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கல்வி அமைச்சு
Ministry of Education

2020

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ஆண்டறிக்கை
Annual Report



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அரசாங்க அச்சகக் கூட்டுத்தாபனம்
State Printing Corporation



STATEMENT OF ACCOUNTS
AND
REPORT OF THE AUDITOR GENERAL

State Printing Corporation

2020 ANNUAL REPORT

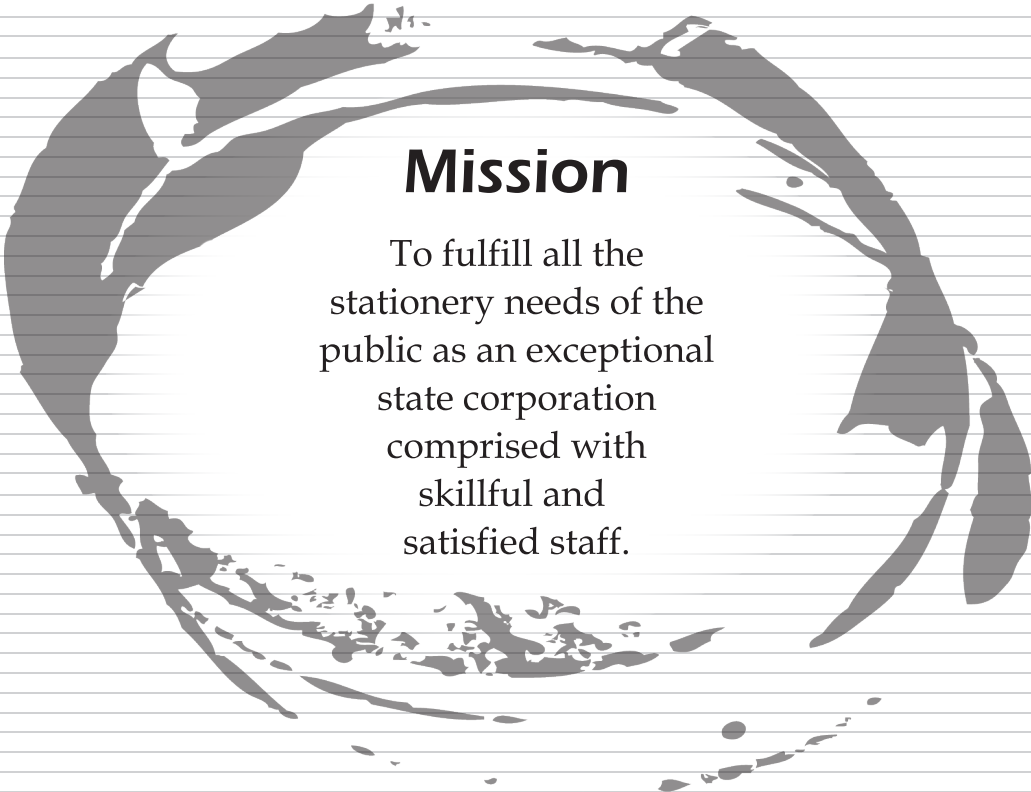
For the 53rd year ended 31st December 2020
01st January - 31st December 2020





Vision

To become the
pioneer in the
printing industry
and the leader of
exercise books and
stationeries in the
market.



Mission

To fulfill all the
stationery needs of the
public as an exceptional
state corporation
comprised with
skillful and
satisfied staff.

Panaluwa
Padukka

Honourable Minister of Education
Ministry of Education
Isurupaya
Battaramulla.

Honourable Sir,

In terms of Section 14 of the Finance Act No. 38 of 1971, I have the honour to forward herewith the following on behalf of the Board of Directors in respect of the year 01st January to 31st December 2020.

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

Yours faithfully,

J. M. U. B. Jayasekera
Chairman
State Printing Corporation



Message from the Chairman

I consider it a privilege in my life to be able to issue a message as the current Chairman of the State Printing Corporation, which started in 04 September 1968, at a time when it has passed its 54th victorious milestone.

The State Printing Corporation, which was started by the Act No. 24 of 1968 with the aim of providing school textbooks to the children, is working to print and to provide exercise books in addition to textbooks under the SPC brand.

At the request of the then Minister of Education and the current Prime Minister Hon. Dinesh Gunawardena, I assumed the position of the Chairman of this Corporation on 19 February 2022.

The State Printing Corporation, under the purview of the Ministry of Education, faced many challenges during the political uncertainty and the economic crisis in the country recently. The main obstacle was due to the dollar crisis in the country and it was not being able to buy the papers of which the requirement being 45% for the printing of school textbooks and other printing works including exercise books. However, according to the request of His Excellency the President Mr. Ranil Wickramasinghe and the Minister of Education, Dr. Susil Premajayant, the program of obtaining paper through the Indian Credit Line has been successfully implemented, and for this, the Secretary to the Ministry of Education Mr. M. N. Ranasinghe has also made a great effort. Necessary steps were taken to allocate USD 21.5 million under the Indian Credit Line for the printing of school textbooks and I consider it as an achievement. Eight thousand seven hundred and ninety one (8791) metric tons of paper required for the printing of text books and other materials required for printing, a sum of Rs. 5,745 million has been set aside for the budget allocation of the Ministry of Education and accordingly, the procurement activities have been initiated for the import of those materials.

The shortage of paper had severely affected towards the printing of the lottery and the

delay had been prevented by the disruption of the production from time to time. An Agreement has been entered with the National Paper Company on 01 September 2022 for the continuous supply of the necessary papers for the printing of the lottery.

Further, under the budget allocation of the Ministry of Education, the Kumori printing machine was purchased from the Government of Japan this year by spending a sum of Rs. 203 million, which enabled us to provide high quality textbooks and commercial printing. I envision it as a new milestone in printing.

Also, according to the “Vaga Sangramaya” Programme introduced by the government and under the guidance of the Minister of Education, the wilderness of many acres of vacant land in our corporation had been cleared and started cultivation. With the tireless effort of all of our employees, the corporation's land has now been converted into a very fertile farm, and its harvest is now being enjoyed.

It is my sole aspiration that the reputation that this organization receives from all the printing activities is not insignificant and my sole expectation is to dedicate towards the welfare of the employees, render financial Plan and to raise up the organization by elimination the corruption together with all the employees in this endeavor.

I would like to express my thanks to the Board of Directors, the General Manager and the officers who supported me in preparing this Annual Report.

J. M. U. B. Jayasekera
(BSc Mgt, FCA, FCMA, FPFA, FMAAT)
Chairman
State Printing Corporation
17.10.2022

2020

Board of Directors

Chairman

Mr. Janaka Rathnakumara

Directors

1. Mr. Vijitha Nandakumara
2. Mrs. E. G. H. M. Ranasinghe
3. Mr. H. L. W. Gamini
4. Mr. D. H. Kandambi
5. Mr. H. T. L. Chamikara
6. Mr. U. G. S. Rangajeewa

2020

Executive Officers

Finance Manager (Act.)

Mr. M. R. P. Jayawardena

Supplies Manager

Mr. E. V. K. Keerthiratne

Works Manager

Mr. T. M. R. N. Tennekoon

Deputy Works Manager

Mr. S. D. Kumarasinghe

Manager (Stationery Factory)

Mr. L. T. Premasiri

Accountant

Mr. M. R. P. Jayawardena

Internal Auditor

Mr. M. S. S. Mohotti

Asst. Manager Works (Estimates)

Mr. K. D. T. Chandrasiri

Asst. Manager Works (Security Printing)

Mr. M. A. Kothalawala

Asst. Manager Works (Binding)

Mr. P. K. Thilak Mahinda

Asst. Manager (Sales)

Mr. H. R. Gunasekera

Asst. Manager (IT)

Mr. R. M. A. P. B. Rajakaruna

Asst. Manager (Admin. & HRD)

Mrs. N. V. N. R. Ashinshani

Asst. Manager

(Legal/Secretary to the Board)

Mrs. A. L. R. Madhukani

Asst. Manager (Publication)

Mr. Madhuranga C. Nuwanpriya

Asst. Manager (Supplies)

Mr. U. Anil Jayakantha

Accountant

Mr. W. A. A. S. Jayasundara

Asst. Manager Works (Maintenance)

Mr. N. G. L. Chandimal

Accountant

Mr. N. U. S. de Silva



2020

STATE PRINTING CORPORATION

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the State Printing Corporation has pleasure in presenting its 52nd Report covering the activities of the Corporation for the year ended 31st December 2020, in terms of Section 14 of the Finance Act No. 38 of 1971.

06 Board Meetings were held during the year under review.

01. Production

1.1 School Textbooks

1.1.1 Printing of School Textbooks

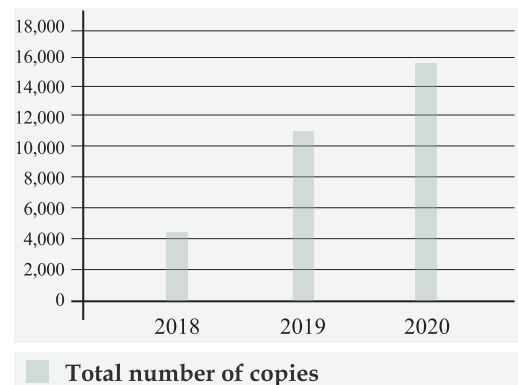
The Corporation which has been incorporated with the basic objective of printing of school textbooks, has diverted its activities to other production areas with the introduction of open economy. Accordingly, Corporation had to compete in tenders to obtain orders from Educational Publications Department. But the year under review too, Cabinet approval has been taken to award 15.91 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 1,297.850 million. Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2018 and 2019 are as follows:

School Textbooks	2018 ('000)	2019 ('000)	2020 ('000)
No. of copies	4,485	11,012	15,910
Income - Rs.	428,627	1,090,416	1,297,850

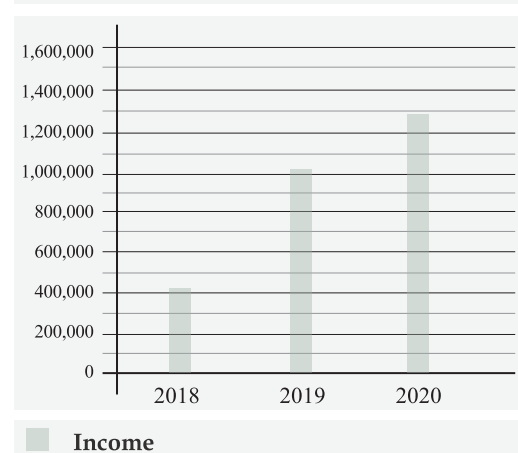
1.2 Other Printing Works

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

School Textbooks



School Textbooks

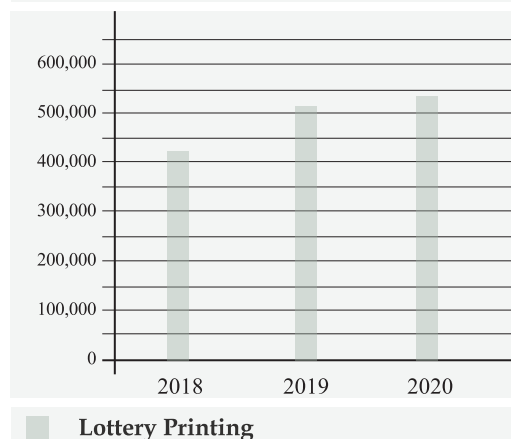


1.2.1 Security Printing

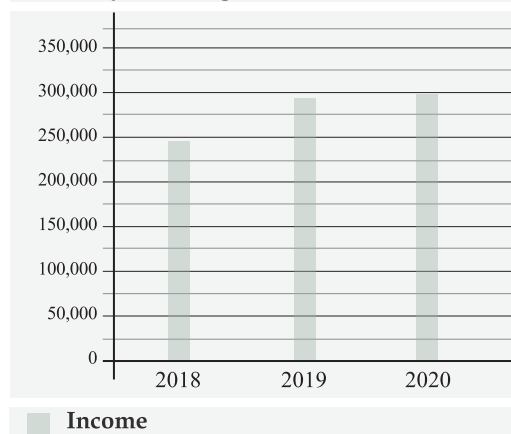
Printing of 'Mahajana Sampatha' Lottery tickets for National Lotteries Board has been carried out for the last 46 years. It has been fulfilled in this year, as well. In addition to that, 'Mega Power', 'Niroga' and 'Dharu Diri Sampatha' was also printed. 534.727 million Lottery tickets were printed in 2020, completing all the orders received. Accordingly, Rs. 299.447 million income was earned during the year under review. Income from Lottery printing and number of tickets are given below:

Lottery Printing	2018 ('000)	2019 ('000)	2020 ('000)
No. of copies	427,415	524,474	534,727
Income - Rs.	248,011	293,440	299,447

Security Printing



Security Printing



1.2.2. Special Printing Works

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

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

During the year under review the Corporation earned Rs. 70 million through other printing jobs.

1.3 Manufacturing of Exercise Books and Other Books

Production in 2020 in comparison to the year under review

Description	Quantity of manufacturing	Value Rs.
Exercise Books (80 pages)	4,449 million	113,685 million
CR Books (80 pages)	0.845 million	52,208 million
Manufacturing of other stationeries (unit)	0.059 million	6,134 million
Total	5.354 million	172,026 million

Production in the year under review and comparative figures for 2018 and 2019 are as follows:

Exercise Books & Other Stationery	2018 ('000)	2019 ('000)	2020 ('000)
No. of copies	7,220	5,766	5,354
Income - Rs.	238,333	187,035	172,026

In 2020 planned targets were not met from 13/03/2020 to 31/05/2020 (80 days) owing to loss of production as Covid 19 situation and from 01/06/2020 to 25/07/2020 (54 days) because of writing paper stocks were not received during that period.

Production target or 2020 : 6.64 million
(Rs.234 million)

02. Sales/Marketing

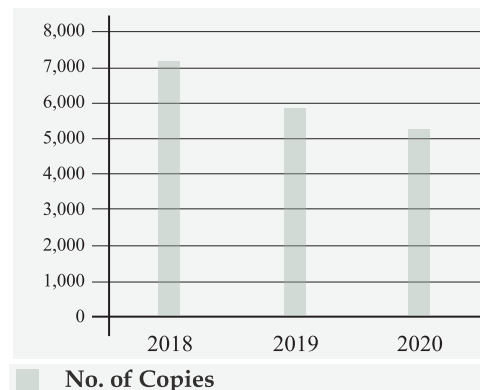
Year	2018 Rs.	2019 Rs.	2020 Rs.
Overall Revenue (Inclusive Taxes)	282,021,852.00	153,082,388.79	149,717,779.84

Sharp drop is resulted in the overall sales revenue in the year 2020.

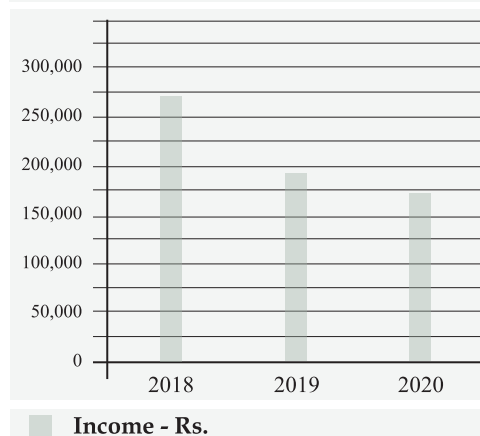
Compared to 2018 reduction percentage of 45.71% for school exercise books revenue in 2019 has declined further to 2.19% in 2020. With the comparison of previous years Exercise book production has been reduced sharply in 2020 owing to shortage of raw materials supplied for production. This was the main reason to decrease revenue.

In addition to that the resale stationery items which were purchased from the external resources were also could not purchased as expected had caused to low income in 2020.

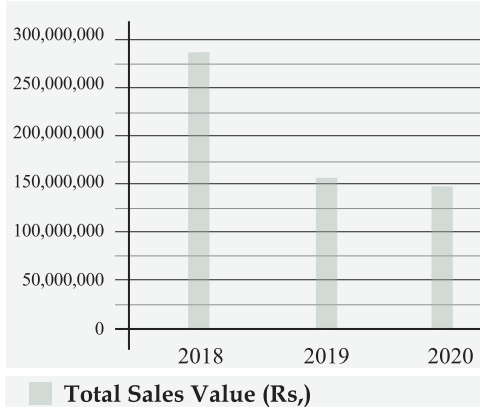
Exercise Books and Other Stationery



Exercise Books and Other Stationery



Sales/Marketing



If there was ability to produce corporation stationery items and supply of external stationery items as expected revenue could have increased between 15% further in this year.

Publication Services

A considerable decrease of publication revenue showed in 2020 with the compare of the year 2019. Publication revenue also declined in the year. However, two publication books have been published in this year.

No. of new published in 2020	02
Revenue in 2018 Exclusive Taxes	5.2 Million
Revenue in 2019 Exclusive Taxes	2.3 Million
Revenue in 2020 Exclusive Taxes	5.8 Million

03. Fixed Assets

The total cost of the fixed assets of the corporation as at the end of year 2020 was Rs. 1,176,497,089. The net value of it was Rs.945,054,250. This status in comparison with 2019 was Rs. 1,168,708,786 and Rs. 991,125,221 respectively.

Fixed Assets	2018 Rs. ('000)	2019 Rs. ('000)	2020 Rs. ('000)
Value at the beginning of the cost	1,148,393	1,168,709	1,176,497
Net value at the end of the year	1,039,094	991,125	945,054

04. Tax Liability

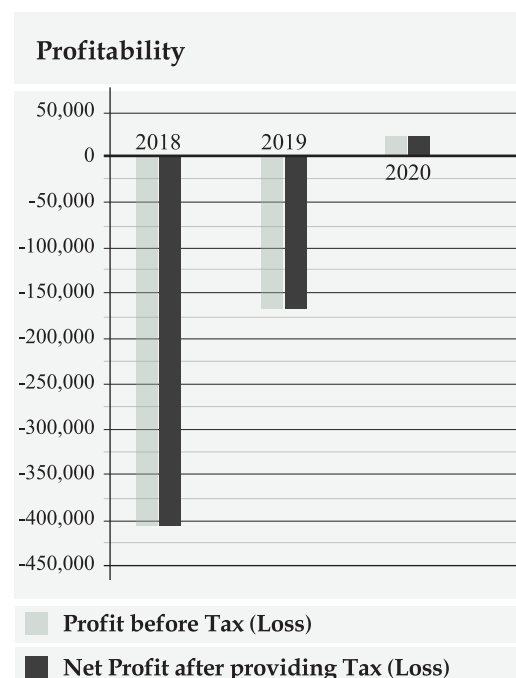
According to final accounts of the corporation for the year 2019 no provision had been made as income tax and dividend tax for the assessment years of 2019/2020.

Tax Liability	2018 Rs. ('000)	2019 Rs. ('000)	2020 Rs. ('000)
Income tax	-	-	-
Dividend Tax	-	-	-
Total	-	-	-

05. Profit

The Corporation has incurred a pre - tax profit of Rs. 22,914,300/- in 2020 and a loss of Rs. 169,428,300 in 2019.

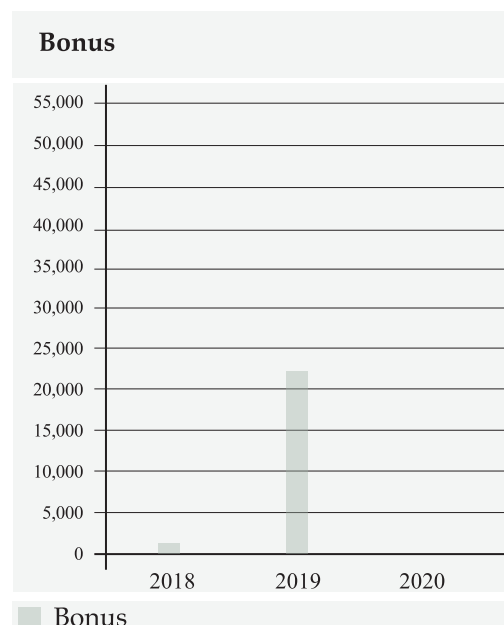
Profitability	2018 Rs. ('000)	2019 Rs. ('000)	2020 Rs. ('000)
Pre-tax profit	(406,985)	(169,428)	22,914
After the tax	(406,985)	(169,428)	22,914



06. Bonus Allowance

As the corporation has continuously suffered losses since 2016, the corporation employees not be given bonuses for year 2020. Instead of that it has been arranged to pay a special incentive based on the employees performance and balance leave to motivate the employees based on request of the employees.

Bonus	2018 ('000)	2019 ('000)	2020 ('000)
Rs.	1,408	22,097	-



07. Welfare

The under mentioned welfare services and facilities were maintained during this year as well on the basis of previous year. The cost for the Corporation for these welfare services and facilities was Rs.42 million.

	Welfare	2018 Rs.('000)	2019 Rs.('000)	2020 Rs.('000)
01.	Transport facilities for employees	10,879	8,503	6,962
02.	Incentives for employees	5,263	4,784	4,815
03.	Payment of health support benefits	10,046	9,431	8,158
04.	Miscellaneous welfare activities of employees	24,204	21,171	18,936
05.	Labour protection compensation	-	-	-
06.	Granting of gift voucher for stationery to all employees	1,703	1,378	1,447
07.	Bonus	1,408	22,097	-
08.	Rebate of employees housing loans	2,573	2,087	1,773
09.	Payment for unutilized leave	13,615	13,210	-
10.	Special Incentive	-	15,675	-
	Total	69,748	98,336	42,091

08. Staff

Number of employees of the corporation as at 2020.12.31

Number of Employees	2020
Office	129
Main Printing Section	313
Stationery factory	57
Security Section	48
Sales Outlets	37
Total	584

Following Executives newly recruited to the corporation during the year.

	Name/Post	Date
01.	Mrs. N. V. K. Ashinshani - Asst. Manager (Admin. & HRD)	2020. 07. 01
02.	Mr. R. M. A. P. B. Rajakaruna - Asst. Manager (IT)	2020. 10. 20

Employees who left the Corporation in 2020

	Name/Post	Date
01.	Mr. M. T. J. Perera - Marketing Manager	2020. 08. 25
02.	Mr. W. W. M. Arachchige - Ass.Manager (Security)	2020. 09. 22
03.	Mr. S. T. Karunarathne - General Manager	2020. 12. 19

Acknowledgement

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

J. M. U. B. Jayasekera
Chairman



2020

STATE PRINTING CORPORATION

Comprehensive Income Statement For the year ended 31st December - 2020

	Notes	2020 Rs.	2019 Rs.
Revenue	7	1,843,090,170	1,593,815,189
Cost of sales	8	(1,494,208,079)	(1,320,149,485)
Gross Surplus		348,882,091	273,665,704
Other operating income	9	20,240,846	20,065,417
Distribution expenses	10	(21,775,010)	(39,039,429)
Administrative expenses	11	(170,176,441)	(184,930,860)
Other operating expenses	12	(35,876,369)	(92,281,928)
Operating Profit		141,295,116	(22,521,097)
Finance Income		1,977,815	2,256,626
Finance Expenses	13	(120,358,632)	(149,163,926)
Surplus for the year before tax		22,914,300	(169,428,397)
Income Tax	14	-	-
Deferred Tax	21	-	-
Surplus for the year after tax		22,914,300	(169,428,397)

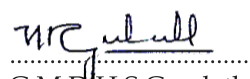
Statements of Comprehensive Income for the Year Ended 31st December - 2020

	2020 Rs.	2019 Rs.
Profit for the Year (After Tax)	22,914,300	(169,428,397)
Other Comprehensive Income	-	-
Revaluation Profit	-	-
Total Comprehensive Income for the Year	22,914,300	(169,428,397)

STATE PRINTING CORPORATION
Statement of Financial Position
As at 31st December - 2020

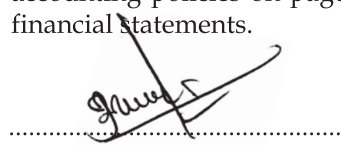
	Note No.	2020 Rs.	2019 Rs.
ASSETS			
Non - Current assets			
Property, Plant and Equipment	15	945,054,250	991,125,221
Deferred Tax Liabilities/ Assets	21	-	17,105,398
		945,054,250	1,008,230,619
Current Assets:			
Inventories	16	306,106,350	275,133,678
Trade Receivables	17	613,179,690	393,268,112
Other Receivables	18	28,826,335	28,942,689
Pre Payments		255,645	386,775
Cash & Cash Equivalents	19	36,135,080	31,459,352
Total Current Assets		984,503,100	729,190,607
Total Assets		1,929,557,350	1,737,421,226
EQUITY & LIABILITIES			
Issued Capital		15,000,000	15,000,000
Reserves		-	15,003,633
Retained Earnings		(582,917,657)	(648,559,110)
Add: Revaluation Profit		808,011,707	808,011,707
Total Equity		240,094,050	189,456,230
Non Current Liabilities			
Bank Loan - Long Term	20	92,917,055	136,642,139
Retirement Benifit obligation		174,793,353	191,707,011
Total non Current Liabilities		267,710,408	328,349,150
Current Liabilities			
Trade Payables	22	328,246,396	240,546,047
Other Payables	23	39,804,411	71,885,027
Interest Bearing Borrowings	24	985,463,449	840,717,598
Purchases Under Usance Loan		24,326,804	46,765,102
Bank Overdraft		43,911,832	19,702,073
Total Current Liabilities		1,421,752,892	1,219,615,846
Total Equity & Liabilities		1,929,557,350	1,737,421,226

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

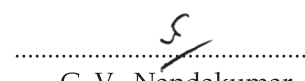


 G.M.D.H.S Gamlath
 Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors and signed on their behalf. The accounting policies on pages 103 to 104 and notes on pages 107 to 114 form an integral part of these financial statements.



 P. P. H. J. A. Rathnakumara
 Chairman/Director



 G. V. Nandakumar
 Director

STATE PRINTING CORPORATION
Statement of Changes in Equity For the year ended 31st December - 2020

	Issued Capital (Rs)	Capital Reserve (Rs)	General Reserve (Rs)	Development Reserve (Rs)	Revaluation Reserve (Rs)	Revenue Reserve (Rs)	Total (Rs)
Accounts 2019							
Balance as at 01 st January 2019	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(446,833,123)	391,182,216
Prior Year Adjustment						(32,297,591)	(32,297,590)
Profit/(Loss) for the year (after taxation)						(169,428,397)	(132,297,346)
Revaluation Reserve					(1,105)		(1,105)
Balance as at 31st December 2019	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(648,559,111)	226,587,280
Accounts 2020							
Balance as at 01 st January 2020	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(648,559,111)	189,456,228
Prior Year Adjustment						42,727,155	42,727,155
Profit/(Loss) for the year (after taxation)		(102,490)	(1,000,000)	(13,901,142)			(15,003,632)
Revaluation Reserve							-
Balance as at 31st December 2020	15,000,000	-	-	-	808,011,707	(582,917,657)	240,094,051

STATE PRINTING CORPORATION
Statement of Cash Flows
For the Year Ended 31st December - 2020

	2020 Rs.	2019 Rs.
Cash Flows from Operating Activities		
Net Profit / (Loss) before taxation	22,914,300	(169,428,397)
Adjustment for:		
Depreciation on Fixed Assets	53,859,274	61,465,802
Profit of Non Current Assets (PPE)	-	-
Prior year Adjustments (Effectuated to Cash Flow)	44,828,920	(37,836,055)
Finance Expenses	120,358,632	149,163,926
Gratuity provision made during the year	-	6,545,373
Provision for EPD Late Charges & Quality Losses	5,762,226	9,028,466
Provisioned EPD Late charges paid	(9,028,466)	
Provision for Bad Debtors	1,984,063	5,597,804
Provision for Printing Stationery	1,447,150	-
Operating Profit before Working Capital Changes	242,126,099	24,536,919
Changes in items of Working Capital		
(Increase)/ Decrease in Inventories	(30,972,672)	163,365,732
(Increase)/ Decrease in Trade Receivables	(218,629,402)	(108,206,398)
(Increase)/ Decrease in Other Receivable & Prepayment	247,484	17,049,570
Increase / (Decrease) in Current Liabilities	31,734,285	93,375,394
Cash generated from operations	24,505,795	190,121,218
Tax paid	-	(1,700,000)
Employee Retirement Benefit paid	(16,913,658)	(29,993,918)
Net Cash Flows / (Used in) from Operating Activities	7,592,137	158,427,300
Cash Flows From Investing Activities		
Proceeds from sales of PPE	-	-
Purchasing of PPE	(7,788,303)	(13,496,714)
Net cash flows from Investing Activities	(7,788,303)	(13,496,714)
Cash Flows from Financing Activities		
Proceeds received / paid for borrowings (Net Borrowings)	101,020,768	32,498,822
Interest Paid	(120,358,632)	(149,163,926)
Net cash flows from Financing Activities	(19,337,864)	(116,665,104)
Net Increase/(Decrease) in Cash & Cash Equivalents	(19,534,031)	28,265,482
Cash & Cash Equivalents at the beginning of the period	11,757,279	(16,508,203)
Cash & Cash Equivalents at the end of the period (Note 19)	(7,776,752)	11,757,279

STATE PRINTING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2020

1. Corporate Information

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The financial statements of the State Printing Corporation for the year ended 31st December 2020 were authorized for issue by the Board of Directors 24.02.2021

2. Accounting Policies and Basis of Preparation

The Statement of Financial Position, statement of Comprehensive income, changes in fund and Cash Flows, together with Accounting policies and notes have been prepared in accordance with LKAS and SLFRS and in compliance with finance Act No. 38 of 1971.

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Going Concern

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

2.4 Functional Currency

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

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

2.5 Comparative Information

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

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

3. Summary of Significant Accounting Policies

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

3.1 Property, Plant and Equipment

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

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

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

When consider the financial situation of corporation, it is not possible to conduct revaluation of assets once in two years as prescribed in SLAS

3.1.1 Depreciation

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

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

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

3.2 Inventories

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

3.3 Taxation

3.3.1 Income Tax

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

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

3.4 Cash & Cash Equivalentents

Cash and cash equivalentents cash in hand, cash in transit and cash at bank. Bank over draft bank overdrawn are included as a component of cash and cash equivalent for the purpose of the statement of cash flow.

Cash and cash equivalentents are short term. Highly liquid held to, meet short term cash commitments and other purpose.

4. Financial Instruments

Initial Recognition and Subsequent Measurement

4.1 Financial Assets

4.1.1 Trade Receivables

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

4.2 Financial Liabilities

4.2.1 Mortgage of Property

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

In addition to these securities a Treasury Guarantee as reference no : TO/REV/TG/522 dated 07.09.2018 stipulating following projects has been submitted to Peoples' Bank and obtained the bank credit facilities

Name of the Project	Secured Amount (Rs)	Date of Expiry
For overdraft, Letters of Credit and Letter of Guarantee Facility	1,165,000,000.00	15.09.2021
For Providing Financial Allocations for the Renovation and Upgrading Activities	185,000,000.00	15.09.2023

4.2.2 Capital commitments Contingent Liability

- All material capital commitments and contingent liabilities are considered and necessary adjustments or disclosures are made in these financial statements.
- There is a fundamental rights case in the Supreme Court filed by the Marketing Manager under the file No FR248/19 and himself have filed a case in labour Turibunel under the Ref. No. LT 35/516/2020.
- The corporation has filed a case at commission to Investigate Allegation of Bribery or corruption against Mr. H. K. Siripala (Ref No. BC/0982/2018)
- The Corporation has filed case against the debtor Mr. A. Anju perera (Ref No. DMR /5233/19)
- Five employees of the Corporation had made Complains at the Labour Department under the file No. CLE/COM/D9/397/2020/23.
- Opened Import LC value as at 31.12.2020 were Rs. 72,989,706/-

4.3.1 Reserves

Initial capital was contributed by Government consolidated Fund which comprises Capital Reserve, General Reserve and Development Reserve as set out below

Capital Reserve	Rs.	102,490.50
Development Reserve	Rs.	13,901,142.23
General Reserve	Rs.	1,000,000.00
	Rs.	15,003,632.73

These amounts were continued in financial statement since very first set of accounts of the corporation. Hence purpose of maintaining such reserves is unknown

4.3.2 Revaluation Reserve

This reserve includes surplus generated from revaluations of Motor Vehicles in 2016 and surplus generated from the balance part of PPE in 2017 as shown below

	<u>2016 (Rs.)</u>	<u>2017/18 (Rs.)</u>
Motor & Other Vehicles	36,015,363	
Land		377,290,608
Buildings		158,049,568
Plant Machinery Tools & Equipt.		246,979,194
Office Equipment's & Furniture		(8,785,874)
Computers & Accessories		(1,537,152)
	<u>36,015,363</u>	<u>771,996,344</u>

5. Retirement Benefit Obligations

5.1 Gratuity

The Corporation is liable to pay Gratuity in terms of the payment of Gratuity Act No 12 of 1983.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

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

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

6. Statement of Comprehensive Income

6.1 Revenue Recognition

All Revenues are recognized on an accrual basis.

Interest income

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

6.2 Expenditure Recognition

Revenue Expenditure

All expenditures incurred in the running of the Corporation and maintaining the property and equipment in a state of efficiency has been charged to revenue in arriving at the surplus for the year.

Capital Expenditure

All expenditure incurred in the acquisition, extension or improvement of the property and equipment of a permanent nature, in order to carry on or increase the earning capacity of the Association have been treated as capital expenditure.

6.3 Borrowing costs

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

STATE PRINTING CORPORATION
Notes to the Financial Statements
For the year Ended 31st December - 2020

Note No.	2020 Rs.	2019 Rs.
07. REVENUE / TURNOVER		
Income from Stationery Factory	122,003,076	166,442,486
Income from Main Press		
Text Books	1,369,812,655	979,237,857
Job Works	65,561,401	157,645,499
NLB Lotteries	266,593,026	268,941,482
Publications	410,186	2,872,246
Income from Other Sales	18,709,825	18,675,619
	1,843,090,170	1,593,815,189
08. COST OF SALES		
Main Press		
Raw materials consumed	764,884,230	629,573,639
Direct labour	220,626,316	189,321,830
Direct factory expenses	51,401,247	43,412,565
Indirect factory expenses	159,206,936	88,242,585
Other expenses/Stock Adjustment	115,659,495	105,170,522
Late Charges, Qu. losses & Penalty EPD	29,789,127	69,264,953
Late Charges & Penalty NLB	11,205,760	8,481,350
Provision for Late Charges EPD	5,762,226	9,028,466
	1,358,535,338	1,142,495,910
Stationery factory		
Raw materials consumed	109,757,992	101,065,522
Direct labour	33,562,154	30,348,260
Direct factory expenses	3,012,310	2,391,960
Indirect factory expenses	15,490,986	8,927,598
Other expenses/Stock Adjustment	(43,996,230)	14,819,655
	117,827,212	157,552,995
Cost of Publication unit	3,007,535	5,336,363
Cost of Other Sales unit	14,837,994	14,764,217
Total cost of sales	1,494,208,078	1,320,149,485
09. OTHER OPERATING INCOME		
Factory Wastepaper & Sundry Items	19,686,846	19,010,602
Tender Deposit & Registrations	554,000	1,042,015
Income from Canteen	-	12,800
	20,240,846	20,065,417

10. DISTRIBUTION EXPENSES

	2020 Rs.	2019 Rs.
Nation Building Tax	2,802,242	15,450,486
Economic Service Charges	9,215,451	7,969,075
Up-Keep of motor vehicles	2,812,178	4,746,399
Advertisement	261,288	518,688
Sales Promotion	1,095,827	800,841
Under Provision for bad debts	1,984,063	5,597,804
Fire Insurance - Sales Outlet	112,805	59,752
Sales Commission	-	60,009
Transport Charges for Finished Goods	-	4,258
Non Refundable Tender Deposits	166,427	100,345
Rent	2,956,016	3,451,975
Rates	39,369	94,575
Water Bill Payments - Sales Outlet	36,207	51,566
Electricity - Sales outlet	103,168	133,656
Telephone Exp. - Sales Outlet	189,969	-

21,775,010**39,039,429****11. ESTABLISHMENT & ADMINISTRATION EXPENSES**

Upkeep of land & Buildings	505,784	466,112
Maintenance of office equipment	649,239	541,526
Depreciation - Office equipment	1,363,012	1,325,311
- Computer software	233,676	1,928,133
- Motor Cycle	-	64,375
Salaries & Wages	123,819,539	127,816,664
Overtime of staff	9,986,770	8,809,290
Employees' provident fund	15,250,427	16,067,361
Employees' trust fund	3,740,731	4,016,842
Incentive payments	1,801,250	1,949,750
Chairman's emolument	960,000	447,229
Working Director's emolument	-	416,116
Board Director's fees	356,500	388,450
Postage	137,708	232,264
Telephone	1,195,010	1,227,298
Printing & Stationery	1,760,971	2,479,384
Press Notices & Publication	883,424	1,001,025
Travelling & subsistence	734,678	1,210,284
News papers and periodicals	67,060	116,920
Rent - Motor Vehicle	14,500	-
Foreign Travelling / Staff training (Foreign)	-	-
General office expenses	185,542	214,241
Audit Fee	900,000	443,573
Miscellaneous expenses	50,751	95,255
Legal & Consultancy	533,162	80,679
Entertainment	123,528	132,559
Gratuity Expenses	-	6,545,373
Staff Training	137,675	442,120
Audit & Management Committee Fees	48,500	129,000
Internet / Email	192,252	184,670
Procurement Committee Fees	1,088,000	600,000
Upkeep of Motor vehicle 25%	2,812,178	4,746,399

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	2020 Rs.	2019 Rs.
Accommodation	-	-
Board meeting expenses	32,713	28,370
Membership fees	50,000	42,000
Donation	7,179	390,973
Computer Repair & Maintenance Charges	345,300	256,500
Cash Transport Charges	-	-
Cash escort charges	-	-
Registration Charges as a Supplier	163,883	94,815
Outside Job Works	45,500	-
	170,176,441	184,930,860
12. OTHER OPERATING EXPENSES		
Welfare to Staff	18,935,987	21,171,114
Employees Medical Scheme	8,158,170	9,430,899
Housing Loan Interest	1,772,844	2,087,229
Bonus to Staff	-	22,097,071
Special Incentive Payment	-	15,675,000
Staff Transport	6,962,117	8,503,040
Leave Encashment	-	13,210,825
Staff Awards	47,250	106,750
	35,876,369	92,281,928
13. FINANCE EXPENSES		
Bank Guarantee & Other bank charges	1,827,378	9,877,393
Bank Overdraft interest	4,993,996	6,142,227
Bank Loan Interest - Short Term	100,764,950	111,597,091
Bank Loan Interest - Long Term	12,772,308	21,547,216
	120,358,632	149,163,926
14. INCOME TAX		
Income tax provision for the year	-	-

**14.1 INCOME TAX COMPUTATION FOR THE YEAR OF ASSESSMENT 2020/21
BASED ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Rs.
Taxable Profit from Trade or Business	22,732,116
Interest Income	-
Profit from any Other Source	-
Statutory Income	22,732,116
(-) Less Deduction from Total Statutory Income	
Deductible losses from Trade or Business	(22,732,116)
Interest, Annuities, Ground Rent & Royalties Paid	-
Taxable Income	-

STATE PRINTING CORPORATION

15. PROPERTY, PLANT AND EQUIPMENT

Description	Revaluations for the year 01. 01. 2019	Additions/Revaluations during the year	Disposals during the year	Cost/Revaluation As at 31. 12. 2019	Disposals during the year	Cost/Revaluations as at 01.01.2020	Additions during the year 2020	As at 31. 12. 2020
At Cost								
Land	378,500,000	-	-	378,500,000	-	378,500,000	-	378,500,000
Building	166,600,000	-	-	166,600,000	-	166,600,000	-	166,600,000
* Plant Machinery & Tools	535,357,077	10,609,349	-	545,966,426	-	545,966,426	6,144,748	552,111,174
Motor Vehicles & M/Cycles	55,563,000	-	-	55,563,000	-	55,563,000	-	55,563,000
**Office Equipments & Furniture	10,833,834	2,887,365	-	13,721,199,00	-	13,721,199	810,041	14,531,240
Computer & Accessories	5,785,210	-	-	5,785,210	-	5,785,210	833,514	6,618,724
Electronic Reinstallations	2,572,951	-	-	2,572,951	-	2,572,951	-	2,572,951
Total	1,155,212,072	13,496,714	-	1,168,708,786	-	1,168,708,786	7,788,303	1,176,497,089
Accumulated Depreciation								
Description	Revaluations/C for the Year 01.01.2019	Annual Depreciation 2019	Disposals during the year	Accumulated Depreciation 31.12.2019	Disposals during the year	Revaluations/ Cost 01.01.2020	Annual Depreciation 2020	Accumulated Depreciation 31.12.2020
Building	8,330,000	4,165,000	-	12,495,000	-	12,495,000	4,165,000	16,660,000
Plant Machinery & Tools	65,128,247	40,156,610	-	105,284,857	-	105,284,857	41,154,235	146,439,092
Motor Vehicles & M/Cycles	34,728,875	13,890,750	-	48,619,625	-	48,619,625	6,943,351	55,562,976
Office Equipments & Furniture	1,720,312	1,325,310	-	3,045,622	-	3,045,622	1,363,012	4,408,634
Computer & Accessories	3,637,380	1,928,132	-	5,565,512	-	5,565,512	233,676	5,799,188
Electronic Reinstallations	2,572,950	-	-	2,572,950	-	2,572,950	-	2,572,950
Total		61,465,802	-	177,583,565	-	177,583,565	53,859,274	231,442,839
Written Down Value				991,125,221				945,054,250

STATE PRINTING CORPORATION

Notes to the Financial Position As at 31st December - 2020

Note No.	2020 Rs.	2019 Rs.
16. INVENTORIES		
Raw materials	134,155,985	95,086,893
Consumable	7,987,214	9,408,053
Spare parts	44,165,115	36,733,611
Hardware	1,188,782	946,267
Finished goods	74,834,655	72,762,017
Work in progress	43,774,599	56,729,063
Good In Transit (S/P)	-	3,467,774
	306,106,350	275,133,678
17. TRADE RECEIVABLES		
Trade debtors	653,613,934	434,984,532
Less - Provision for bad debt	(35,033,326)	(33,049,263)
Provision for EPD Quality Loss/Penalty	(5,762,226)	(9,028,466)
Other debtors	361,309	361,309
	613,179,690	393,268,112
18. OTHER RECEIVABLES		
Staff Loan and Advances (Note 19.1)	6,093,339	8,817,032
Deposits & Receivables (Note 19.2)	9,761,392	10,266,188
Sales Control Accounts (Note 19.3)	(1,561,836)	(4,673,971.09)
Bank Loan - Margin A/C -PB International	14,533,440	14,533,440
Tax Recoverable (Input VAT B/F)	-	-
	28,826,335	28,942,689
18.1 LOAN AND ADVANCES		
Distress Loans	3,128,277	5,332,274
Festival advance	2,072,000	2,204,000
Staff salary advances	5,000	-
Creditors advance A/C	888,062	1,280,758
	6,093,339	8,817,032
18.2 DEPOSITS & RECEIVABLES		
Deposits receivable	9,316,005	9,766,198
Add. other receivables	445,387	499,990
	9,761,392	10,266,188
18.3 SALES CONTROL ACCOUNT		
Sales Control Account	(1,561,836)	(4,673,971)
	(1,561,836)	(4,673,971)
19. CASH & CASH EQUIVALENTS		
Cash at Bank	35,501,418	30,841,763
Cash in Transit	603,662	530,716
Cash in Hand	30,000	86,873
	36,135,080	31,459,352

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

	2020 Rs.	2019 Rs.
Cash at Bank	35,501,418	30,841,763
Cash in Transit	603,662	530,716
Cash in Hand	30,000	86,873
	36,135,080	31,459,352
Bank Overdrafts	(43,911,832)	(19,702,073)
	(7,776,752)	11,757,279
20. BANK LOAN - LONG TERM		
Opening Balance (01.07.2019)	136,642,139	174,000,236
Loan Paid During the year	(43,725,084)	(37,358,097)
Balance as at end of the year	92,917,055	136,642,139
21. DEFERRED TAX		
As at beginning of the year	(17,105,398)	(11,566,933)
Amount Originated/(reversed)/T.	-	(5,538,465)
Differences during the year	17,105,398	
As at end of the year	-	(17,105,398)
* A provision for the deferred taxation has not made in the financial statement during the year since it is not probable to calculate that future taxable profits.		
PPE Taxable Difference	- Rs. (803,098,357)	
Losses Available for Offsetting	- Rs. 929,879,682	
Error rectified at Differed Tax account value of Rs 17,105,398/- for the year 2017 & 2018		
22. TRADE PAYABLES		
Trade Creditors	117,459,149	47,478,490
Other Creditors	1,690,775	1,805,999
Department of Inland Revenue	207,799,230	189,965,706
Sales Advance	17,584	16,194
Other Creditors (Debt Bal)	1,279,658	1,279,658
	328,246,396	240,546,047
23. OTHER PAYABLES		
Accrued Expenses	36,472,800	69,520,565
Deposit Payable	1,884,462	1,805,962
Provision for Stationery Book for Staff	1,447,150	-
	39,804,411	71,326,527
24. INTEREST BEARING BORROWINGS		
Bank Short Term Loan (STL)		
Opening Balance as at 01.01.2020	840,717,598	770,860,679
New Loan	1,502,920,429	1,094,567,698
Loan Paid during the year	(1,358,174,578)	(1,024,710,779)
Closing Balance as at 31.12.2020	985,463,449	840,717,598

STATE PRINTING CORPORATION
WORKING ACCOUNT (MAIN PRESS) FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020

	Year ended 31/12/2020 (Rs.)	Year ended 31/12/2019 (Rs.)
INCOME FROM PRINTING		
Text Books	1,369,812,655	979,237,857
(-) Deduction Made by EPD L.Chages/Qu.Losses	(29,789,127)	(69,264,953)
Provision for EPD L.Chages/Qu.Losses	(5,762,226)	(9,028,466)
Lottery Printing -NLB	266,593,026	268,941,482
(-) Deduction Made by NLB L.Chages	(11,205,760)	(8,481,350)
Job Works	65,561,401	157,645,499
(1) Total Income	1,655,209,969	1,319,050,069
FACTORY EXPENSES - DIRECT		
Consumption of Raw materials	764,884,230	629,573,639
Consumption of Consumable Items	13,938,266	16,563,902
Consumption of Spare Parts	22,789,300	12,654,408
Consumption of Hardware	3,647,747	2,896,051
(2) Total Consumption	805,259,543	661,688,000
Labour - Direct :		
Salaries & wages	136,348,132	132,397,116
Overtime to staff	22,924,576	33,571,776
Piece work	37,362,743	
Employees' Provident Fund	17,600,448	16,993,501
Employees' Trust Fund	4,235,417	4,313,937
Incentive payments	2,155,000	2,045,500
(3) Total Direct Labour	220,626,316	189,321,830
(4) Electricity Direct	11,025,934	11,298,204
(5) TOTAL DIRECT EXPENSES [2 + 3 + 4]	1,036,911,793	862,308,033
FACTORY EXPENSES - INDIRECT		
Salaries & wages	28,718,602	25,374,693
Overtime to staff	9,835,526	4,747,556
Employees' provident fund	3,679,978	3,261,553
Employees' trust fund	1,156,568	811,608
Incentive payment	420,000	380,750
Maintenance of plant & machinery	8,778,632	3,661,418
Outside job works - NLB	53,371,052	611,415
Maint. of Barcoding System & Modification	9,324,550	5,240,000
Electricity	1,225,104	1,255,356
Insurance - fire	631,264	644,129
Sample & Paper Testing Charges	40,177	786
Hiring Charges For Machinery	505,840	118,000
Uniform To Staff	320,919	-

Up - keep of motor vehicles		
Maintenance	1,384,247	1,984,613
Fuel and oil	2,221,598	2,605,471
Insurance	699,514	569,138
Depreciation	6,943,351	13,826,375
Less :-		
25% Tfr. to P & L A/c. Administration Expenses	(2,812,178)	(4,746,399)
25% to Selling & Distribution a/c	(2,812,178)	(4,746,399)
25% to Stationery Factory a/c	(2,812,178)	(4,746,399)
Depreciation		
Buildings	3,757,500	3,757,500
Plant & machinery	34,629,048	33,631,422
(6) Total indirect expenses	159,206,936	88,242,585
(7) COST OF PRODUCTION [5 + 6]	1,214,341,363	950,550,619
Add : Opening stock Work in progress	47,654,896	69,041,424
Opening stock Finished goods	27,520,231	50,534,694
Less : Closing stock Work in progress	(15,109,365)	(47,654,896)
Closing stock Finished goods	(2,553)	(27,520,231)
Less: Value of own printing Trf to Admin Print & Sta	(1,760,971)	(2,479,384)
Value transferred to STF working account	0	(2,022,569)
Value transferred to publication unit	(253,960)	(2,084,791)
Damage stock	42,295	-
Input VAT Disallowed	57,568,922	67,356,274
(8) Total cost of production	1,330,000,858	1,055,721,140
(9) GROSS WORKING PROFIT [1 - 8]	325,209,111	263,328,929

**STATE PRINTING CORPORATION
WORKING ACCOUNT (STATIONERY FACTORY)
FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020**

	Year ended 31/12/2020 (Rs.)	Year ended 31/12/2019 (Rs.)
(1) INCOME FROM SALE OF STATIONERY	122,003,076	166,442,486
FACTORY EXPENSES - DIRECT		
Total raw materials consumed	109,757,992	101,065,522
Consumption of Consumable Items	620,802	914,569
Consumption of Spare Parts	1,254,586	313,544
(2) Total Consumption	111,633,380	102,293,636
Labour - Direct :		
Salaries & wages	24,096,879	23,695,092
Overtime to staff	4,645,854	2,520,082
Piece work	536,253	-
Employees' Provident Fund	3,131,534	3,064,123
Employees' Trust Fund	782,884	700,713
Incentive Payments	368,750	368,250
(3) Total labour	33,562,154	30,348,260
Factory Expenses - Direct		
(4) Electricity	1,136,922	1,163,847
(5) TOTAL DIRECT EXPENSES [2 + 3 + 4]	146,332,456	133,805,743
Factory expenses - Indirect		
Salaries & wages	6,179,839	1,471,879
Overtime to staff	514,437	131,062
Employees' provident fund	1,068,358	170,698
Employees' trust fund	267,089	46,455
Incentive payments	70,250	17,500
Maintenance of plant & machinery	332,000	28,000
Electricity	126,325	129,316
Depreciation		
Buildings	407,500	407,500
Plant & machinery	6,525,188	6,525,188
(6) Total Indirect Factory expenses	15,490,986	8,927,598
(7) Cost of production [5 + 6]	161,823,441	142,733,341
ADD: Opening Stock		
Work in Progress	9,074,168	10,299,531
Finished goods	33,501,798	41,793,457
LESS: Closing Stock		
Work in progress	(28,665,234)	(9,074,168)
Finished goods	(60,751,160)	(33,501,798)
Less; Trf. To Admin Printing & Sta Account		
Stationery Trf to Staff Welfare, Donation & Others		(1,422,449)
Value transferred from SPC working account	-	2,022,569
Value M/V transferred from SPC working account 25%	2,812,178	4,746,399
Stock Short	(39,725)	(115,549)
Stock Excess	71,747	71,663
(8) TOTAL COST OF PRODUCTION	117,827,212	157,552,996
(9) GROSS WORKING PROFIT [1 - 8]	4,175,864	8,889,489

STATE PRINTING CORPORATION
INCOME AND EXPENDITURE ACCOUNT FOR
PUBLICATION UNIT FOR THE YEAR ENDED 31.12.2020

	Year ended 31/12/2020 (Rs.)	Year ended 31/12/2019 (Rs.)
INCOME	410,186	2,872,247
less; Cost of Production :		
Opening -Stock	4,002,452	5,241,035
Add Production cost Tfr. from Main Press Working a/c	253,960	2,084,791
Add : (Stock Shortage)	(8,385)	(27,031)
Stock Excess	1,707	32,339
Trf to Staff Welfare ,Donation & Others	(8,331)	(23,303)
Less; Closing stock	(3,476,962)	(4,002,452)
Cost of Production	764,442	3,305,379
Less : Pub Other Income		
Publication Advisory fees	-	1,248
Add- Expenses		
Salaries & wages	1,691,877	1,494,976
Overtime to staff	104,583	30,020
Employees' Provident Fund	218,798	188,255
Employees' Trust Fund	54,699	47,064
Incentive payments	24,000	22,750
Consignment Paid	47,927	246,671
Royalties	35,708	-
Other Expenses	65,500	-
Total Cost of Production	3,007,535	5,336,363
EXCESS(LESS) OF EXPENDITURE OVER INCOME	(2,597,349)	(2,464,116)

STATE PRINTING CORPORATION
TRADING ACCOUNT (OTHER SALES UNIT) FOR THE YEAR ENDED 31/12/2020

	Year ended 31/12/2020 (Rs.)	Year ended 31/12/2019 (Rs.)
INCOME	18,709,825	18,675,619
Less: Cost of sales :		
Opening stock	7,737,536	9,648,501
Purchases	17,707,765	12,849,717
Add: (Stock Short)	(10,218)	(34,066)
Excess	6,891	37,600
Less: Closing Stock	(10,603,979)	(7,737,536)
Cost of Sales	14,837,994	14,764,217
GROSS PROFIT	3,871,831	3,911,403



2020 REPORT OF AUDITOR GENERAL



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CAM/D/SPC/01/178

November 2021.

Chairman

State Printing Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the State Printing Corporation for the year ended 31 December 2020 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 State Printing Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 154(1) 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 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (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 Corporation as at 31 December 2020, 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

- According to paragraph 51 of Sri Lanka Accounting Standards No. 16, the residual value of an asset and its useful life should be reviewed at least at the end of each financial year, and if the expected values differ from the previous estimated values, those changes will be treated as a change in accounting estimate and should be accounted according to Sri Lanka Accounting Standard No. 08. However, the useful life of 270 units of computer accessories totalled Rs. 4,186,450 had not been re-reviewed which were fully depreciated but still in use.
- As per Board decision dated 21 January 2021, for the year under review, the sum approved to be paid out of profit for that year is Rs. 48,528,036 as no provision had been made for bonuses, the profit was overstated by that amount.
- As no provision had been made for the year under review for the gratuity of Rs. 12,703,425, the profit was overstated by that relevant amount.

- (d) As on 31 December of the year under review, 16 orders totalled to Rs. 24,356,981, which were in the work in progress stage, were considered as sales revenue for the year under review, and therefore the sales and debt values were overstated by that amount.
- (e) The depreciation expenditure was understated by Rs. 17,840 due to non-depreciation of the Enterprise Resource Planning (ERP) system worth at Rs. 685,422 which was purchased and used during the year under review
- (f) According to the individual account balances in the ledger of the printing corporation, the balance due from 14 institutions as on December 31 of the year under review was Rs. 5,010,272 though the balance confirmed by those institutions for audit was Rs. 2,725,010.

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 State Printing Corporation's 2020 Annual Report

The other information comprises the information included in the Corporation'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 Corporation'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 Public Sector 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 Corporation'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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

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 Corporation'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 Corporation'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 Corporation 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 includes specific provisions for following requirements.

2.1.1 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 Corporation as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 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.

2.1.3 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 was limited to matters that are material, nothing has come to my attention;

2.2.1 To state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 except for the following observation;

<u>Reference to law/ direction</u>	<u>Observation</u>
(a) Paragraph 2.6.1(ii) of the Government Procurement Guidelines	Although a review of the specifications should be carried out to ensure that the specifications are generated in a fair manner and can promote competitiveness on an equal footing, nevertheless the "Lombardy 30" type machine was purchased at the cost Rs. 113,600,114 without such specification analysis.
(b) Public Enterprises Circular No PED/03/2020 dated 18 December 2020	Even though bonuses are to be paid on the basis of the audited financial statements of the year 2019, the Board of Directors had decided to pay bonuses of Rs. 48,528,036, in two occasions to 565 employees based on the draft financial statements of the year 2020.

2.2.2 To state that the Corporation 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.

2.2.3 To state that the resources of the Corporation 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 the following observations.

2.3 Other Matters

- (a) Due to late printing and delivery of lotteries a sum of Rs. 11,205,760 had been deducted as late fees during the year under review from the amount paid to the National Lottery Board, and that amount was 04 per cent compared to the lotteries income of Rs. 266,593,026.
- (b) Due to late printing and delivery of required school text books within a period of 01 to 49 days for the school academic year 2021, the total revenue from textbook printing in the reviewed year had been deducted as late fees by the Department of Education Publications is Rs. 14,918,809.
- (c) Out of 7 senior level posts in the Corporation, 5 posts were vacant as on 31 December of the year under review. Out of those vacant posts, 3 posts remained vacant for a period of 12 days to 26 months. Also, the posts of 115 officers were vacant as 04 middle level managers, 11 junior level managers, 14 assistant officers and 86 management assistant (technical) officers directly affecting the printing works. The number of vacant posts was 44 percent of the approved number of employees in that category. Also, 82 unskilled primary level staff was redundant as on December 31 of the year under review.

W. P. C. Wickramarathne
Auditor General.



2020

STATE PRINTING CORPORATION

COMMENTS ON FINANCIAL STATEMENTS

1. Financial Statements

1.1 Qualified Opinion

1.2 Basis for Qualified Opinion

- (a) The effective life of the asset will be assessed at the same time while verification of the fixed assets from the year 2022 and all the fixed assets owned by the corporation are planned to be re-assessed in the year 2023.
- (b) On the basis of the decision of the Board of Directors dated 21.01.2021, the attention of the Board of Directors was focused on the payment of incentives/bonuses with the primary objective of motivating the employees in the year 2021 based on the profits of the previous year and the board's approval had been received for the payment of the next year.

Also, since the profit was not earned in the year 2019 and due to the liquidity problems in the corporation, the board of directors decided not to pay the bonuses in relation to the year 2020. But coming from labor unions and employees, on strong demands and protests it was proposed to pay some amount as an incentive to the employees in two stages if there is a profit after finalization of accounts. (The reason for such a decision was to get the employees to continue the production process in the face of the Covid 19 epidemic.)

Therefore, this employee allowance paid in 2021 was also based on the employee salary of the January 2021. In earlier years also the incentives paid within the corporation were accounted for in the accounting year in which the respective payments were made. Accordingly, it was accounted as an expense in the 2021 accounting year.

But considering the fact that the Board of Directors' decision was not properly communicated and sufficient disclosures were not made in the final accounts statement, it will be revised according to the audit opinion and adjusted to the year 2020.

- (c) As indicated by the audit reports in previous years, for the year ending 31.12.2020, according to Accounting Standard No. 19 (LKAS 19) based on Actuarial Value method and prepared using a software obtained by an external audit firm approved by the Institute of Chartered Accountants of Sri Lanka and that document has been submitted for audit. According to (LKAS 19) the net benefit liability has been calculated and this has been disclosed in the 2020 financial statement (5.1). No provision had been made from the 2020 profit as the amount of reserves allocated till the year under

review is sufficient. As an over provision for this had been omitted to be accounted for the value of Rs. 250,309.68 will be adjusted for the year 2020 final accounts.

- (d) As per the request of the customers (as the financial allocations reserved for certain government agencies have to be spent in the same year) invoices are issued for them even if the printing work is not completed.

Rs. 2,070,650.39 value of printing orders that were not fully completed in the year 2020 and were in working progress, on the request of customers, Rs. 22,214,600.17 invoices related to the year 2020 have been issued and adjusted to the 2020 income. This had been done in previous years as well but it should be correct. Accordingly, in 2019, at the request of the businessmen, the value of the printing orders that were completed in 2020, which were in working progress, is Rs. 892,197.04.

Accordingly, the net effect of Rs. 19,251,752.74 added to the 2020 profit will be corrected and the final accounts of the year 2021 will be prepared.

- (e) The Enterprise Resource Planning (ERP) system was in the initial development stage during the accounting year under review and the data for the ERP system as a whole had not been entered at that time. (It was at the test level.) After it reaches the level of use, the cost is calculated and depreciation will be done. Only an advance payment was made at the end of the accounting year for setting up this system. It is now reaching the usage level.
- (f) If it is given with the balance presented by the relevant institutions, further investigation and information can be presented and there may be problems regarding the correctness of the information provided by other institutions. It is the responsibility of every institution to submit a balance confirmation.

2.2.1 Reference to law/ direction

- (a) It had been decided based on the technical report dated 30.08.2018 for the above procurement approved by the procurement committee on 17 October 2019 and the technical committee had focused on option 1 and option 2 that the supplier had presented. Currently, the corporation has a machine showing option 2 and the price has been mentioned after installing the scratch unit from the machine shown by option 1.

As the Lottery Board had not been given the drawn lottery to the corporation, the technical committee had rejected it because the price is too high at that time. Only one bidder had submitted bids for the above bid, and the bidder's answer in Section V schedule of requirement part of the bid document is "Yes" "No". as it has been clearly stated, there is no need for a comparative analysis with other competing bidders. Therefore, recommendations have been made based on the information in the relevant table.

- (c) Department of Public Enterprise Circular No. PED 03/2020 dated 18 December 2020

The Board of Directors based on the final accounts of the draft before preparing the final accounts in order to complete the printing of school

books in the new year by the due date due to the demands made by the employees for bonuses through trade unions at the end of the year and initially to motivate the employees to continue in the production activities the payment of bonuses/incentives to employees in two phases had been approved.

2.3

- (a) As a whole in the year 2020, due to the spread of Corona as a global epidemic, the institute was closed for a considerable period of time, and after the institute was opened in the months of May, June, and July of that year, production activities started using a minimum number of employees. A minimum number of employees reported to duty based on health and safety instructions while printing of these lottery tickets, and due to the problem of printing the daily lottery tickets as planned, a fine was charged due to the delay in printing of the lottery tickets and giving them to the Lottery Board.
- (b) I am informed that it was mainly affected by this time, due to the corona disease which spread as a global epidemic, all the institutions were closed, a problematic situation arose in the import of white printing paper, which is the main raw material required for printing and countries such as China and India, which mainly produce this paper, were forced to close completely.

Furthermore, as mentioned in the agreement between the Department of Educational Publications and our institution, it has been mentioned that a late penalty of 0.5% will be charged for textbooks supplied late, not 05%.

Out of the 57 textbooks related to the original order, fines have been charged for only 17 textbooks out of the late textbooks in the year 2021, the value of which is Rs. 9,879,137.04 and all the textbooks related to the second order have been supplied on time and no textbook has been undercharged.

Furthermore, after providing the textbooks for printing, although the inside pages of the book were printed, it took 14 days for the barcode numbers related to the books to be printed by the Department of Education Publications. Due to this, a problematic situation arose in the completion of the textbook at the binding section.

Also, the white printing paper we used for printing this year had no printing errors. It is informed that the paper was imported in accordance with the correct specifications and less than the estimated page size in relation to 20 types of textbooks (this time, the Minister of Education, The number of pages has decreased due to the non-application of the messages contained in the textbook by the Educational Publications Commissioner.) The estimated value of the textbooks has changed due to the change in the number of pages during printing. Due to the reduction of pages, an amount of Rs. 5,039,671.92 had been reduced.

Therefore, I am informed that Rs. 9,879,137.04 had been charged as a fine from the textbooks printed and supplied by us in relation to the year 2022, and an amount of Rs. 5,039,671.92 had been deducted due to the reduction of pages.

- (c) Although the vacancies were published in the newspapers in order to fill the vacancies in the year 2020 and applications were invited, it was not possible to carry out the recruitment due to the prevailing Covid situation. Also, the relevant recruitments were made in the year 2021 and interviews had to be temporarily suspended due to the situation of the Covid epidemic in the country and although it was planned to carry out those activities promptly after the re-opening of the country, the activities have been temporarily stopped in accordance with the circular instructions to limit the expenses of the government institutions. But for the essential recruitment, the board approval had been directed to the Secretary of the Ministry of Education to fill the relevant vacancies with the approval of the Cabinet. Recruitment will be done after the relevant approval.

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