health.

The other principal activities of the company were:

- To facilitate to development, production and distribution of "Thriposha" – a Sri Lanka fortified supplementary food product in order to reduce maternal and child malnutrition in Sri Lanka.
- To encourage the income generation path for local farmers who supply the raw material for Thriposha Production as far as possible.
- To reduce and market any other form of fortified blended food items based on Government policy.
- To assess the annual requirement of Thriposha and take necessary action to supply.

1.1.3 Board of Directors

1. Mrs. B.G.S.Gunathilake (Chairman)
2. Dr.Anil Jasinghe
3. Dr.Shanthi Gunawardana
4. Mrs. H.M. Theja Herath
5. Mrs. Chamindika Herath
6. Dr.Damayanthi Hapugoda
7. Mrs. Sagarika Bogahawaththa
8. Mrs.T.R.C. Chithralatha (Observer)

Board Secretary

Mrs.Thanuja Priyadharshani Alwis

1.1.4 Auditor

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

1.1.5 Bankers

Bank of Ceylon
Ja-Ela

1.1.6 Date of Authorization for Issue

The Financial Statements of Sri Lanka Thriposha Limited for the year ended 31st December 2019 was authorized for issue in accordance with the resolution of the Board of Directors.

1.1.7 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ('SLFRS'), Sri Lanka Accounting Standards ('LKAS'), These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in the financial statements.

a. Statement of Compliance

The financial statements which comprise the statement of comprehensive income and expenditure, statement of financial position, statement of changes in equity and cash flow statement together with the accounting policies, bases and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No.7of 2007.

b. Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

c. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter-period comparability.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

d. Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the functional and presentation currency of the Company.

e. Use of Key Estimates and Critical Judgments

The preparation and presentation of financial statements in conformity with SLFRSs and LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

f. Going Concern

The Board of Director has made an assessment of the company's ability to continue as going concern in the foreseeable future, and Board is satisfied that the company possess adequate resources to continue their operation into the foreseeable future and hence endorses the continues adoption of the assumption of going concern.

1.2 Assets and the Bases of their Valuation

1.2.1 Property, Plant & Equipment

a. Recognition and Measurement

Items of property, plant & equipment are stated at cost or at fair value less accumulated depreciation and any impairment losses.

All items of property, plant & equipment are initially recorded at cost less accumulated depreciation and any impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant & equipment are required to be replaced at intervals, the entity derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

b. Cost

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

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant & equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalized. Other subsequent expenditure is capitalized only 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.

c. Revaluation

All reported Property, Plant & Equipment of Sri Lanka Thriposha Ltd are revalued on 2012 by valuation department. (All PPE's are revalued by Valuation Department later 2019, still the reports are pending)

d. Depreciation

Depreciation is charged to the capital reserve on the straight-line basis at the following rates per annum in order to write-off the cost of such assets over their estimated useful lives.

Buildings	Over 20 Years
Plant and Machinery	Over 10 Years
Motor Vehicles	Over 05 Years
Equipment and Tools	Over 05 Years
Laboratory Equipment	Over 10 Years
Agricultural equipment	Over 10 Years
Electrical Works	Over 05 Years
Office Equipment	Over 10 Years
Furniture and Fittings	Over 10 Years
Computer Equipment	Over 4 Years
Intangible Assets	Over 4 Years

e. De recognition

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the assets is included in the statement of comprehensive income in the year the asset is derecognized.

1.2.2 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset category in property, plant & equipment when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Company. Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses.

1.2.3 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 4 years on the straight-line method.
Curriculum development cost is written-off on the straight-line method over a period of 4 years.

1.2.4 Inventories

Inventories are valued at first in first out (FIFO) method, after making due allowances for obsolete and slow moving items. Net realizable value (NRV) is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following formula:-

Raw Materials	- At cost
Work –in- Progress	- At Cost
Finished Goods	- At the cost of direct materials, direct labor, Administration an appropriate proportion of fixed Production overheads based on normal operating capacity.

Net Realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make sale.

1.2.5 Impairment of Assets

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.2.6 Financial Assets

LKAS 39

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The financial assets of the Company include cash and short-term investments and trade and other receivables.

a. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

The Company has not designated any financial asset upon initial recognition at fair value though profit or loss.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

c. Held-to-Maturity Investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.
Investments in Government Securities and fixed deposits have been classified under HTM investments.

d. Available-for-Sale Financial Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The Company has not designated any financial asset upon initial recognition as available-for-sale investment.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The company adopted SLFRS 9 using the full retrospective method of adoption. Based on the assessment performed, the company concluded that SLFRS 9 does not have a material impact on the company's financial statements.

Classification and measurement

Except for trade receivables, under SLFRS 9, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: The company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the entity's business models was made as of the date of initial application, 1st January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1st January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the company's financial liabilities remains largely the same as it was under LKAS 39.

1.2.7 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

The adoption of SLFRS 9 has fundamentally changed the company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the entity expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the entity has to apply the standard's simplified approach and has to calculate ECLs based on lifetime expected credit losses.

1.2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits at bank, fixed deposits and repurchase agreements.

1.3 Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the Reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.3.1 Employee Benefits

a. Provision for Retiring Gratuity

The company has adopted the LKAS 19 "Employee Benefits" and applied project unit credit (PUC) method to make a reliable estimate to the present Value of company's retirement benefit obligation.

The key assumptions used for calculating the provision include the following:

Discounted Rate	**12%**
Future Salary Increment Rate	**10%**
Staff Turn Over	**02%**
Retirement Age	**55 Years**

That the Company will continue as a going concern.

b. Defined Contribution Plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plan are recognized as an expense in the statement of comprehensive income as and when they are due.

c. Employees' Provident Fund

The Company and employees, contribute 12% and 08% respectively till July 2019, on the salary of each employee to the approved provident fund.

Company and employees, contribute 15% and 10% respectively from August 2019 onwards to the EPF with the approval of Board of Directors.

d. Employees' Trust Fund

The Sri Lanka Thriposha Ltd. contributes 3% on the salary of each employee to the Employees' Trust Fund.

1.3.2 Trade and Other Payables

Trade and other payables are stated at cost.

1.3.3 Taxation

Income tax the inland revenue Act No.24 of 2017 was enacted by the Parliament with effect from 01.04.2018. Implementation of proposed change to the act defines, any sum received by any public corporation out of the fund voted by Parliament from the consolidated fund or out of any loan arranged through the Government shall exempt from IT on or after 01.04.2018. Further refer to the note no 1.7

1.3.4 Deferred Taxation

Provision has not been made for deferred tax, as surplus and income of the Company since exempt from income tax of the Inland Revenue Act No.24 of 2017

1.3.5 Capital Commitments and Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the financial statements.

1.4 Statement of Comprehensive Income

Capital Reserve – (Related to Capital Grants)

Funds spend on fixed assets since year 2011 provided by the Ministry of Health, CARE, and Ceylon Tobacco Ltd have been treated as capital grant and as such the depreciation in respect of these items has been charged to the relevant capital grant accounts while setting off same against the total depreciation charge for the year.

1.4.1 Grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants that compensate the Company for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in the statement of financial position.

1.4.2 Expenditure

a. Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Company and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

1.4.3 Finance Expense/Income

Finance income comprises interest received on accrual basis on funds invested.

1.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared in accordance with LKAS 07

1.6 Events after the Reporting Period

There are no material events occurring after the reporting date which require adjustment to or disclosure in the financial statements.

1.7 New accounting standards, amendments and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements in the previous financial year, except for the adoption of new standards effective from 1st January 2018. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(i) SLFRS 9, 'Financial Instruments', replaces the multiple classification and measurement models in LKAS 39, 'Financial instruments: Recognition and measurement', with a single model that has initially only two classification categories: amortized cost and fair value.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', replaces LKAS 18 which covers contracts for goods and services and LKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

(iii) Amendments to SLFRS 1, 'First Time adoption of Sri Lanka Accounting Standards', delete short term exemptions covering transition provisions of SLFRS 7, 'Financial Instruments Disclosures', LKAS 19, 'Employee Benefits', and SLFRS 10, 'Consolidated Financial Statements', which are no longer relevant.

(iv) SLFRS 16, 'Leases', primarily will affect the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short-term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

(v) Amendments to LKAS 12, 'Income Taxes', clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. The improvements to the standard is effective for accounting periods beginning on or after 1 January 2019.

(vi) Amendments to LKAS 23, 'Borrowing Costs', clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The improvements to the standard is effective for accounting periods beginning on or after 1 January 2019.

(vii) Amendments to SLFRS 3, 'Business Combination', clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The improvements to the standard is effective for accounting periods beginning on or after 1 January 2019.

Apart from LKAS 12, 'Income Taxes', the adoption of amendments to published standards are not expected to have a material impact to the financial statements of the Company.

The impact of LKAS 12, 'Income Taxes' is still being assessed. It has to discuss in Audit and Management Committee (AMC) meeting and go through it. There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1.8 Non-Current Assets Held For Sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are re-measured in accordance with the Company's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

1.9 Analysis on Sustainable Development Goals related to Sri Lanka Thriposha Ltd

GOAL 2: Zero Hunger
End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

2.1. Applicable SDG Target:
By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

2.1.1. Indicator:
Prevalence of undernourishment.

2.2. Applicable SDG Target:
By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.

2.2.1. Indicator:
Prevalence of malnutrition (weight for height $>+2$ or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight)

2.3. Applicable SDG Target:
By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

2.3.1. Indicator:
Average income of small-scale food producers, by sex and indigenous status.

GOAL 9: Industry, Innovation and Infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

9.2. Applicable SDG Target:
Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

9.2.1. Indicator:

- Manufacturing value added as a proportion of GDP and per capital.
- Manufacturing employment as a proportion of total employment.

9.4. Applicable SDG Target:
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

9.4.1. Indicator:
CO2 emission per unit of value added

9.5. Applicable SDG Target:
Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1million people and public and private research and development spending.

9.5.1. Indicator:

- Research and development expenditure as a proportion of GDP.
- Researchers (in full-time equivalent) per million inhabitants.

GOAL 12: Responsible Consumption and Production
Ensure sustainable consumption and production patterns

12.5. Applicable SDG Target:
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.5.1. Indicator:
National recycling rate, tons of material recycled

12.7. Applicable SDG Target:
Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

12.7.1. Indicator:
Number of countries implementing sustainable public procurement policies and action plans.

12.a. Applicable SDG Target:
Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.

12.a.1. Indicator:
Amount of support to developing countries on research and development for sustainable consumption and production and environmentally sound technologies.

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2019

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
02. INCOME		
Revenue	2,441,399,694.98	2,215,278,047
Depreciation	59,864,539.38	56,379,502
Suposha Sales	746,933,175.80	523,214,501
Highland Product Sales	19,222,565.24	10,773,160
NFPB Product Sales	584,232.00	672,070
SDK Product Sales	880,860.00	400,850
Bakery Items	2,494,590.00	-
	3,271,379,657.40	**2,806,718,130**
03. COST OF READY TO USED PRODUCT		
Finish Product as at 01/01/2019	5,010,672.00	24,913,203
Total Production Cost	2,465,813,916.09	2,210,858,725
Finish Product as at 31/12/2019	-	(5,010,672)
	2,470,824,588.09	**2,230,761,256**
04. COST OF SALES		
Balance as at 01/01/2019	7,046,999.85	13,650,007
Received - Suposha	539,945,170.17	369,851,071
Purchase - Highland Product	16,099,652.80	9,146,061
Purchase - NFPB Product	459,095.69	539,113
Purchase - SDK Product	848,647.60	428,162
Purchase - Packing Material	-	38,000,336
	564,399,566.11	**431,614,750**
Balance as at 31/12/2019	(17,715,888.87)	(7,047,000)
	546,683,677.24	**424,567,750**
05 OTHER INCOME		
Sweeping Sales	23,849,965.00	22,558,357
Interest on Housing Loan	2,121,729.35	1,294,269
Interest on Trasury Bill	7,649,201.92	7,012,927
Interest on Fixed Deposit	6,784,204.29	5,130,951
Other	10,036,558.69	1,817,347
	50,441,659.25	**37,813,850**
06 SALES AND DISTRIBUTION EXPENSES		
Trasport Charges	11,138,959.64	14,107,436
Out Let Expenses	2,049,939.23	294,040
Printing & Advertising	6,342,990.40	4,005,373
Sales Commission & Other Expenses	715,628.77	56,137
Depreciation	1,995,866.67	1,248,000
	22,243,384.71	**19,710,986**

18

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
07. ADMINISTRATIVE EXPENSES		
Salaries	10,798,530.64	9,652,305
EPF	2,231,260.66	2,191,188
ETF	476,736.30	484,802
Overtime	3,746,080.70	2,356,408
Allowances	3,408,984.35	3,709,810
Casual Wages	1,471,233.34	1,032,525
EPF on Casual Wages	319,833.34	219,500
ETF on Casual Wages	47,975.01	32,925
Management Allowances	7,363,082.30	8,366,493
Staff Welfare	3,560,591.45	3,050,092
Rate & Taxes	381,300.71	518,941
Office Equipment Maintenance	1,410,699.73	900,647
Security Charges	8,484,859.30	7,375,734
Fuel - Vehicles	3,706,756.75	2,782,471
Repairs & Maintenance - Vehicles	3,394,039.91	2,155,378
Other Services & Maintenance	13,500.00	-
Building Repair & Maintenance	597,345.00	-
Tea & Others	21,455.00	-
Insurance	2,047,191.43	-
Event Mnagement Service	33,078.00	-
Stationary	1,072,402.53	1,806,302
Postage Charges	155,000.00	355,000
Telephone Charges	521,406.50	550,013
Staff Training Charges	22,923,595.30	13,010,300
Legal and Professional Charges	2,082,191.97	882,495
Licence & Insurance Charges	1,159,791.65	1,043,117
Medical & Sanitary	518,454.99	532,508
Travelling Expenses	303,250.00	210,150
Donation	284,475.00	940,000
Uniforms - MKT	27,575.00	88,000
Incentive	14,717,471.16	9,723,097
Depreciation	5,520,198.83	6,075,434
	102,800,346.85	**80,045,635**
08 FINANCE AND OTHER EXPENSES		
Bank Charges	1,065,642.79	53,191
Other Expenses	68,580.25	-
Disposal Loss	-	10,639,533
Re - Processing Loss	-	112,656
	1,134,223.04	**10,805,380**

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
09 PURCHASING		
Maize	779,898,383.82	714,643,328
Soya	757,894,660.95	512,146,729
Milk Powder	272,480,000.00	373,102,650
Mineral	70,035,225.00	43,207,050
Vitamins	75,700,762.50	80,172,854
Polythene Bags	1,258,560.00	7,001,766
Polythene Reel	67,634,039.84	50,890,355
Kraft Paper Bags	40,073,145.00	32,006,559
Twine	233,090.81	233,082
	2,065,207,867.92	**1,813,404,373**

10 DIRECT LABOUR AND MANAGEMENT COST		
Salary	70,984,547.94	61,853,762
EPF	11,995,861.08	9,744,726
ETF	2,699,368.74	2,434,629
Overtime	54,507,254.60	48,162,231
Allowance	24,509,247.43	28,343,242
Gratuity	14,827,855.23	5,663,671
Terminal Payment	599,263.14	429,854
Uniforms & Laundry	4,297,741.87	4,185,069
Tea & Others	4,043,282.91	3,906,123
Shift & Meals Allowance	2,777,829.01	2,197,984
Medical & Sanitary	1,031,413.02	1,017,482
Casual & Contract Salary	6,037,647.63	5,576,687
EPF on Casual & Contract Salary	1,036,934.66	878,297
ETF on Casual & Contract Salary	246,502.99	204,391
Welfare Expenses	233,895.09	205,788
Incentive	14,152,687.76	12,457,820
	213,981,333.10	**187,261,755**

11 FACTORY OVERHEAD COST		
Fuel for Generater	49,659,130.00	41,398,428
Factory Maintenance	1,908,747.00	66,046
Plant & Machinery Maintainance	43,292,341.99	22,777,451
Lab Expenses	3,664,359.73	3,678,311
Electricity	35,297,046.89	32,717,280
Building Repair & Maintenance	4,983,894.09	2,774,122
Other Services & Maintenance	11,624,957.92	8,250,043
Garden Maintainance	200,512.50	58,880
Impairment Loss	291,031.60	87,285
Depreciation	54,455,917.24	50,340,691
	205,377,938.96	**162,148,537**

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2019

12. PROPERTY, PLANT AND EQUIPMENT

Cost/ Revaluation	Balance as at 31/12/2018	Additions	Balance as at 31/12/2019
Land	220,000,000	-	220,000,000.00
Building	126,987,772	29,313,198.39	156,300,970.45
Plant and Machinery	443,660,637	28,423,707.71	472,084,345.14
Motor Vehicles	30,495,000	11,272,000.00	41,767,000.00
Tools & Equipment	7,707,234	949,270.00	8,656,504.05
Laboratory Equipment	7,976,757	1,669,645.54	9,646,402.41
Electrical Works	6,042,735	-	6,042,734.76
Office Equipment	8,553,690	2,299,160.17	10,852,849.92
Furniture and Fittings	7,601,458	1,677,742.42	9,279,200.75
Computer and Other Hardware	8,274,639	2,153,861.00	10,428,499.88
	867,299,922	**77,758,585.23**	**945,058,507.36**

Accumulated Depreciation	Balance as at 31/12/2018	Charge for the Year	Balance as at 31/12/2019
Building	25,048,973	7,204,356.89	32,253,330.21
Plant and Machinery	143,358,357	44,727,229.73	188,085,586.58
Motor Vehicles	20,418,500	3,785,866.67	24,204,366.67
Tools & Equipment	5,607,000	749,903.51	6,356,903.25
Laboratory Equipment	2,832,503	831,132.15	3,663,635.30
Electrical Works	3,540,461	989,997.66	4,530,458.96
Office Equipment	3,362,113	980,381.35	4,342,494.02
Furniture and Fittings	3,079,945	814,496.85	3,894,442.01
Computer and Other Hardware	4,294,200	1,723,321.03	6,017,521.22
	211,542,052	**61,806,685.84**	**273,348,738.22**

Written Down Value	Balance as at 31/12/2018	Balance as at 31/12/2019
	Rs	Rs. Cts
Land	220,000,000	220,000,000.00
Building	101,938,799	124,047,640.24
Plant and Machinery	300,302,281	283,998,758.56
Motor Vehicles	10,076,500	17,562,633.33
Tools & Equipment	2,100,234	2,299,600.80
Laboratory Equipment	5,144,254	5,982,767.11
Electrical Works	2,502,273	1,512,275.80
Office Equipment	5,191,577	6,510,355.90
Furniture and Fittings	4,521,513	5,384,758.74
Computer and Other Hardware	3,980,439	4,410,978.66
	655,757,870	**671,709,769.14**

NATIONAL AUDIT OFFICE

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2019

	Balance as at 31/12/2019 Rs. Cts	Balance as at 31/12/2018 Rs
13. INTANGIBLE ASSETS		
Cost	661,187.57	661,188
Accumulated Depreciation	661,187.57	495,891
Written Down Value	-	**165,297**

	Balance as at 31/12/2019 Rs. Cts	Balance as at 31/12/2018 Rs
14.CAPITAL WORKING PROGRESS		
Construction of Wash Room	-	517,145
Construction of Garage and Rest Room	-	21,996,484
	-	**22,513,629**

15 INVENTORIES

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
Raw Matarials		
Maize	10,541,192.69	16,845,955
Soya	71,270,388.00	39,872
Milk Powder	4,260,000.00	47,022,150
Mineral	10,193,150.00	4,074,650
Vitamins	8,769,468.75	11,471,825
	105,034,199.44	**79,454,452**
Packing Materials		
Polythene Bags	-	277,020
Polythene Reel	2,826,591.88	4,558,059
Kraft Paper Bags	9,425,675.00	4,121,568
	12,252,266.88	**8,956,647**
Other		
Diesel	2,747,160.00	3,138,130
Engineering Stores	38,918,844.41	10,922,254
	41,666,004.41	**14,060,384**
Work In Progress		
Raw Matarials		
Maize	1,207,400.00	10,858,791
Soya	60,480.00	-
Milk Powder	260,000.00	997,500
Mineral	65,037.50	72,518
Vitamins	528,281.25	115,041
Packing Materials		
Polythene Bags	12,025.80	164,256
Polythene Reel	55,381.70	155,064
Kraft Paper Bags	3,543.28	242,402
Twine	248.23	-
	2,192,397.76	**12,605,573**
Finished Goods		
Children	-	2,927,068
Mother	-	2,083,604
	-	**5,010,672**
Marketing Section		
Suposha	274,571.52	856,169
Packing Material	16,782,678.43	5,846,978
Highland Product	381,959.74	343,853
Working Progress	276,679.18	-
	17,715,888.87	**7,047,000**
Total	**178,860,757.36**	**127,134,727**

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
16 TRADE AND OTHER RECEIVABLES		
Debtors	27,625,102.35	146,994,281
Debtors - Marketing	45,371,885.34	29,753,237
Advance and Prepayments	52,564,653.92	181,000
Insurance Receivable	541,161.14	-
Deposits	2,026,000.00	1,976,000
Housing Loan - Asset	35,416,951.11	24,798,514
Housing Loan - Distres	22,627,037.93	8,630,286
Festival Advance	173,750.00	221,250
Picnic Advance	640,200.00	225,800
	186,986,741.79	**212,780,368**

16.1 Advance and Prepayments		
Central Air Condition (Metroplitan Engineering)	12,790,683	
Nutribar manufacturing Machine 20% (Soken Tech Company Ltd)	31,023,790	
Corporate Plan 2020-2024 - 20% (KPMG)	632,500	
Advance for Floor Tiling (Abiru Constructions (Pvt) Ltd)	4,838,174	
Medical Insurance (Sri Lanka Insurance)	2,866,068	
Other	413,439	
	52,564,654	

17 CASH AND CASH EQUIVALENTS		
Cash In Hand	-	20,000
BOC-Ja Ela- AC No. 71324617	16,524,815.53	29,691,455
BOC-Ja Ela- AC No. 80306903	186,416,124.04	153,631,019
Investment on Trasury Bill	92,587,214.29	92,580,625
Investment on Fixed Deposit	192,353,881.07	59,343,195
	487,882,034.93	**335,266,293**

17.1 Investment on Trasury Bill-Repurchase Agreement

CDS Account	**Carrying Amount as at 31/12/2019**	**Carrying Amount as at 31/12/2018**
RET-Y107471000 - 01	71,587,214.29	71,566,000.00
RET-Y107471000 - 02	21,000,000.00	21,014,625.00
	92,587,214.29	**92,580,625.00**

24

17.2 Investment on Fixed Deposit

Account Number	Carrying Amount as at 31/12/2019	Carrying Amount as at 31/12/2018
83258807	6,038,876.91	5,400,000.00
82420963	4,724,582.92	4,211,218.84
81508819	18,062,416.86	16,443,915.36
81048092	4,955,761.57	4,417,199.88
80940675	12,521,967.72	11,056,818.37
80871912	13,811,638.82	12,166,676.55
80586829	6,416,375.99	5,556,330.37
82932526	50,000.00	50,000.00
85235518	125,772,260.27	-
	192,353,881.07	**59,302,159.37**

* Above deposits are invested in the Bank of Ceylon

18 STATED CAPITAL

Capital Reserves	129,574,367.55	-
Revaluation Reserves	175,025,632.45	-
	304,600,000.00	**-**

As a consequence of decision made by Cabinet of Ministers, Management of the Thriposha Program has been vested on fully own Government Limited Liability Company incorporated under the companies Act No.07 of 2007. Accordingly Sri Lanka Thriposha Limited was incorporated on 17th September 2010 with the Stated Capital of Rs.304,600,000/= (Three hundred four Million and six hundred thousand rupees)

19 DEFERRED LIABILITY

Balance as at beginning of the year	390,085,607.56	375,554,449
Capital grant from Ministry of Health	37,125,391.42	47,609,531
Stated Capital	(129,574,367.55)	-
Capital Grant Advance from MOH	12,790,683.45	23,301,129
Less :- Depreciation charge for the year	(59,864,539.38)	(56,379,502)
Balance as at end of the year	**250,562,775.50**	**390,085,608**

20 REVALUVATION RESERVES

Balance as at beginning of the year	306,378,657.65	306,378,658
Stated Capital	(175,025,632.45)	-
Revaluation Gain/Loss on Disposal Assets	(176,322.09)	-
Balance end of the year	**131,176,703.11**	**306,378,658**

21 RETIREMENT BENEFIT OBLIGATION

Balance as at beginning of the year	44,898,532.10	42,956,779
Less: Payments during the year	(6,416,583.50)	(3,721,918)
Provision for the year - 2018	14,827,855.23	5,663,671
Balance as at end of the year	**53,309,803.83**	**44,898,532**

Discounted Rate	12%	12%
Future Salary Increment Rate	10%	10%
Staff Ture Over	2%	2%
Retirement Age	55 Year	55 Year

	31/12/2019 Rs. Cts.	31/12/2018 Rs.
22 MEDICAL FUND		
Balance as at beginning of the year	209,446.78	176,422
Contributions During the year	208,740.00	231,068
Payment During the year	(171,350.21)	(198,044)
Balance as at end of the year	**246,836.57**	**209,447**
23 TRADE AND OTHER PAYABLES		
Creditors	69,466,431.65	133,075,718
Salary Control Account	401,669.82	-
Accrued Expenses	-	52,133
Ministry of Health - Cash Imprest	-	9,776
Deposit Payable	57,203,237.50	54,243,238
Ministry of Health	57,947,330.61	2,358,591
	185,018,669.58	**189,739,456**
24 PRIOR ADJESTMENT		
Adjestments relating to the expenses accounts	82,932.81	-
	82,932.81	-

25 DEPRECIATION RELATED TO CAPITAL GRANTS

Depreciation in respect of the fixed assets granted by the Ministry of Health have been charged to the relevent Capital Grant account while setting off same against the total depreciation charge for the year.

26 COMMITMENT AND CONTINGENCIES

There are no significant commitment or contingencies as at the reporting date.

27 RELATED PARTED DISCLOSURES

Transaction with key management personnel

The key management personnel of the company are the members of its Board of Directors. Sitting allowances and Transport allowances are paid respectively Rs. 525,000 and Rs.138,000 for the Board of Directors and members of Audit and management committee during the year - 2019

28 FINANCIAL RISK MANAGEMENT

The companies's activities are exposed it to a variety of financial risks such as

(a) Market risk(including Market Risk and Foreign exchange risk)

(i) Foreign Exchange risk

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) against the US Dollar (USD).company's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purposes.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company manage its interest rate risk by monitoring and managing cash flows, negotiating favorable rates on borrowings.

(b) Credit Risk

The company extends credit facilities to customers during the course of business.therefore,non-payment of trade debts is a key risk associated with trade receivables.

Credit Risk exposure

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

	31/12/2019	**31/12/2018**
Trade and other Receivables	159,361,639.44	65,786,086.88
Amount due from related parties	27,625,102.35	146,994,281.36
Cash and cash Equivalents	487,882,034.93	335,266,293.23
Total credit risk exposure	**674,868,776.72**	**548,046,661.47**

(c) Liquidity Risk

This is the risk that the company will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance

NATIONAL AUDIT OFFICE

My No. : HSM/F/SLTC/06/2019/02 08th of July 2020

Chairman,
Sri Lanka Thriposha Limited.

Report of the Auditor General on the Financial Statements of the Sri Lanka Thriposha Limited including and other legal and regulatory requirements for the year ended 31st of December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018

……………………………………………………………………………………………

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Thriposha Limited ("Company") for the year ended 31 December 2019 comprising the Statement of Financial Position as at 31 December 2019 and the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and the Notes relating to the Financial Statements including summarized Significant Accounting Policies, was carried out under my direction in pursuance of the provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the National Audit Act, No. 19 of 2018. My report will be tabled in Parliament in terms of Article 154 (6) of the Constitution in due course.

In my opinion, except for the effects of the matters described in the part of the Basis for Qualified Opinion of my Report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 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) The fact that a letter of credit has been opened up for the purpose of importing a machine to manufacture biscuits by the Company on the security of a fixed deposit to the value of Rs. 125,000,000 had not been disclosed in the financial statements in accordance with paragraph 50 (a) of the Sri Lanka Accounting Standard 7.

(b) Income tax amounting to Rs. 12,350,884 computed as payable by the Company had not been disclosed in the financial statements in accordance with paragraph 88 of the Sri Lanka Accounting Standard 12.

(c) The useful life span of the assets of the Company had not been reviewed in accordance with the Sri Lanka Accounting Standards 16 and 51.

(d) A sum amounting to Rs. 2,367,537 computed as payable to the Department of Valuation for the valuation of the noncurrent assets of the Company had not been disclosed in the financial statements in accordance with the Sri Lanka Accounting Standards 37 and 86.

(e) Even though it was stated in the financial statements that the amount receivable by the Company from the Ministry of Health and Indigenous Medical Services as at 31 December 2019 was Rs. 27,625,102, there was a difference of Rs. 9,287,207 between the relevant balances as the said Ministry had confirmed that it was only a sum amounting to Rs. 18,337,895 payables by it to the Company.

I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAuSs). My responsibility under these auditing standards has been further described in the section, 'Auditor's Responsibility over the Audit of the Financial Statements' of this Report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

Management is responsible for the preparation of these financial statements that give a true and fair view 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.

In the preparation of the financial statements, management is responsible for assessing the Company's ability to continue it as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.
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 its income, expenditure and assets and liabilities in order to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibility over the Audit of the Financial Statements

My objective is to give a reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 the Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and 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 the material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 the accounting policies and the reasonableness of the 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.

Those charged with governance were informed of the significant audit findings, main weaknesses of the internal controls and other matters identified during the course of my audit.

2. Report on Other Legal and Regulatory Requirements

Special provisions on the following requirements are embodied in the National Audit Act, No. 19 of 2018.

- All information and clarifications necessary for the audit, except for the effects of the matters described in the section of the Basis for Qualified Opinion of my report, were obtained by me in accordance with the requirements set out in Section 163 (1) (d) of the Companies Act, No.7 of 2007 and in Section 12 (a) of the National Audit Act, No. 19 of 2018 and the Company had maintained proper financial records in such manner as evident by way of my examination.

- The financial statements of the Company are in accordance with the requirements of Section 151 of the Companies Act, No.7 of 2007.

- According to the requirement set out in Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018, the financial statements of the Company are consistent with those of the preceding year.

- According to the requirement set out in Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018, the recommendations made by me have been included in the financial statements that had been presented.

On the basis of the measures that were followed and the evidence that was obtained and within the limitation confined to substantial matters, nothing was met with my attention insomuch as to make the following comments.

- That any member of the controlling body of the Company, in accordance with the requirement set out in Section 12 (d) of the National Audit Act, No. 19 of 2018, has an interest directly or otherwise over any agreement connected to the Company outside of his general affairs of the business therein.

- That the Company, in accordance with the requirement set out in Section 12 (f) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with any relevant written law or other general or special provisions issued by the controlling body of the Company excluding the observations given below.

Ref. to Laws, Rules and Regulations	**Description**
(a) Para 3 (a) of the Inland Revenue Act, No. 10 of 2006	Action had not been taken to compute and pay the income tax that is liable on the chargeable income earned by the Company

(b) Public enterprises Circular No. PED/12 of 02 June 2003	
(i) Para 7.2	An Operational Manual had not been prepared by covering the major administrative setting of the Company.
(ii) Para 8.2.2	Even though the concurrence of the Minister of Mass Media should be obtained for investing surplus funds, the Company has invested a sum amounting to Rs. 192,303,881 in a state bank without obtaining such concurrence
(iii) Para 9.12	A medical fund without the approval of the Department of Public Enterprises had been set up and put into operation and the balance of that fund as at 31 December 2019 was Rs.246,837.
(c) Para 4.2.1 of the Government Procurement Guidelines and Para 4.2.1 of the Procurement Procedure	The procurement plan and the procurement timetable had not been drawn up for the year under review.

- That the Company, in accordance with the requirement set out in Section 12 (g) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with the Company's powers, functions and duties excluding the observations given below.

The quantity of Thriposha manufactured during the three years of 2017, 2018 and 2019 with the objective of issuing it free of charge to the pregnant mothers, feeding mothers and infants was 12,239 metric tons, 11,913 metric tons and 11,712 metric tons respectively. As such, the production of Thriposha had been decreased by a percentage of 2.66 during the year 2018 and by a percentage of 1.68 during the year 2019 in comparison to the previous year. However, the production of Suposha introduced to the market with commercial purposes during those three years was 1,230 metric tons, 2,610 metric tons and 3,717 metric tons respectively. Accordingly, the production of Suposha had been increased by a percentage of 112.19 during the year 2018 and also, by a percentage of 42.41 during the year 2019 as against the previous year. It was therefore observed that the commercial aspects had come to the fore by the submergence of the objective of social welfare.

- That the Company, in accordance with the requirement set out in Section 12 (h) of the National Audit Act, No. 19 of 2018, has procured resources of the Company and put them into use economically, efficiently and effectively and within the prescribed time limits in a manner that is inconsistent with the stipulated laws and rules.

3. Other Audit Observations

a) As the Ministry of Health and Indigenous Medical Services incurs all the expenses on the raw materials used in the production, the sales income from the waste of the production process should be credited to the Consolidated Fund of the Government. However, the sum of Rs. 23,849,965, being the income from the sale of waste in the year under review had not been credited to the Consolidated Fund of the Government. The Government had been deprived in that manner during the period of 09 years from 2011 up to the year under review, a sum totaling Rs. 139,915,262.

b) In pursuance of a Cabinet Decision, the milk powder required for the production of Thriposha had been purchased only from the Milco (Pvt.) Limited. The said Company during the years 2017, 2018 and 2019 had been paid Rs. 810, Rs. 798 and Rs. 800 respectively for one kilogram of milk powder. However, all throughout those three years, the Milco (Pvt.) Limited by way of a representative of such company had supplied milk powder at Rs. 690 per kilogram to the sales outlet of the Thriposha Limited. Despite being accordingly able to purchase milk powder required for the production of Thriposha from the Milco (Pvt.) Limited at Rs. 690 per kilogram, Rs. 120, Rs.108 and Rs 110 respectively had been paid in excess for one kilogram of milk powder instead during those three years. As such, the total sum of money so overpaid during the relevant years was Rs. 77,760,000, Rs. 64,800,000 and Rs.66,000,000 respectively.

c) Procurement process to have supplied 12,000 metric tons of maize requirement for the period 2018/2019 had been initiated on 23 May 2018 and thereafter awarded the relevant procurement for procuring one kilogram of maize at a price of Rs. 55.90 each subsequent to a lapse 08 months following the Cabinet Decision dated 22 January 2019. On 04 occasions during the period of 08 months from 23 May 2018 to 22 January 2019, maize metric tons of 3,100 at Rs. 59.50 each, maize metric tons of 2,775 at Rs. 59.00 each, maize metric tons of 1,250 at Rs. 58.50 each and maize metric tons of 1,875 at Rs. 66.00 each, all in a total of metric tons 9,000 out of the 12,000 metric tons of maize requirement had been purchased under the competitive bidding system. As such, the sum happened to be paid in excess for the purchase of maize was Rs. 41,950,000 due to the non-execution of the procurement process according to a proper plan.

d) The capacity of two grinding machines owned by the Company in the production of Thriposha and Suposha for Anderson I and Anderson II was 1,800 kg per hour and 2,700 kg per hour respectively. However, due to lack of adequate number of employees, only one machine had been made use of at a time and, as such, the machines were observed to be remaining underutilized.

e) It was observed that the tasks of purchasing, storing and issuing of the stocks of raw materials were not carried out systematically due to the non-estimation of the minimum, maximum and reordering stock levels relating to the management of raw material stocks.

W.P.C. Wickremarathna
Auditor General