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லங்கா சதோச லிமிடட
LANKA SATHOSA LTD

LANKA
Sathosa
லங்கா சத்தோசா



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வார்க்கி வார்காபு
வருடாந்த அறிக்கை
ANNUAL REPORT



வேலூர், வினீசு கௌரவ குருகுலத்தின் அலுவலகம்
Ministry of Trade, Commerce and Food Security
வர்த்தக, வணிக மற்றும் உணவு பாதுகாப்பு அமைச்சு

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01. ABOUT LANKA SATHOSA LIMITED

Lanka Sathosa Limited was incorporated on 25th October 2005 with the objective of selling essential consumer goods at a fair price and maintaining quality goods in the market in sufficient quantities without any scarcity.

By the end of 2021, the number of Lanka Sathosa retail outlets was 441 and by 2022 that number has increased to 445. The retailer network is expected to expand more effectively in the future to meet customer needs and promote the company, and the company plans to provide a competitive in service with other private sector supermarkets in the island by enhancing the efficiency of all sectors.

OUR VISION
BE THE PRICE SETTER
TO
THE NATION
THAT REFLECTS THE REAL COST OF
LIVING IN SRI LANKA.

OUR MISSION

Reduce the Cost of living, Link the corporate community to the masses of the country, Grant an opportunity for the SMEs to link to the demand chain of the country and Offer efficient high quality customer service through expanding the island wide retail network.

History of the proud Lanka Sathosa

Established in 1949 based on the idea of Mr. TB Ilangakoon, a philanthropic politician in Sri Lanka, Sathosa is one of the largest government-owned organization with a proud history of 74 years. In the year 1978, Sathosa became a retail company named Sathosa Retail based on the concept of Mr. Lalith Athulathmudali, who was the Minister of Trade at the time, under the guidance of the president Mr. JR Jayawardene. In the year 2005, under the guidance of the President Mr. Mahinda Rajapaksa and the initiative of the Minister of Trade, Mr. JR Fernandopulle, Sathosa Retail was completely closed down and outlets were opened under the name of Lanka Sathosa. Lanka Sathosa, which started in this way, opened its fourth branch in Kosgama in January 2009 under the leadership of the Honorable Dr. Bandula Gunawardena, who was the Minister of Trade at that time, and the Chairmanship of the Honorable Nalin Fernando, who was the Chairman at that time.

At Present, Lanka Sathosa , which has a proud history of 18 years, operates in the current market as the largest government-owned company with a network of 445 branches across the country and over 3000 employees.

Main Objectives of Lanka Sathosa

Providing high quality products at low prices to the customer.

Lanka Sathosa Limited as a government organization always provides high quality products at very low prices to the consumers. By this we hope to eliminate the poverty of the entire people of the country and become the price setter of the nation by controlling the price of essential goods in the open market and providing essential goods at an affordable price to the consumers.

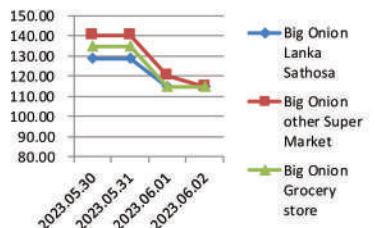
With the introduction of the open economic policy to Sri Lanka, the Sri Lankan market economy expanded and every businessman with the ability to carry out his business in the market had the opportunity. Accordingly, grocery stores and superstore chains that sell essential goods spread across the country and they sold goods at high prices with only their profit in mind, thereby increasing the living burden of the poor people. As a remedy for this, Lanka Sathosa , as the largest business organization owned by the government, always worked and disregarding its own profit, providing quality goods at the lowest price in the market at the request of the government, adding a challenge to other competitive business, and today Lanka Sathosa has become the leader in price stabilization.

In the event of an increase in the prices of essential commodities in the open market, Lanka Sathosa took steps to control the price and through the branch network spread across the island, the products were provided at a lower price than the prevailing market price. Due to this, price control took place in the open market and other competitive business and retail traders reduced the price of their essential commodities compared to the Lanka Sathosa and worked to stabilize the price, and this did not allow the creation of a black market in the market

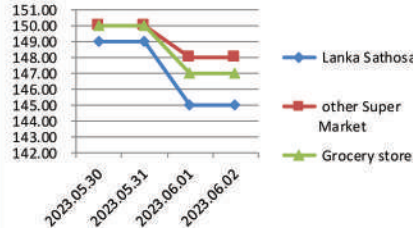
The following illustration shows that when Lanka Sathosa has reduced the price of its products, the price of goods decreases in the market as compared to that.

LANKA SATHOSA, OTHER SUPER MARKETS AND GROCERY STORES PRICE COMPARISON 02.06.2023

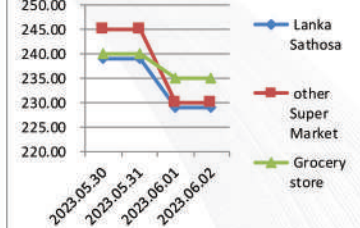
	Big Onion			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.30	129.00	140.00	135.00
2	2023.05.31	129.00	140.00	135.00
3	2023.06.01	115.00	120.00	115.00
4	2023.06.02	115.00	115.00	115.00



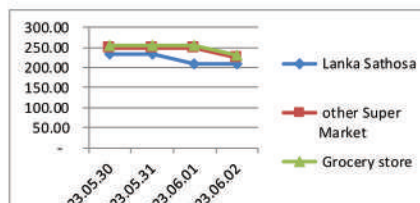
	Red Raw Rice			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.30	149.00	150.00	150.00
2	2023.05.31	149.00	150.00	150.00
3	2023.06.01	145.00	148.00	147.00
4	2023.06.02	145.00	148.00	147.00



	White Sugar			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.30	239.00	245.00	240.00
2	2023.05.31	239.00	245.00	240.00
3	2023.06.01	229.00	230.00	235.00
4	2023.06.02	229.00	230.00	235.00

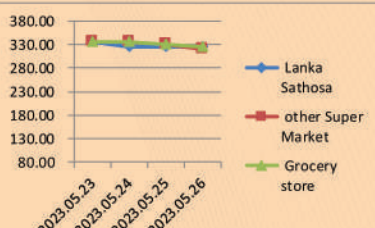


	wheat flour			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.30	235.00	250.00	255.00
2	2023.05.31	235.00	250.00	255.00
3	2023.06.01	210.00	250.00	255.00
4	2023.06.02	210.00	225.00	230.00

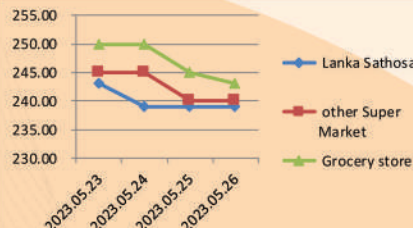


Lanka Sathosa, Other Super Markets and Grocery Stores price comparison 23.03.2023

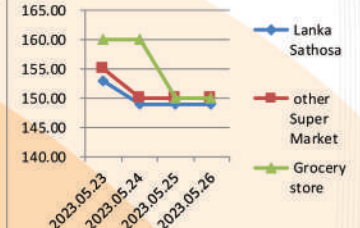
	Red Lentils			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.23	335.00	335.00	335.00
2	2023.05.24	325.00	335.00	335.00
3	2023.05.25	325.00	330.00	330.00
4	2023.05.26	325.00	320.00	325.00



	White Sugar			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.23	243.00	245.00	250.00
2	2023.05.24	239.00	245.00	250.00
3	2023.05.25	239.00	240.00	245.00
4	2023.05.26	239.00	240.00	243.00

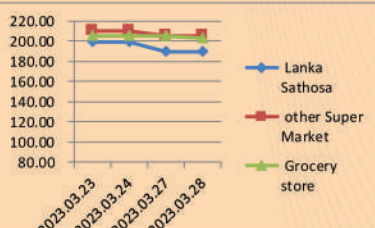


	Red Raw Rice			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.05.23	153.00	155.00	160.00
2	2023.05.24	149.00	150.00	160.00
3	2023.05.25	149.00	150.00	150.00
4	2023.05.26	149.00	150.00	150.00

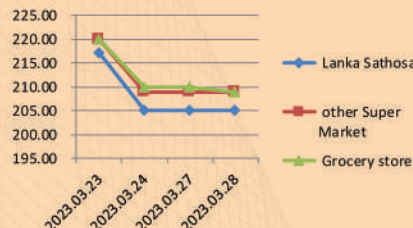


Lanka Sathosa, Other Super Markets and Grocery Stores price comparison 29.03.2023

	Samba (Local)			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.03.23	199.00	210.00	205.00
2	2023.03.24	199.00	210.00	205.00
3	2023.03.27	189.00	205.00	205.00
4	2023.03.28	189.00	205.00	203.00



	White Sugar			
	Date	Lanka Sathosa	other Super Market	Grocery store
1	2023.03.23	217.00	220.00	220.00
2	2023.03.24	205.00	209.00	210.00
3	2023.03.27	205.00	209.00	210.00
4	2023.03.28	205.00	209.00	209.00



The advantage of this always belonged to the consumer and thus Lanka Sathosa was able to contribute to reducing the poverty of Sri Lanka and reducing the inflation.

Strengthening the rural economy by encouraging small and medium enterprises

Working as an organization that understands public responsibility, Lanka Sathosa always works to create a competitive market for them by purchasing products from small and medium entrepreneurs. Our company's purchasing department gives priority to quality products from small and medium scale businessmen in purchasing goods and thus enables them to sell their products in the competitive market. We also give advice to develop the consumer appeal of the products in the market and by this we work to boost the rural economy.

Working for the Welfare of the Public as a Government Organization

Lanka Sathosa always works as an organization of the people and is an organization dedicated to serving the public in all challenging times and epidemic times in the country. Lanka Sathosa is the only organization owned by the public sector that was established for the public during the flood disasters and epidemic situations in the country. The best example of this is the Covid 19 epidemic season. Due to the Covid 19 epidemic situation, there was a problem of getting food for the public and due to the lockdown of the entire island, the distribution of goods was also very difficult. Also, there was no proper system of providing food for Covid patients and therefore these patients were in a lot of trouble. Understanding the state responsibility, Lanka Sathosa took the lead in these situations and provided essential food items to the consumer by expanding their warehouses and distribution network together with private distribution agencies, and this was done to alleviate the hunger of the masses. Also, Lanka Sathosa provided the necessary goods to the customers through online services during the second phase of the Covid 19, and thereby provided high quality goods at the lowest price to the consumers without delay. For this reason, consumers had the opportunity to get goods in the market even during the epidemic period, and other businessmen were also deprived of the opportunity to increase the prices of goods due to the epidemic situation at their discretion.

Under the state programme, together with divisional councils and municipal councils, Lanka Sathosa also provided bag amount fifty thousand of goods for the people affected by the epidemic.



Also, during the Covid 19 epidemic, the Lanka Sathosa Institute, which continued to provide essential goods to the employees of those institutions in collaboration with public and private institutions, contributed to ending the food crisis of the Sri Lankan people despite the risk of its employees as a responsible public institution.

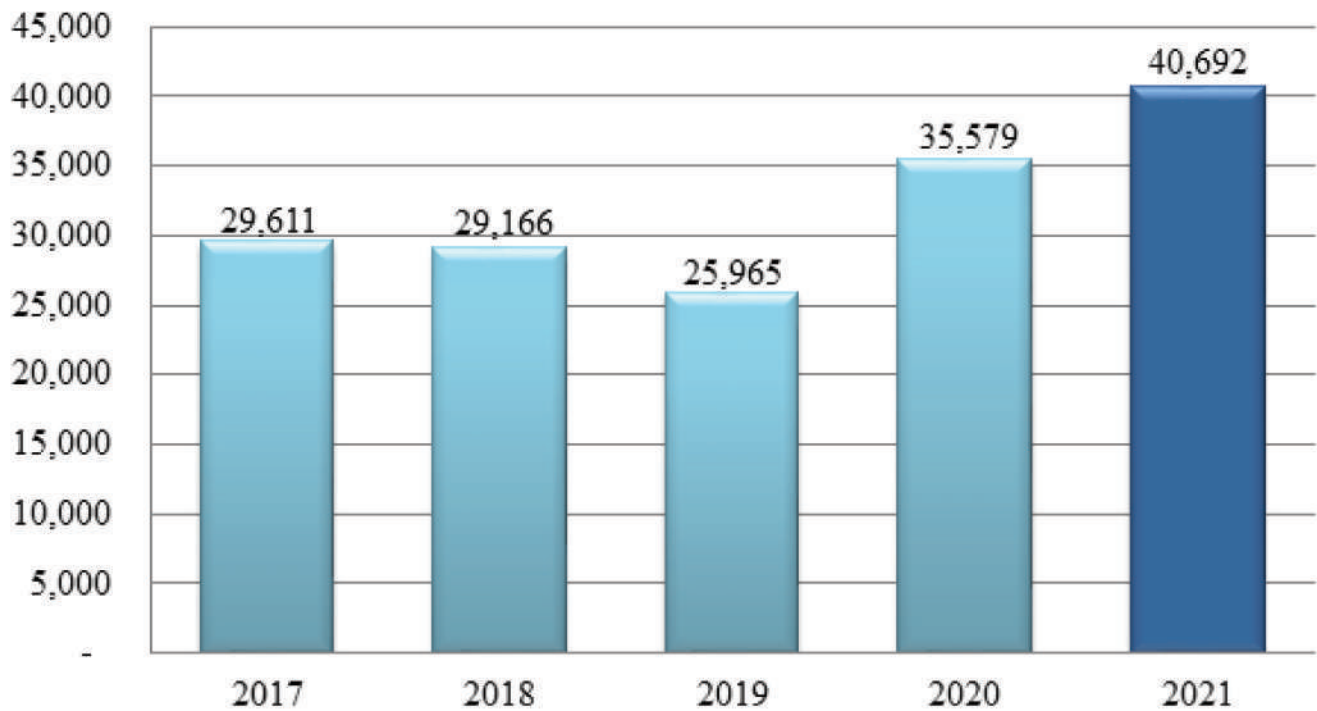
Lanka Sathosa acted as an institution responsible and accountable to the people even in the face of the economic crisis last year and Lanka Sathosa worked to provide goods to the public at low prices even in the face of this crisis in the country. In the absence of fuel and electricity in the country, with hard work and dedication, Lanka Sathosa staff and management opened their stores and gave customers the opportunity to get the goods at the lowest price without delay and the fuel required for their services was obtained from a fuel filling station owned by themselves and the goods were distributed. Due to this, the scarcity of essential goods which could have been created artificially, and the rise in prices did not happen, and if the market inflation could be controlled, even in situations where the country is facing major economic crises, the Lanka Sathosa Institute by fulfilling its responsibilities properly supported to the government to restore the country and improve the life of the people.

02. FINANCIAL & NON-FINANCIAL HIGHLIGHTS

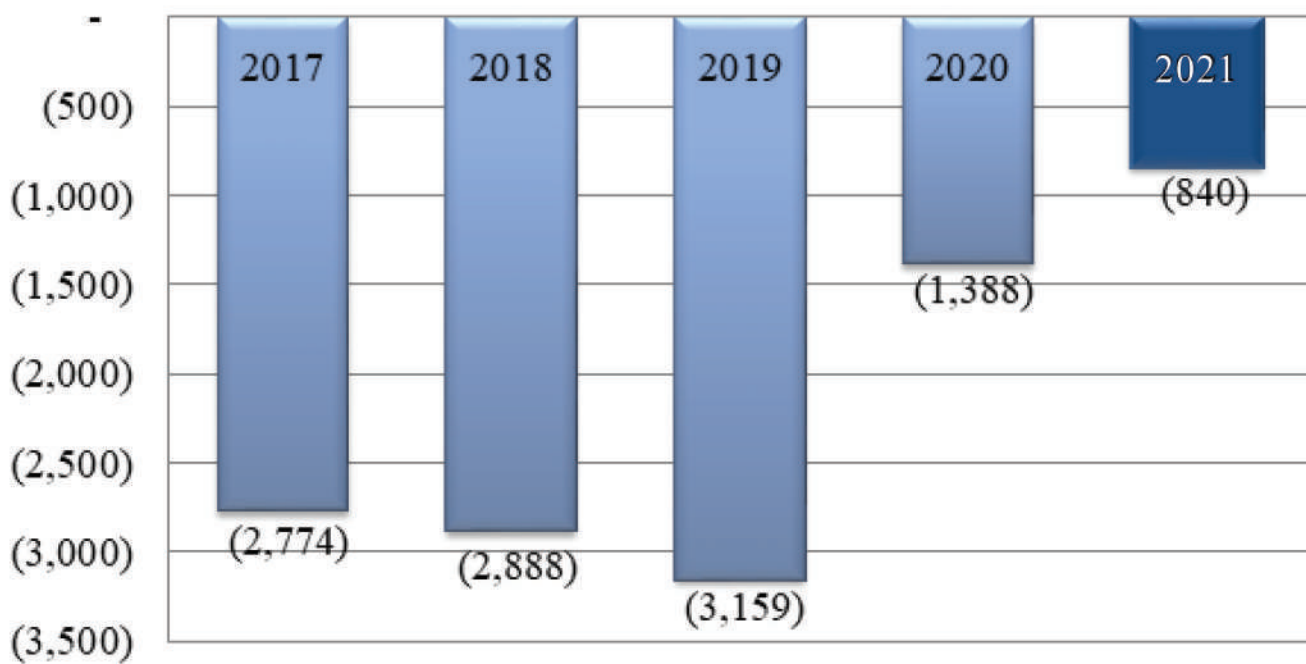
2.1 KEY PERFORMANCE INDICATORS

Metric		2020-YTD	2021-YTD
Operating Results			
Revenue	Rs. Mn	35,579	40,692
Gross Profit	%	10.73%	11.62%
EBIT	%	-2.71%	-1.18%
Net Profit/(Loss)	%	-3.90%	-2.07%
Expenses as % of Sales			
Other Income	%	2.19%	1.81%
Administrative Expenses	%	5.45%	5.51%
Selling and Distribution Expenses	%	10.05%	8.72%
Net Finance Cost	%	1.19%	0.89%
Employee Benefits			
Salaries & Wages	Rs.	175,551,180	168,315,884
Over Time & Other Allowances	Rs.	21,732,056	29,178,707
Total Cost	Rs.	197,283,235	197,494,591
No.of Employees		3,568	3,414
Per Employee Cost	Rs.	55,292	57,848
Working Capital Management			
Current Ratio	Times	0.60	0.50
Inventory Turn Over Period	Days	51	49
Debtor Collection Period	Days	61	43
Credit Settlement Period	Days	69	71
Operating Cycle	Days	43	21

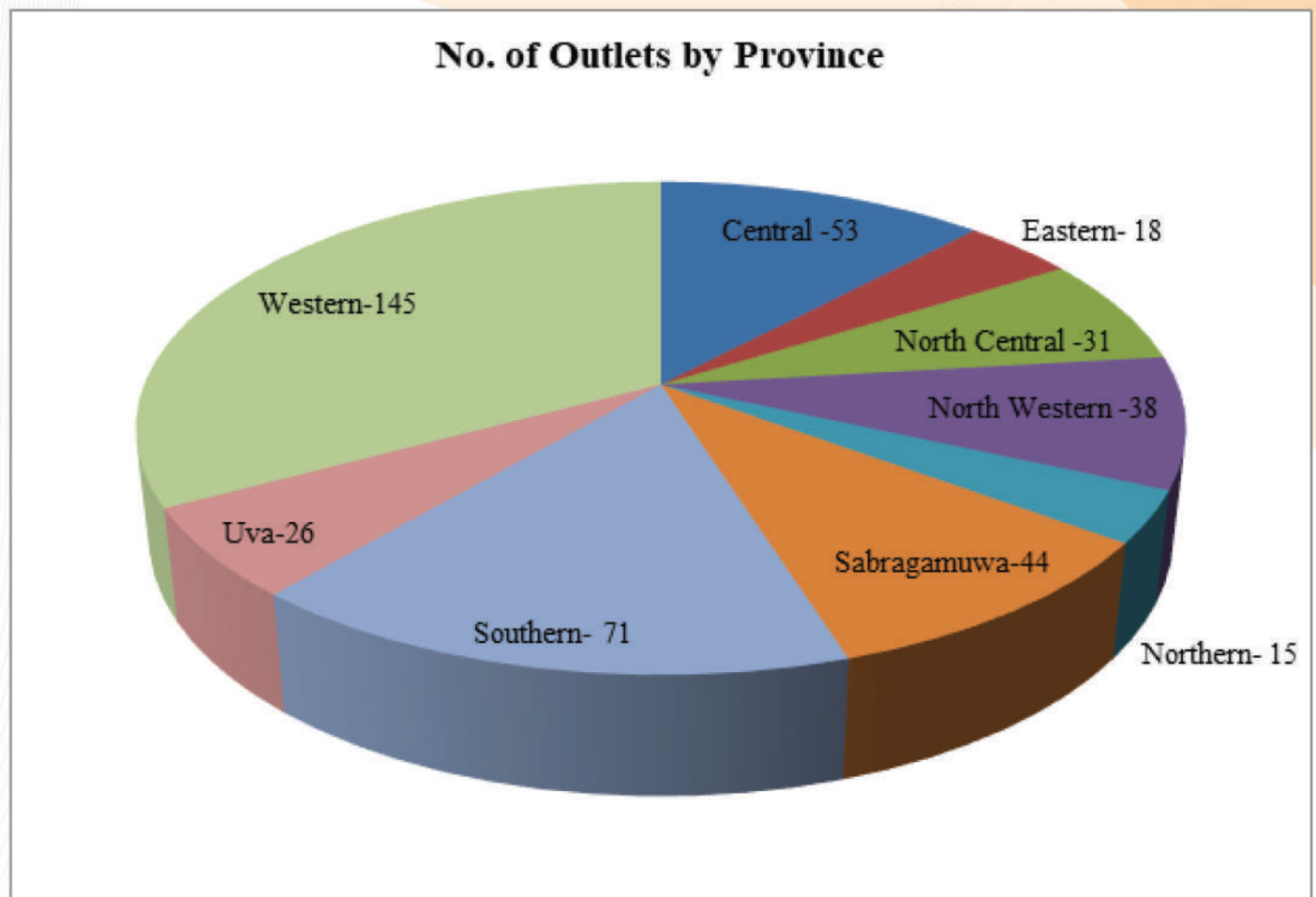
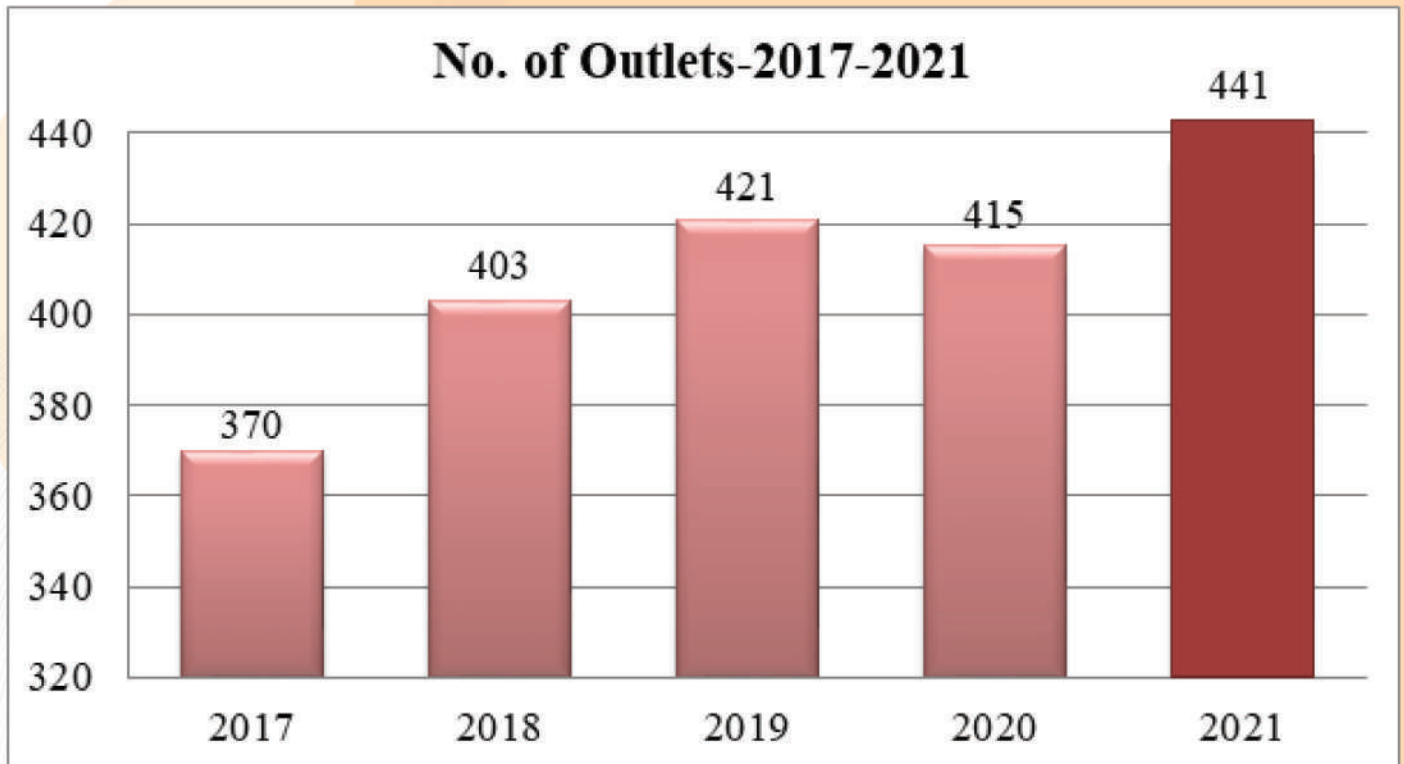
Turnover 2017-2021 LKR Mn.



Net Profit / (Loss)-2017-2021 LKR Mn.



2.2 BRANCH NETWORK



BRANCH DETAILS

Western	Western (Contd...)	Western (Contd...)	Southern	Southern (Contd...)	Central	Central (Contd...)	Eastern	North Central	North Western	Northern	Sabagamuwa	Uva
Adambalama	Kiribagoda	Panadura 2	A-pelessa	Pitigala	Agarapathana	Thalawakale	Akkareipathu	Anuradhapura 1	Abanpola	Achchuwell	Ayagama	Badaikumbura
Alubomulla	Kirillawela	Panadura 3	Ahangama	Poddala	Alawathugoda	Thernekumbura	Anura 01	Anuradhapura 2	Alawwa	Adampan	Balangoda 2	Badulla
Aluhgama	Kirindiwela	Panadura 4	Akuressa	Rajgama	Aluwihare	Walapane	Anura 02	Anuradhapura 3	Anamadawa	Chavakachcheriya	Bulatthokupitiya	Bandarawela
Ahurugiriya	Kirivaththuduwa	Panagoda Express	Ambalangoda	Ranna	Ambathenna	Weligalla	Batticaloa (retail)	Aralaganwila	Bingiriya	Chunnagama	Dehiwila	Bandarawela 2
Atidiya	Kiriawatte	Pannipitiya 2	Ambalanthota	Rathgama	Ankumbura		Dehiaththakandiya	Bakamuna	Chillaw	Jaffna	Deraniyagala	Bibila
Avisawella	Kohuwala 02	Pannipitiya 3	Ambalanthota 2	Sooriyavewa	Belyunkada		Eravur	Bulnewa	Dankotuwa	Kilinochchi Mega	Eheliyagoda 3	Boralanda
Badureliya	Koralama	Pasala	Baddagama	Tangalle	Bokkawala		Hingurana	Eppawala	Giritilla	Madu	Embilipitiya 1	Buttala 2
Balunnahara	Kosgama	Payagala	Balapitiya	Thalgaswala	Dambulla		Kalmunai	Galenbindunuwewa	Hetipola	Manchola	Embilipitiya 2	Central Camp
Bambalapitiya	Koswaththa	Piliyandala 1	Barawakubuka	Thungalle 02	Danthure		Kinriya	Galgamuwa	Hiripitiya	Mannar	Godakawela	Dambagalla
Bandaragama	Kotadeniyawa	Piliyandala 2	Bellatte	Thawalama	Delthota		Munampitiya	Gallala	Ibbagamuwa	Muthur	Gonagaldeniya	Elia
Battaramulla	Kotahena	Pitakotte	Bogahagoda	Thelwatta	Digana		Oddamawadi	Habarana	Kalpiya	Nelukulam	Gurugalla	Ethiliwewa
Bokundara	Kottawa 02	Pitipana	Deniyaya	Thelwijawila	Ethgala		Pohwaga Colony	Higunakgoda	Katneriya	Pesala	Hambegamuwa	Halhela
Bollegala	Kottawa 3	Poddaramulla	Deviyandura	Thihugoda	Galagedara		Pothwell	Horawapothana	Katupotha	Pointeduru	Hemmathagama	Kandeketiya
Boralesgamuwa 1	Poggasowita	Poggasowita	Debarawewa	Tissamaharame	Galewela		Samarathurai	Kabithigolawa	Kosgashandiya	Silawathurai	Kahawatta	Kataragama
Borella	Maculum	Pugoda	Devinuwara	Udugama	Galewela 2		Thirikkowil	Kahalagadigiliya	Kuliyapitiya	Vavuniya	Kalawana	Lunugala
Bulatthigahala	Madapatha Express	Puwakpitiya	Dickwella	Uragasmanhandiya	Gampola 01		Tricomalee	Kekirawa	Kumbukgate		Kannathota	Medagama
Dalugama	Maggona	Raddolegama	Dikkubura	Urala	Gampola 02		Uthana	Medavachchiya	Kurunegala 2		Karandupana	Meegahakiwila
Delgoda	Maharagama 1	Ragama	Elpitiya	Urubokka	Geliya		Vurupathunchennai	Medirigiriya	Madurankuli		Karawanalla	Monaragala 2
Delkanda	Maharagama 2	Raigama	Galle 1	Walasmulla	Hagrankeketha			Mineriya	Mah		Kegalla	Monaragala Mega
Dematagoda	Makola	Rannuthugala	Galle Bus-Stand	Weeraketiya	Hapugasthalawa		Nochchiyagama	Mallawapitiya			Kiriella	Passara
Divilpitiya	Makubura	Rathmalana 1	Habaraduwa	Welligama	Hiragama		Padiyia	Maravila			Kithulgala	Pelwaththa
Dodangoda	Malabe	Rathmalana Mega	Hakmana	Yatiyana	Hatharaliyadda		Pansalgodella	Maspotha			Kolonna	Sewanagala
Ekala	Maipalla	Rawathawatte	Hambantota		Hatton		Polonnaruwa 1	Mawathagama			Kuruwita	Thanamalwila
Enderamulla	Maligawatta	Salmal Uyana	Hapugala		Hatton 2		Polonnaruwa 2	Melsiripura			Madumpey	Welimada
Gampaha 1	Maradabaghamulla	Seeduwa 1	Hikkaduwa		Hewaheta		Rambewa	Narammala			Mawanella	Wellawaya 03
Ganemulla	Mathugama 2	Seeduwa 2	Hungama		Kadugamawwa		Sewanapitiya	Nattandiya			Nirithigala	Wellawaya New
Godagama	Mattegoda	Sethseripaya	Imaduwa		Kandy		Thabuththegama 02	Nikaweratiya			Opanayaka	
Habarakada	Mwarumandiya	Siddamulla	Kalegana		Katugasthota Mega		Thalawa	Pannala			Pabhinna	
Hanwella	Meegoda	Siyabalape	Kamburupitiya		Katugasthota		Thambuththegama	Piduruwella			Pallebedda	
Hokandara	Meegoda 2	Thalawathugoda	Karapitiya		Keppitipola		Vilachchiya	Polgahawela			Peimadulla	
Homagama	Meeppe	Uduwana	Katuwana		Kotagala		Wellikanda	Polgahawela 2			Peimadulla-02	
Horagasmankada	Meerigama	Urapola 1	Kekandura		Kundassale			Polpithigama			Pothupitiya	
Horana 02	Minuwangoda	Urapola 2	Kotapola		Kurunduwaththa			Pothuhera			Rakwana	
Hunupitiya	Mirihana 2	Vauxell	Kumarakanda		Madawala Bazaar			Puttalam			Rathnapura 04	
Ingiriya	Moranthuduwa	Veyangoda 2	Kurudugahatapma		Marassana			Wanathawilluwa			Rathnapura 1	
Ja-ela Mega	Moratunulla	Wadduwa	Lunugamwehera		Matale			Wariyapola			Rathnapura 2	
Ja-ela	Moratuwa	Waga	Makandura		Matale 2			Wellawa			Rathnapura 3	
Kaduwatha	MLLavinia 2	Waga 2	Malimboda		Menikhinna			Yanthampalawa			Ruwanwella	
Kaduwa	Mulleriyawa	Walana	Matara Mega		Nawalapitiya						Thalduwa	
Kaluthara 2 (North)	Mulleriyawa 2	Wathupitiwala	Matara 2		Nildandahinna						Thunkama	
Kaluthara South	Nabada	Wehera	Nawadavila		Nuwaraeliya						Udawalawa	
Kandana	Nagoda	Wellipillewa	Middeniya		Peradeniya						Warakapola	
Kattuwa	Naiwala	Wellisara Mega	Mirisawatta		Pilmathalawa						Welliya	
Katunayake 1	Namheripita	Welleriya	Morawaka		Poojapitiya						Yatiyambota	
Katunayake 2	Nawagamuwa	Wellampitiya	Nagoda - Galle		Pundaluoya							
Katuwawala	Negombo 2	Yakkala	Neluwa		Pussellawa							
Kelaniya	Negris	Yakkala 2	Pinkanda		Ragala							
Kesbewa	Padukka	Pinnaduwa	Pinnaduwa		Rathnoda							
Kesbewa-02	Pahalgama	Pitabeddara	Pitabeddara		Rikilligaskada							

03. CORPORATE GOVERNANCE

Company has been firm in its resolve that the members of the Board, the senior management team and staff are all committed toward adoption and implementation of transparent and effective corporate governance practices within the Company. The Company holds itself accountable to the highest standards of corporate governance. Corporate governance lays the basis for responsible performance – oriented management and control which is geared towards sustainable value creation. Corporate Governance has been institutionalised at all levels in the company through a strong set of corporate values which have been adhered to by the senior management and Board of Directors in the performance of their official duties and in other situations which could affect the Company image. The Company is committed to the highest standards of integrity, ethical values and professionalism in all its activities.

The business of the Company is conducted by its managers, officers and employees under the direction of the Chairman/Chief Executive Officer and the oversight of the Board to enhance the long term value of the Company for its stakeholders. The Board aims at fulfilling its responsibilities by creating value for all stakeholders that is sustainable and beneficial. The Board of Directors is well equipped to realize the Company's corporate business.

The Board meets monthly and gives full consideration to the following:-

- Review strategic and operational issues.
- Review Profit and working capital and monthly management accounts.
- Provide advice and guidelines to Senior Managers through the Chairman /Chief Executive Officer.
- Provide and circulate timely and periodic reports to stakeholders.
- Sanction major investments.
- Approve interim and annual reports.

The Board recognizes the rights of all stakeholders which encourages active cooperation between the Company and the stakeholders.

04. FINANCIAL REPORTS

4.1 ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

GENERAL

The Board of Directors of the Company has pleasure in presenting their Annual Report to the members together with the audited financial statements for the year ended 31st December 2021 of the Company and the Auditor's Report on those financial statements confirming the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and amendments made thereon and best practices of corporate governance.

PRINCIPLE ACTIVITIES OF THE COMPANY

The Company is primarily involved in Retail and Wholesale of Consumer Products with the objective of selling essential consumer goods at a fair price and maintaining quality goods in the market in sufficient quantities without any scarcity.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for preparation and presentation of financial statements of the Company to reflect true and fair view of its affairs. The Directors' responsibilities include designing, implementing, maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error, selecting and adopting accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors are of the view that the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and notes thereto in the Annual Report have been prepared in conformity with the Sri Lanka Financial Reporting Standards & Lanka Accounting Standards and Companies Act No. 07 of 2007.

FINANCIAL STATEMENT AND AUDITOR'S REPORT

The financial statements for the year ended 31st December 2021 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements of the Company signed by the Deputy General Manager-Finance and the Directors are given on pages 24-67 in the Annual Report. These financial statements and notes give a true and fair view of the Company's financial position as at 31st December 2021 and of its performance for the year ended on that date.

AUDITOR'S REPORT

The Auditor General was appointed as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Auditor's report on financial statements which form an integral part of the report of the Board of Directors is given on pages 15-23 in the Annual Report.

ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are given in the annual report on pages 28-39

GOING CONCERN

The company has incurred a net Loss of Rs. 840,281,278/- during the year under review, the accumulated losses amounting to Rs. 19,836,544,857 /- and, company's current liabilities has exceeded its current assets by Rs. 6,684,218,633 /-. Despite this, the Financial Statements of the Company have been prepared on a Going Concern Basis on the assumption that the Government Treasury will continue to extend finances to enable to meet its obligations as and when they fall due..

DONATION

During the year 2021 the company made Rs. 833,858 /- as donations

RESERVES

The movement in reserves during the year is set out in the Statement of the Changes in Equity Statement on pages 26

PROPERTY, PLANT & EQUIPMENT

The details of Property, Plant and Equipment are given on pages 45-46 in the Annual Report.

EVENTS AFTER REPORTING PERIOD

There have not been any material events that occurred subsequent to the reporting date which require adjustments to or disclosure in the financial statements, other than disclosed in Notes to the financial statements.

RELATED PARTY TRANSACTIONS

The Related Party transactions as per the Sri Lanka Accounting standards (LKAS) 24, Related Party Disclosures, which is adopted in the preparation of the financial statements are given on pages 59 in this annual Report.

DIRECTOR'S INTEREST IN CONTRACT WITH THE COMPANY

The Directors' interests in contracts are disclosed in the financial Statements. These interests have been duly disclosed at the meeting of Directors. Directors do not hold any shareholding of the Company.

STATED CAPITAL

The Stated Capital of the Company as at 31st December 2021 was Rs. 893.7 Mn, in Compliance with the Companies Act No. 07 of 2007. As at 31.12.2021, 97.45% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka

INTANGIBLE ASSETS

Intangible Assets as at 31.12.2021 have been recorded in the financial statements of the Company on pages 47

COMPLIANCE WITH LAWS AND REGULATION

The Company has complied with all applicable laws and regulations during the financial year as otherwise disclosed in the Independent Auditors' Report. The compliance department monitors the compliance functions of the company and reports to the Audit and Compliance Committee.

THE APPROVAL OF THE FINANCIAL STATEMENTS

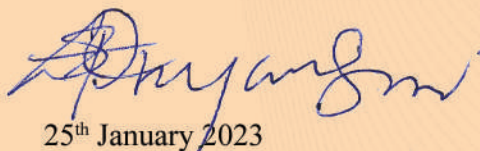
The audited financial statements were approved by the Board of Directors on 25th January 2023. The Directors below have been the Board of Directors of the Company through of the year under review

Rear Admiral B.Ananda Jayalal Gurukula Peiris
Mr. Venura Gunawardena
Mr. D.Jeewanadan
Mr. R.M.D.K.G.N.Bandara Ranathunga
Mr. P.H.A.S.Wijayarathne
Mr. N.A.Wimalarathne
Mr. K.P.D.Prabath Sirisena
Mr. S.S.Singappuli
Mr. Ranjith G Rubasinghe
Prof.Harendra Kariyawasam

ACKNOWLEDGMENT OF THE CONTENTS OF THE BOARD

As required by section 168 (1) (k) of the Companies Act, No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this report.

Signed for and on behalf of the board



25th January 2023

Company Secretary
Lanka Sathosa Limited

4.2 DEPUTY GENERAL MANAGER - FINANCE'S STATEMENT OF RESPONSIBILITY

The Financial Statements of Lanka Sathosa Limited as at 31st December 2021 were prepared and presented in compliance with the requirements of the following.

- i. Sri Lanka Financial Reporting Standards (SLFRS/LKASs) issued by the ICASL
- ii. The Companies Act No. 07 of 2007

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed by the relevant regulators, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standards.

We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies, and other financial information included in this Annual Report, fairly represents, in all material respects, the financial condition, and results of the operations and the cash flow of the Company during the year under review. In addition, we confirm that the Company has adequate support from its shareholders (Treasury) to continue its operations and has applied the going concern basis in preparing these Financial Statements.

The Board of Directors is responsible for ensuring that management fulfils its financial reporting responsibilities. As the Deputy General Manager-Finance, I am responsible for having established and maintaining adequate accounting policies, procedures, and internal controls over financial reporting. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that the financial records are reliable and form a proper basis for preparing the Financial Statements, and that the assets are properly accounted for and safeguarded.

The Financial Statements have been audited, on behalf of the shareholders, by the Auditor General, in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The Independent Auditor has full and free access to the Audit and Compliance Committee and may meet with or without the presence of the Management.

We confirm to the best of our knowledge that –

- i. The Company has complied with all applicable laws, rules and regulations and guidelines as otherwise expressed in the Notes to the Financial Statements.
- ii. There is no material non-compliance as otherwise expressed in the Notes to the Financial Statements and replace of the Auditor General

.....
Channa Kevitiyagala
Deputy General Manager - Finance

Channa Kevitiyagala
Deputy General Manager - Finance
Lanka Sathosa Limited

4.3 INDEPENDENCE AUDITOR'S REPORT

TAC/D/LSL/FA/21/77

Chairman
Lanka Sathosa Limited

12th June 2023

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Sathosa Limited for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Lanka Sathosa Limited for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 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. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

- (a) At the end of the year under review, the Company had deficit of Rs.840,281,278 as well as current liabilities over current assets of Rs.6,684,218,633 and as a result the Company's ability to meet and maintain its liabilities through assets and continue without the provision of Treasury provisions is in doubt. According to the financial statements of the year under review, the short-term and long-term liabilities other than the treasury receivables amounted to Rs.22,751,797,451 and out of these liabilities, the treasury only provides for the annual loan installments and interest of the loan amount taken for rice import.
- (b) Although inventory should be measured at the lower of cost and net realizable value when valuing the stock according to the paragraph 09 of Sri Lanka Accounting Standards 2, inventory amounting to Rs.4,903,716 had been accounted at a cost in the year under review. Further, the age analysis of these stocks was not submitted to the audit.
- (c) Although the written down value and effective life of the assets should be reviewed at least end of each year in accordance with paragraph 51 of Sri Lanka Accounting Standards No.16, and if the expected conditions differ from the above estimates, those differences should be accounted for as accounting estimates according to Sri Lanka Standard 8. However, fully depreciated fixed assets of Rs.227,380,845 had not been followed the standard.
- (d) Although accounting policy related to items received as government grants and amounts of grants should be disclosed in the financial statements as per paragraph 39 of Sri Lanka Accounting Standards No. 20, disclosure related to the treasury grants amount of Rs.2,295,745,706 for the repayment of loan obtained for rice import in the year under review had not been done through accounts notes.
- (e) Although a sum of Rs.618,991,224 had been identified as an impairment loss in previous years, a discussion had been carried out with the debtors of Rs.267,600,500 from the above loss. The annual review had not been done in connection to the paragraph 114 of Sri Lanka Accounting Standard No.36 regarding the rest of balance Rs.351,390,724.

- (f) The total purchase of Property, Plant and Equipment amounting Rs.108,881,167 had been shown in the cash flow statement as Rs.118,046,003 and differences is Rs.9,164,830, loss on disposal of computer software amounting to Rs.31,212,686 had not presented under the operating activities in the statement of cash flows and the payable for fixed assets purchased of Rs.40,377,522 had been adjusted as cash outflows without adjusting to the working capital.
- (g) The depreciation expense accounted as at 31 December 2021 was Rs.500,766,342 and since it was Rs.447,194,902 as per audit calculation, the depreciation value was calculated less than Rs.53,571,440.
- (h) Property, plant & equipment related to 07 items was Rs.3,661,079,971 as per financial statements, and since it was Rs.2,917,207,117 as per fixed assets register difference was Rs.743,872,854. Further, schedules related to motor vehicles amounting to Rs.18,821,440 and communication equipment amounting to Rs.3,642,602 taken over from the Cooperative Wholesale Establishment amounting to Rs.22,798,843 were not submitted to the audit.
- (i) The balance of trade payables accounts was Rs.8,751,603,336 as per financial statements and since it was Rs.8,786,261,100 a difference of Rs.34,657,764 was observed. Further, the balance confirmation was called from 50 trade creditors whose value was Rs. 6,006,699,872, and since only 03 creditors amounting to Rs.224,873,903 from that balance had responded a difference of Rs.30,764,0665 was observed in the individual trade creditors.
- (j) The trade receivable balance was Rs.369,608,694 and since it was Rs.474,081,072 a difference of Rs.104,472,378 was observed and age analysis related to the debtors and other receivables amounting to Rs.687,776,959 had not been submitted to the audit.
- (k) Loan payable balance in the current and non current liabilities amounting to Rs.9,830,760,719, since it was Rs.10,367,560,020 as per confirmation of banks credit facilities granted a difference of Rs.536,799,301 was observed.
- (l) Although fixed deposit interest income amounting to Rs. 25,009,313 for the year under review should be shown in the financial statements, it was accounted as fixed deposits.

(M) A difference was observed amounting to Rs.423, 358,476 and Rs.79,145,260 respectively from the payables and receivable balance for the year under review when compared to the payables and receivables balance confirmed by the Cooperative Wholesale Establishment .

As described above I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement. As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows.

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

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

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

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

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

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

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.
 - 2.1.1 I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
 - 2.1.2 The financial statements 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 except the audit matters of (a), (b), (c), (f), (g), (h), (l) and (m) described in the basis for Disclaimer Opinion section of my report 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 were limited to matters that are material, nothing has come to my attention;
 - 2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
 - 2.2.2 To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except;

Reference to Law/ Direction	Observation
(a) Public Enterprise Circular, No. PED 12 dated 02 June 2003	
(i) Paragraph 6.5	Although annual reports and financial statements should be submitted to the Auditor General within 60 days of the end of the financial year, the company's financial statements for the year 2021 had been submitted to the Auditor General on 17 February 2023, 12 months later.
(ii) Paragraph 7.4.5	Stock verification related to the trade stock and consumer stock amounting to Rs.4,903,716,133 and Rs.41,944,485 respectively as at 31 December 2021 had not been done.
(iii) Paragraph 9.8.2	Although treasury approval should be obtained for incentives, incentives paid during the year under review amounting to Rs.40,430,262 had not been obtained the relevant approval.
(iv) Paragraph 9.7	Although salary and allowance should be paid as per approved recruitment procedures, performance allowance amounting to Rs.5,290,000 had been paid to the Chief Executive Officer and 7 Deputy General Managers during the year 2021 without treasury approval.
(b) State Finance Circular No. 01/2014 dated 17 February 2014	The company had prepared a corporate plan for the period 2020-2023 and a review of the operational results of the last three years, an action plan that clearly identified the responsibilities of the managers regarding the goals and objectives to be achieved in the year under review, and performance indicators were not included in this corporate plan. the managers regarding the goals and objectives to be achieved in the year under review, and performance indicators were not included in this corporate plan.

- | | |
|--|---|
| (c) Public Enterprise Circular, No. No. 1/2015, dated 25 May 2015 | Without approval of the Treasury, transport allowance of Rs.12,500 per month totaling Rs.1,775,000 had been paid to 14 officers who are not entitled to use the official vehicles in the year under review. |
| (d) Letter of the Director General of Management Services no. DMS/1741 of 16 May 2017 & DMS/1744 of 22 February 2017 | Without the approval of the Department of Management Service, a monthly allowance of Rs.250,000 had been paid to the Chief Executive Officer and without the approval of the board of directors, a monthly allowance of Rs.150,000 paid to the Deputy General Managers resulted in the overpayments of Rs.5,795,000 during the year under review. |
| (e) Public Enterprise Circular, No. PED 03/2021 dated 15 December 2021 and No.03/2018, dated 07 December 2018 | Although the annual bonus to be paid to the company's staff is Rs.5,000, a sum of Rs.97,526,998 had been paid to 3267 employees Rs.30,000 each, without the treasury approval. Accordingly the over paid bonus was Rs.81,191,998. |

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

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

- (a) The company had spent Rs.1,728,000 for the purchase of 12 laptops contrary to the guidelines 2.3.2 (c), 6.3.3(a), 8.12.3, 8.9.1(b) of the procurement guidelines during the year under review and due to non-performance of the contract on the due date, the late fee of Rs.86,640 had not been charged.
- (b) A sum of Rs.2,005,533 had been spent on fuel for the generator due to non-supply of electricity to Orugudawatta No. 08 and 09 warehouses of the Food Department, which were rented for Rs.611,000 per month in July 2020, from July 2020 to June 2022.
- (c) The Integrated Enterprise Resource Planning system, which was in operation until 26 January 2021, had been transferred to a new system. Even so, a sum of Rs.83,233,830 had been paid to the contractor without a work completion report for the previous system and depreciation amounting to Rs.52,021,124 had been provided for that till the year under review. However, due to not taking proper management decisions to remove the old system, even after being covered by performance insurance, Rs. 11,395,108 had been incurred as a loss. Due to the termination of the previous contract without notice, the contractor had filed a lawsuit against the company demanding compensation amounting to Rs.114,941,955.

- (d) Although the stock of 54,860 kg of garlic purchased by the company for Rs.5,760,300 without auction confiscated by Sri Lanka Customs had not been highly recommended to be sold in bulk and in a short period of time according to the quality inspection reports on 31 August 2021 and 02 September 2021, it had been recommended that it should be delivered soon and for wholesale or other operational purpose according to the quality inspection report dated 07 September 2021. Accordingly, although methods or policies for wholesale sales had not been prepared, 3 bids had been called for wholesale sales. According to the decision of the Executive Committee dated 21 July 2021, all the sales work should be done by the operations division, but the Deputy General Manager (Finance) had done the sales work without formally deciding the price also. Further, although the sale of goods should be done through the accounting system, this stock of garlic had been sold without issuing bills through the accounting system.
- (e) In the purchase of computers and accessories for the establishment of the E-wis computer system the need of the outlets had not been recognized, and 76 computers had been purchased for Rs.7,649,900 on the requests made by a manager of the IT division. In this procurement, procurement guidelines 5.4.10 (b), 6.3.3 (a), 8.7.1(b), 8.9.1 (b) and 8.12.1(b) had not followed. Further, due to the fact that only 50 out of 76 computer equipment were provided, 13 and 13 had been purchased respectively from the second and third lowest bidder without calling for quotations. As no written agreement had not been entered into with any bidder, the company had not been able to take legal action for breach of contract and had incurred a financial loss of Rs.513,500 due to purchase at higher prices. And there was no arrangement to collect a late fee of Rs.713,643 from the suppliers who did not fulfil the contract.
- (f) In contravention of 2.3.2 (c), 2.5.1 (c), 2.6.1 (a), 4.2.2, 6.2.2, 8.9.1(a)(b) of Procurement Guidelines, a generator had been purchased for Rs.3,364,706 for Ja-ela Mega Outlet on 05 May 2021. Due to the delay in receiving the machine until September 2021, a sum of Rs.650,000 had to pay as rent for the same machine which was previously taken on monthly rent of Rs.150,000. Furthermore, the late fee of Rs.164,235 had not been charged due to the delay in supplying the product

2.5 Other Matters

- (a) A sum of Rs.16,626,065, which had been accounted for as capital grants receivable, were not received in the year under review and had been written off from the accounts without obtaining the relevant approval.

- (b) The company had paid Rs 1,803,346 as fines due to late payment of bank loans and other payments.
- (c) In the year under review, Rs.29,328,808 had been paid as employee medical insurance premiums without the approval of the Board of Directors and the approval of the Treasury.
- (d) Stock loss during the year under review was Rs. 157,989,851 and this stock loss was covered from the insurance of Rs.1,641,050 and from the employees of Rs.2,004,423 and the net loss was Rs.154,344,377. A stock shortage committee had been appointed to identify the parties responsible for the stock loss but the relevant parties had not been identified till the date of audit.
- (e) Although In the years 2014 and 2015, buildings of Rs.361,921,862 had been constructed in 3 lands located in the areas of Kilinochchi, Welisara and Kamburupitiya at the end of the year under review, the ownership had not been setteled.
- (f) Although 32 new outlets of the company had been opened in the year 2021, and the staff had been approved accordingly but due to lack of recruitments a shortage of 1,233 staff was remained and due to staff recruited for unapproved positions there was an excess of 502.
- (g) The post of Deputy General Manager (Marketing) was changed to Head of Online Trading by Board decision No. 108 dated 30 July 2021. However, there was no such post in the approved scheme of recruitment and the new post title was also not approved by the Department of Management Services. The unapproved salary paid to unapproved position was Rs.2,875,000 from 01 November 2021 to 25 September 2022.
- (h) The action had not been taken to settle the rent payable amounting to Rs.17,912,034 for the years 2020 and 2021 on 12 buildings obtained from the Food Commissioner Department.
- (i) Even though a royalty fee totaling Rs.8,800,044 had been paid on the 15 liquor licenses issued to the company and a sum of Rs.5,020,024 had been paid on the liquor shop licenses issued in the name of Sathosa Retail Limited to Cooperative Wholesale Corporation.

W.P.C. Wickramaratne
Auditor General

4.4 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

LANKA SATHOSA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31st DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
Revenue	3	40,691,520,401	35,578,943,527
Cost of Sales	4	(35,961,364,850)	(31,760,287,760)
Gross Profit		4,730,155,551	3,818,655,766
		11.6%	10.7%
Stock Shortages / Provision for Stock Shortages	5	(154,344,377)	(45,687,998)
Other Income	6	735,359,323	778,277,747
Selling and Distribution Expenses	7	(3,548,768,186)	(3,573,962,198)
Administrative Expenses	8	(2,241,919,944)	(1,940,675,869)
Profit /(Loss) from Operation Activities (EBIT)		(479,517,634)	(963,392,551)
Interest Expenses	9	(403,839,931)	(503,834,144)
Interest Income	9	43,076,288	79,560,052
Profit /(Loss) before Taxation		(840,281,278)	(1,387,666,643)
Income Tax Expense	10	-	-
Profit /(Loss) for the Period (EAIT)		(840,281,278)	(1,387,666,643)
Basic Earnings / (Loss) Per Share (Rs.)	11	(9.40)	(15.53)
Other Comprehensive Income / (Expense)			
<i>Other Comprehensive Income not to be reclassified to Statement of Profit or Loss in subsequent periods :</i>			
Actuarial Gain / (Loss) on Retirement Benefits Obligation	22	9,226,791	11,572,109
Revaluation Gain		-	-
Total Comprehensive Income /(Expense) for the Period		(831,054,487)	(1,376,094,534)

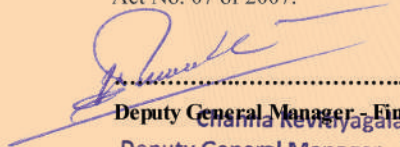
4.5 STATEMENT OF FINANCIAL POSITION

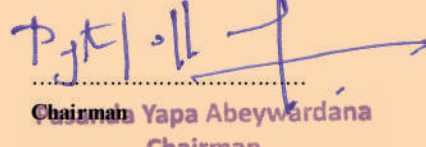
LANKA SATHOSA LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	1,293,618,311	1,676,338,650
Intangible Assets	13	226,193,829	58,881,068
Total Non-Current Assets		1,519,812,140	1,735,219,718
Current Assets			
Inventories	15	4,903,716,133	4,895,831,936
Trade and Other Receivables	16	687,776,959	1,012,584,149
Deposit and Advances	17	209,116,667	152,079,103
Consumable Stocks	18	41,944,485	31,568,739
Pre-Paid Expenses and Statutory Receivables	19	14,007,452	21,366,644
Fixed Deposits		525,099,313	864,422,505
Cash and Cash Equivalents	20	255,307,417	950,820,657
Total Current Assets		6,636,968,427	7,928,673,733
TOTAL ASSETS		8,156,780,567	9,663,893,451
EQUITY AND LIABILITIES			
Equity			
Stated Capital	21	893,752,720	893,752,720
Equity Infusion		3,443,618,559	1,147,872,853
Retained Earnings (at Debit)		(19,836,544,857)	(19,005,490,370)
Revaluation Reserve		558,873,306	558,873,306
Total Equity		(14,940,300,272)	(16,404,991,491)
Non-Current Liabilities			
Retirement Benefits Obligation	22	287,301,373	260,031,442
Government Grants - (Non-Current Portion)	26	233,018,809	424,235,801
Interest Bearing Loans and Borrowings	24	9,255,573,596	12,276,404,557
Total Non-Current Liabilities		9,775,893,778	12,960,671,801
Current Liabilities			
Trade and Other Payables	23	9,134,462,290	9,510,272,025
Government Grants - (Current Portion)	26	112,264,578	223,349,977
Interest Bearing Loans and Borrowings	24	575,187,123	2,176,928,452
Statutory Payables	25	317,674,408	210,907,489
Bank Overdrafts	20	3,181,598,660	986,755,198
Total Current Liabilities		13,321,187,060	13,108,213,142
TOTAL EQUITY AND LIABILITIES		8,156,780,567	9,663,893,451

I certify that these Financial Statements of the Company comply with the requirements of the Companies Act No. 07 of 2007.


Deputy General Manager - Finance
Channa Revathyagala


Chairman Yapa Abeywardana
Chairman

Deputy General Manager - Finance
Lanka Sathosa Limited

Chairman
Lanka Sathosa Limited

The Board of Directors is Responsible for Preparation and Presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board,


Director
Lanka Sathosa Limited

25th January 2023
Colombo,

4.6 STATEMENT OF CHANGES IN EQUITY

LANKA SATHOSA LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Equity Infusion	Retained Earnings (at Debit)	Total
Balance as at 1 st January 2020	893,752,720	558,873,306	-	(17,884,556,953)	(16,431,930,928)
Profit / (Loss) for the year	-	-	-	(1,387,666,643)	(1,387,666,643)
Prior Year Adjustment (NBT Waived Off)	-	-	-	168,141,945	168,141,945
Prior Year Adjustment (VAT Amended)	-	-	-	87,019,172	87,019,172
Equity Infusion	-	-	1,147,872,853	-	1,147,872,853
Other Comprehensive Income / (Expense)	-	-	-	11,572,109	11,572,109
Revaluation Gain	-	-	-	-	-
Balance as at 31st December 2020	893,752,720	558,873,306	1,147,872,853	(19,005,490,370)	(16,404,991,491)
Profit / (Loss) for the year	-	-	-	(840,281,278)	(840,281,277)
Equity Infusion	-	-	2,295,745,706	-	2,295,745,706
Other Comprehensive Income / (Expense)	-	-	-	9,226,791	9,226,791
Revaluation Gain	-	-	-	-	-
Balance as at 31st December 2021	893,752,720	558,873,306	3,443,618,559	(19,836,544,857)	(14,940,300,272)

4.7 STATEMENT OF CASH FLOWS

LANKA SATHOSA LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	2021	2020
Cash Flows from Operating Activities		
Profit /(Loss) for the Period (EAIT)	(840,281,278)	(1,387,666,643)
Adjustments for;		
Depreciation	500,766,342	438,022,943
Amortization of Intangible Assets	65,086,239	24,282,409
Amortization of Government Grant	(381,975,212)	(407,493,066)
Prior Year Adjustment	-	255,161,117
Provision for Gratuity	41,774,957	54,987,411
Interest Income	(43,076,288)	(79,560,052)
Interest Expenses	403,839,931	503,834,144
Operating Loss Before Changes in Working Capital	(253,865,308)	(598,431,737)
Changes in Working Capital		
Inventories	(7,884,197)	(845,182,674)
Trade and Other Receivables	324,807,189	(475,419,991)
Deposit and Advances	(57,037,564)	21,524,830
Consumable Stocks	(10,375,746)	(31,568,739)
Statutory Receivables	7,359,191	(7,319,943)
Trade and Other Payables	(375,809,735)	2,114,906,289
Statutory Payable	106,766,919	(203,997,723)
Cash used in Operations	(266,039,250)	(25,489,687)
Gratuity Paid	(5,278,235)	(11,849,674)
Interest Paid	(295,400,206)	(438,539,397)
Net Cash used in Operating Activities	(566,717,691)	(475,878,759)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment / Incurred on CWIP	(118,046,003)	(57,125,519)
Acquisition of Intangible Assets	(232,399,000)	(10,617,845)
Interest Received	43,076,288	79,560,052
Net Cash Flow from / (used in) Investing Activities	(307,368,715)	11,816,688
Cash Flows from Financing Activities		
Net Changes in Borrowings	(4,731,012,015)	(90,492,481)
Equity Infusion	2,295,745,706	1,147,872,853
Government Grant Received / (Change)	79,672,820	(34,959,767)
Net Changes in Fixed Deposits	339,323,192	11,759,749
Net Cash Flow from Financing Activities	(2,016,270,296)	1,034,180,354
Net Changes in Cash and Cash Equivalents During the Period	(2,890,356,704)	570,118,283
Cash and Cash Equivalents at Beginning of the Period	(35,934,540)	(606,052,823)
Cash and Cash Equivalents at End of the Period (Note 20)	(2,926,291,244)	(35,934,540)

4.8 NOTES TO THE FINANCIAL STATEMENTS

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1. CORPORATE INFORMATION

1.1. General Information

Lanka Sathosa Limited is a state owned largest retail network business in Sri Lanka which incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the Company is located at No. 27, CWE Secretariat Building, Vauxhall Street, Colombo 02.

1.2. Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the distribution of fast moving consumable items and general merchandise through a chain of show rooms.

1.3. Number of Employees

The staff strength of the Company as at 31 December 2021 is 3,414 (3568 as at 31 December 2020).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The Financial Statements of the Lanka Sathosa Limited have been prepared in accordance with Sri Lanka Accounting standards comprising SLFRS and LKAS (hereafter "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements have been prepared on a historical cost basis except for the post-employment Benefit Liabilities which valued by actuarial valuation method. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

Financial Statements have been prepared on a historical cost basis, except for Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), Derivative Financial Instruments at fair value, Defined Benefit Obligations actuarially. The Financial Statements are presented in Sri Lankan Rupees except when otherwise indicated.

2.1.1. Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.2. Date of Authorization for issue

The Financial Statements of Lanka Sathosa Limited for the year ended 31 December 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 25th January 2023.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2.2. Significant Accounting Judgments Estimates and Assumptions

The preparation of the Company's financial statements requires management to assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, the management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/ estimates involved.

2.2.1. Going Concern

The company has incurred a net Loss of Rs. 840,281,278/- during the year under review, the accumulated losses amounting to Rs.19,836,544,857/- and, company's current liabilities has exceeded its current assets by Rs. 6,684,218,633/- .Despite this, the Financial Statements of the Company have been prepared on a Going Concern Basis on the assumption that the Government Treasury will continue to extend finances to enable to meet its obligations as and when they fall due.

2.2.2. Current versus non-current classification

The Company presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non current.

A liability is considered as current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non current

LANKA SATHOSA LIMITED **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31ST DECEMBER 2021**

2.2.3. Fair value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include model inputs such as volatility for discount rates. The valuation of financial instruments is described in more detail in Note 29.

2.2.4. Impairment Losses on Financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

2.2.5. Revenue from contracts with customers

a) Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Interest

Interest Income is recognized as the interest accrues unless collectability is in doubt.

c) Other Income

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2.2.6. Property, Plant and Equipment

a) Cost and Valuation

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

b) Depreciation

Provision for depreciation is calculated using the straight-line method. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives.

If an asset has several components, which can be physically separated from the principal assets and have significantly different useful life, those shall be recognized separately and depreciated based on their respective useful lives. Significant components were identified based on the components which have a significant cost out of the total value of the principal asset and the components which have significantly different useful economic lives.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

The useful lives are as follows:

Class of Asset	Rate	No. of Years
Buildings	5%	20
Building Partitioning	10%	10
Name Board and Fittings	20%	5
Computers Equipment	25%	4
Computer Software	25%	4
Equipment	20%	5
Office Equipment	20%	5
Furniture and Fittings	20%	5
Motor Vehicles	20%	5
Communication Equipment	20%	5
Assets Transferred from CWE	17.5%	5-6

Depreciation of assets begins when it is available for use.

The assets residual values, useful lives, and depreciation methods are reviewed if there is an indication of a significant change since the last annual reporting date

2.2.7. Intangible Assets

The Company intangible assets include the value of computer software, implementation of networking and System licence.

a) Basis of Recognition

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the company in accordance with the Sri Lanka Accounting Standard- LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at costless any accumulated amortization and any accumulated impairment losses if any.

b) Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

c) Useful Economic Lives, Amortization and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	Rate	No. of Year
Computer software	25%	4

d) De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the year the asset is de-recognized.

2.2.8. Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of Completion^e and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Merchandising goods - Actual cost on a First in First Out (FIFO) basis

Other inventories - Actual cost

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2.2.9. Trade and Other Receivables

Trade receivables are amounts due from customers for sale of goods and services rendered in the ordinary course of business. Collection is expected in the normal operating cycle of the business (within one year or less) and the receivables are classified as current assets. Trade receivables are recognized initially at fair value (invoice value) and subsequently measured at the original invoice value less provision for impairment as the dues are expected to receive in the normal operating cycle of the business.

The company assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired. Objective evidence of impairment for trade receivables include the company's past experience in collecting payments, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default payments. Trade receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment. Trade receivables are assessed individually for impairment.

2.2.10. Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.2.11. Financial assets

a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the companies' business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, 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. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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The companies' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the company statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

d) Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Companies financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

b) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.2.12. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

2.2.13. Employee Retirement Benefits

a) Defined Contribution Plan Costs

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as 'a Personnel Expenses' in the Profit or Loss in the Statement of Comprehensive Income in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with the respective Statutes and Regulations. Accordingly, the Lanka Sathosa Limited contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense under 'Personnel Expenses'.

b) Defined Benefit Plan Costs

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the 'Projected Unit Credit Method'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability. Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2.2.14. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.2.15. Related Party Transactions

Disclosures have made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

2.2.16. Events after the Reporting Period

All the material events after end of the reporting period have been considered and appropriate adjustments/disclosures have been made in Note 28 to the Financial Statements.

2.2.17 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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 relevant tax legislations.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

b) Deferred Taxation

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

c) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- a) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- b) Receivables and payables are stated with the amount of sales tax included
- c) The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3. Changes in Accounting Policies and Disclosures

2.3.1. New and amended standards and interpretations

In these financial statements, the Company has applied SLFRS 16 - 'Leases'. The nature and effect of the changes as a result of adoption of this new accounting standard are described in Notes 2.3.1.1.

2.3.1.1. SLFRS 16 – Leases

SLFRS 16 supersedes LKAS 17- 'Lease' and IFRIC 4 - 'Determining whether an Arrangement contains a Lease' for periods on or after 01st January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the Statement of Financial Position.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
3 Revenue			
Revenue in the Automated Outlets			
Grocery Products		13,604,428,666	4,704,640,366
Provision Products		19,470,685,863	7,409,631,677
Liquor		1,741,168,733	2,302,462,585
Promotional Items		762,043,964	386,359,814
Household		1,641,131,139	568,149,476
Stationery		27,247,036	3,254,287
		37,246,705,401	15,374,498,206
Revenue in the Manual Outlets	3.1	3,621,009,247	20,309,963,965
Gross Revenue		40,867,714,648	35,684,462,170
Sales Discount		(176,194,247)	(105,518,644)
		40,691,520,401	35,578,943,527
3.1	The revenue in manual outlets could not be categorized in terms of the items of goods sold. Nevertheless, the entire stream of receipts for goods sold, comprise of cash sales, card sales, gift voucher sales and credit sales have been recognized.		
4 Cost of Sales			
Stock as at		4,895,831,936	4,050,649,263
Purchases		36,242,818,708	32,910,063,123
		41,138,650,644	36,960,712,386
Purchases Return		(273,569,662)	(304,592,689)
Stock as at	4.1	(4,903,716,133)	(4,895,831,936)
		35,961,364,850	31,760,287,760
4.1 Closing Inventories			
The physical inventory balance of manual outlets have been originally verified at sales price and adjusted to arrive at the cost values by removing average profit margins.			
5 Stock Shortages and Other Stock Variances			
Stocks Shortages -Manual & Automated Outlet / Warehouse		157,989,850	52,962,078
Recovered from Employees		(2,004,422)	(4,618,884)
Recovered from Insurance		(1,641,050)	(2,655,196)
		154,344,377	45,687,998

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

		<i>(Expressed in Sri Lankan Rupees)</i>	
	Note	2021	2020
6	Other Income		
	Gondola Income	62,073,519	91,195,191
	Promotional Income	168,949,437	193,981,801
	Commission Income	2,792,772	1,839,932
	Sundry Income	45,468,820	27,640,211
	Registration and Listing Income	56,404,200	40,783,210
	Rent Income	5,966,344	4,978,288
	Creditor Write Back	-	562,158
	Penalty Income	5,082,368	2,923,020
	Joint Business Plan Income	-	-
	Amortisation of Deferred Income - Capital Grant	381,975,212	407,493,066
	Recoveries	6,646,651	6,880,871
		735,359,323	778,277,747
7	Selling and Distribution Expenses		
	Salaries	1,013,753,812	1,099,156,447
	COL and Other Allowances	292,200,952	371,130,395
	Employees Provident Fund	155,495,893	169,802,135
	Employees Trust Fund	38,872,073	42,453,072
	Overtime	333,602,754	247,578,441
	Risk Allowances-COVID 19	-	139,553,028
	Advertising Expenses	21,276,704	96,690,857
	Bonus	97,526,998	73,581,726
	Incentive	40,430,262	-
	Consumable Store Charges	20,604,830	16,143,447
	Grocery Bags	265,470,806	225,791,373
	Packing Charges	884,879	274,164
	Printing Expenses	28,863,175	47,579,274
	Rent	708,839,645	698,380,388
	Sales Discount -Gift Voucher	750,810	595,070
	Security Charges	230,330,147	210,654,902
	Transport Charges	249,686,722	91,589,844
	Promotional Expenses	5,653,798	21,160,463
	Trade License Fees	18,665,115	19,219,677
	Special Operational Expenses	11,905,188	2,627,497
	Rental Expenses	13,953,622	-
		3,548,768,186	3,573,962,198

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
8 Administrative Expenses			
Salaries - Managerial, Executive and Clerical		132,671,018	137,177,018
COL and Other Allowances		68,123,486	57,472,560
Employees Provident Fund		19,152,279	19,435,132
Employees Trust Fund		4,790,415	4,862,028
Overtime		16,541,733	13,206,230
Risk Allowances-COVID 19		-	4,247,685
Director Fees		1,718,000	910,000
Annual Leave Payment		65,713,554	67,337,228
Audit Fees and Expenses		1,792,167	748,494
Repair and Maintenance		82,503,310	83,230,486
Stock Verification Charges		437,365	4,049,691
Casual Wages		344,535,200	279,105,219
Courier Charges		6,330,922	4,137,375
Depreciation		500,766,342	479,399,081
Amortization of Intangible Assets		65,086,239	24,282,409
Gratuity		41,774,957	54,987,411
Donations		833,858	328,100
Electricity		257,291,898	240,517,034
Fine and Surcharges		1,803,346	747,696
Pest Control		2,923,628	5,279,258
Service Agreement Fees- AMC		29,088,765	25,236,959
Fuel Charges		15,334,011	10,844,713
Subscription		332,987	476,001
Insurance		29,328,808	35,874,840
Royalty Fees for CWE (Liquor License)		4,920,024	11,320,056
Water Expenses		13,966,179	11,355,665
Legal Fees		4,240,528	2,738,570
Rates and Taxes		662,907	991,350
Postage and Stamp Fees		5,019,453	3,162,955
Secretarial Fees		315,950	486,550
Staff Training		1,538,509	513,857
Professional Fees		16,853,838	13,832,218
Stationeries		50,990,190	17,342,792
Telephone and Internet		94,601,338	90,171,440

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
Travelling & Subsistence		168,708,057	99,628,509
Unclaimable VAT		26,018,273	25,198,901
Staff Welfare		35,132,522	33,063,736
Vehical Rental		13,305,432	12,441,992
Labour Compensation		-	3,954,930
Bank Charges and Commissions		71,155,079	58,114,275
Disposal Clearing		31,212,686	-
Miscellaneous		14,404,691	2,465,425
		2,241,919,944	1,940,675,869

9 Net Finance Cost

Interest Expenses

Interest on People's Bank Loan	110,145,993	139,153,137
Interest on BOC Loan	929,023,918	550,686,990
(-) Government Grant Received	(1,038,399,320)	(615,981,736)
Interest on WCL	180,871,351	307,024,917
Overdraft Interest	222,197,988	122,950,837
	403,839,931	503,834,144

Interest Income

Interest on Fixed Deposits and Savings	(43,076,288)	(79,560,052)
	(43,076,288)	(79,560,052)
	360,763,643	424,274,092

10 Income Tax Expense

The major components of income tax expenses and the accounting profit multiplied by the statutory tax rates are as follows.

Current Income Tax	10.1	-	-
Deferred Income Tax		-	-
		-	-

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
10.1	A reconciliation between current tax expenses and the accounting profit multiplied by the statutory tax rates are as follows.		
Net Profit/(loss) as per financial statements.		(840,281,278)	(1,387,666,643)
Add: Disallowable Expenses		640,523,542	587,682,169
Less: Allowable Expenses		(452,682,065)	(402,945,192)
Business income/(loss) for the year		<u>(652,439,800)</u>	<u>(1,202,929,666)</u>
Less: Brought forward tax loss		-	-
Business income		<u>-</u>	<u>-</u>
Statutory Tax Rates		28%	28%
Current Income Tax Expenses		<u>-</u>	<u>-</u>
11	Basic Earnings / (Loss) Per Share (Rs.)		
<i>Amount used as the Numerator</i>			
Attributable to Equity Holders (Rs.)		(840,281,278)	(1,387,666,643)
<i>Number of Ordinary Shares used as the Denominator</i>			
Weighted Average number of Shares in Issue (Nos)		89,375,272	89,375,272
Basic Earnings / (Loss) Per Share (Rs.)		<u>(9.40)</u>	<u>(15.53)</u>

Basic Earnings / (Loss) per share is calculated by dividing the profit / (Loss) attributable to the equity holders by the weighted average number of ordinary shares in issue during the reporting period.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

12 PROPERTY, PLANT AND EQUIPMENT

12.1	Gross Carrying Amount	Balance As At 01.01.2021	Additions	Transfer from/To	Transfer to IA	Disposals	Balance As At 31.12.2021
	At Cost						
	Buildings	459,593,809	1,002,000	-	-	-	460,595,809
	Name Board and Fittings	184,044,592	8,801,435	-	-	-	192,846,027
	Computers Equipment	258,479,943	61,354,710	-	-	-	319,834,653
	Computer Software	260,272,899	-	-	-	(83,233,830)	177,039,069
	Equipment	1,801,943,534	75,447,438	-	-	-	1,877,390,972
	Office Equipment	352,459,321	-	-	-	-	352,459,321
	Furniture and Fittings	278,261,014	2,653,106	-	-	-	280,914,120
	Motor Vehicles	18,821,440	-	-	-	-	18,821,440
	Communication Equipment	3,642,602	-	-	-	-	3,642,602
	Assets of CWE	22,798,843	-	-	-	-	22,798,843
		3,640,317,997	149,258,689	-	-	(83,233,830)	3,706,342,856
	In the Course of Construction						
	Capital Work-in-Progress 12.1.1	-	-	-	-	-	-
		-	-	-	-	-	-
	Total Gross Carrying Amount	3,640,317,997	149,258,689	-	-	(83,233,830)	3,706,342,856
12.1.1	Capital Work-in-Progress						
	Project Advance - Mannar						12,056,960
	Provision for Impairment						(12,056,960)
							-
12.2	Depreciation						
		Balance As At 01.01.2021	Charge for the Year	Transfer from	Transfer to IA	Disposals	Balance As At 31.12.2021
	Buildings	150,656,556	24,733,154	-	-	-	175,389,710
	Name Board and Fittings	81,952,452	32,229,377	-	-	-	114,181,829
	Computers Equipment	210,950,064	36,045,289	-	-	-	246,995,353
	Computer Software	115,640,247	55,332,109	-	-	(52,021,144)	118,951,212
	Equipment	739,932,651	341,199,719	-	-	-	1,081,132,370
	Office Equipment	352,272,148	56,723	-	-	-	352,328,872
	Furniture and Fittings	267,312,343	11,169,971	-	-	-	278,482,314
	Motor Vehicles	18,821,440	-	-	-	-	18,821,440
	Communication Equipment	3,642,602	-	-	-	-	3,642,602
	Assets of CWE	22,798,843	-	-	-	-	22,798,843
	Total Depreciation	1,963,979,347	500,766,342	-	-	(52,021,144)	2,412,724,546

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
12.3 Net Book Values		Balance As At 31.12.2021	Balance As At 31.12.2020
Buildings		285,206,100	308,937,254
Name Board and Fittings		78,664,198	102,092,140
Computers Equipment		72,839,300	47,529,879
Computer Software		58,087,857	144,632,652
Equipment		796,258,601	1,062,010,882
Office Equipment		130,449	187,172
Furniture and Fittings		2,431,806	10,948,671
Motor Vehicles		-	-
Communication Equipment		-	-
Assets of CWE		-	-
		1,293,618,311	1,676,338,650
In the Course of Construction		-	-
Capital Work-in-Progress		-	-
Total Carrying Amount of Property, Plant and Equipment		1,293,618,311	1,676,338,650

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
13 Intangible Assets			
Computer Software			
<i>Cost</i>			
Balance as at		150,103,826	139,485,981
Additions During the Year		232,399,000	10,617,845
Balance as at		382,502,826	150,103,826
 <i>Amortization</i>			
Balance as at		91,222,758	66,940,349
Charge for the Year		65,086,239	24,282,409
Balance as at		156,308,997	91,222,758
Net Carrying Value		226,193,829	58,881,068
 14 Deferred Tax Assets / Liability			
Since the company is generating continues losses, no deferred tax assets have been recognized.			
 15 Inventories			
Trading Stocks (Provisional Items)		916,654,087	832,893,807
Trading Stocks (Grocery Items)		3,815,118,496	3,923,410,799
Trading Stocks (Liquor)		171,943,550	139,527,330
		4,903,716,133	4,895,831,936
 16 Trade and Other Receivables			
Trade Receivables		462,705,844	816,312,796
Amounts Due from Related Parties	16.1	-	-
	16.2		
Other Receivables	16.3	225,071,115	196,271,353
		687,776,959	1,012,584,149

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
16.1 Trade Receivables			
Card Control		19,659,950	7,629,228
Trade Receivables		369,608,694	781,480,263
Unsettled Fund		(6,747,170)	(44,901,340)
Provision for Impairment		(62,959,958)	(62,959,958)
		319,561,516	681,248,192
Accounts Receivable		143,236,329	135,156,604
Provision for Impairment		(92,000)	(92,000)
		462,705,844	816,312,796
16.2 Amounts Due from Related Parties			
Co-operative Wholesale Establishment		10,083,353	10,083,353
Provision for Impairment		(10,083,353)	(10,083,353)
		-	-
16.3 Other Receivables			
Receivable From Ministry		184,846,992	98,431,962
Provision for Impairment		(2,270,000)	(2,270,000)
		182,576,992	96,161,962
Receivable From Treasury-Import Loan		42,224,161	99,592,140
Sports Ministry		36,453,533	36,453,533
Provision for Impairment		(36,453,533)	(36,453,533)
		224,801,153	195,754,101
Cheques Control		269,962	517,252
		225,071,115	196,271,353

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
17 Deposits and Advances			
Rent Advance		86,781,904	88,050,146
Rent Deposit		18,257,054	16,867,420
Rent & Rates Prepaid		3,370,756	154,726
Rent Recoverable		3,169,806	-
Salary Advance		44,800,789	-
Festival Advance	17.1	6,053,437	5,202,937
Import Clearing Advances - Liverpool Navigation	17.2	-	-
Advances- Other		28,688,122	38,273,761
Refundable Deposit Receivable		9,971,144	1,996,544
NTB Utility Card Control		7,932,585	1,274,047
Travelling Advance		91,070	259,523
Big Onion Control	17.3	-	-
Under Remittance	17.4	-	-
Refundable Deposit - Container	17.5	-	-
		209,116,667	152,079,103
17.1 Festival Advance			
Advances to Staff		6,499,437	5,648,937
Provision for Impairment		(446,000)	(446,000)
		6,053,437	5,202,937

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

		<i>(Expressed in Sri Lankan Rupees)</i>	
	Note	2021	2020
17.2 Import Clearing Advances - Liverpool Navigation			
Import Clearing Advances		267,600,500	267,600,500
Provision for impairment		(267,600,500)	(267,600,500)
		-	-
17.2.1	Above amount represents the amount paid to Liverpool Navigation in the year 2015 and 2016 for clearance of Imported Rice		
17.3 Big Onion Control			
Big Onion Control		137,826,385	137,826,385
Provision for Impairment		(137,826,385)	(137,826,385)
		-	-
17.3.1	The remaining balance of Big Onion Intermediate Account of Rs. 137,826,385/- the local farmers and the stock received to the company (the GRN's value). Further, a provision for impairment has been made on the entire amount since, recovery of the amount subsequently proved to be remote. However, this project is under investigation.		
17.4 Under Remittance			
Under Remittance		56,762,337	56,762,337
Provision for Impairment		(56,762,337)	(56,762,337)
		-	-
17.4.1	The above represent the amount spent out of the sales collection by the Manual outlets.		
17.5 Refundable Deposit - Container			
Refundable Deposit - Container		19,507,254	19,507,254
Provision for Impairment		(19,507,254)	(19,507,254)
		-	-

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

		<i>(Expressed in Sri Lankan Rupees)</i>	
	Note	2021	2020
18	Consumable Stocks		
Grocery Bags		4,162,450	8,521,175
Thermal Papers		5,872,129	741,775
Stationeries		5,314,019	5,705,458
Printer Toners		21,291,800	12,928,783
Printed Documents		5,304,087	3,671,548
		41,944,485	31,568,739
19	Pre-Paid Expenses and Statutory Receivables		
Pre-Paid Expenses		9,318,075	16,677,266
Statutory Receivables		4,689,377	4,689,377
		14,007,452	21,366,644
	19.1 Pre - Paid Expenses		
Insurance		4,796,997	7,112,716
Liquor Licenses	19.1	947,001	5,042,501
Other Pre-Paid Expenses	19.2	3,574,077	4,522,050
		9,318,075	16,677,266
	19.2 Statutory Receivables		
Income Taxes		10,927,534	10,927,534
Withholding Tax (Opening)		6,694,788	6,694,788
Provision for write off		(12,932,944)	(12,932,944)
		4,689,377	4,689,377

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
20 Cash and Cash Equivalents			
Components of Cash and Cash Equivalents			
20.1 Favourable Cash and Cash Equivalent Balance			
Short Term Investment in REPO's	20.1.1	58,200,000	-
Cash at Bank	20.1.2	62,020,739	820,008,183
Cash in Hand	20.1.3	135,086,677	130,812,474
		<u>255,307,417</u>	<u>950,820,656.93</u>
20.1.1 Short-Term Investment in REPOs			-
This investment included cash balances which invested as REPO's by Lanka Sathosa Limited on every day from excess cash from account no 004-0046-1991855 & 004100641991855			
20.1.2 Cash at Bank			
People's Bank			
Savings Account - 004-2-002-6-1991855		5,233,282	5,377,093
Master Card Account - 004-1-001-1-0000044		2,683,943	8,327,062
Petty Cash Account - 004-1-003-7-1991855		2,604,564	1,973,791
Liquor Account - 004-1-002-8-1991855		35,490,037	-
Main Current Account - 004-1-001-9-1991855		-	728,942,660
General Account - 004-1-004-6-1991855		4,549,313	71,032,091
Mobitel Account - 004-2-006-4-1991855		142,774	379,793
Special Provision Account - 004-2-005-5-1991855		-	25,405
Bank of Ceylon			
Current Account 76587128		7,682,666	1,463,134
Nations Trust Bank			
Card Account- 100060011036		886,421	910
Commercial Bank			
Card Account- 1480045950		2,747,740	2,486,244
		<u>62,020,739</u>	<u>820,008,183</u>
20.1.3 Cash in Hand			
Floating Cash		4,252,869	3,445,755
Special Petty Cash		706,044	2,040,346
Petty Cash Float		9,950,673	7,267,052
Outlet Cash Control 20.1.3.1		120,177,091	118,059,321
		<u>135,086,678</u>	<u>130,812,474</u>
		<u>255,307,417</u>	<u>950,820,657</u>

20.1.3.1 Outlet Cash Control

This balance represents the undeposited cash collection by the individual outlets at the year end.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
20.2 Unfavourable Balances			
20.2.1 Bank Overdrafts			
People's Bank			
Special Provision Account - 004-2-005-5-1991855		2,193,997,778	-
Liquor Account - 004-1-002-8-1991855		-	4,462,386
Provision Account - 004-2-007-3-1991855		493,398,324	982,292,813
Main Current Account - 004-1-001-9-1991855		494,202,558	-
		(3,181,598,660)	(986,755,198)
Cash and Cash Equivalents for the Purpose of Statement of Cash Flows		(2,926,291,243)	(35,934,542)
 21 Stated Capital			
Issued and Fully Paid,			
Ordinary Shares		893,752,720	893,752,720
		893,752,720	893,752,720
No's of Shares			89,375,272
 22 Retirement Benefits Obligation			
Balance as at 01.01.2021		260,031,442	228,465,814
Expenses Recognised in Profit or Loss	22.1	41,774,957	54,987,411
Actuarial (Gain) / Losses Recognised in Other Comprehensive Income		(9,226,791)	(11,572,109)
Payments Made During The Period		(5,278,235)	(11,849,674)
Balance as at 31.12.2021		287,301,373	260,031,442
 22.1 Expenses Recognised in Profit or Loss			
Current Service Cost		22,012,567	30,998,500
Interest Charge for the Year		19,762,390	23,988,911
		41,774,957	54,987,411

22.2 Actuarial valuation of the defined benefit plan(Gratuity)was carried out on 31 December 2021 by Actuarial & Management Consultant (Pvt)Ltd.Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

Note	2021	2020
22.3 Principal Actuarial Assumptions The Principal assumptions used are as follows;		
a) Demographic		
Retirement Age:	62 Years	60 Years
Staff Turnover-up to /	5%	5%
b) Financial		
Rate of Discount	11.50%	7.60%
Salary Increment	6%	5%

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2020. The sensitivity of the Statement of Total Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increase rate on the Comprehensive Income .

	Effect on Total Comprehensive Income - (Reduction)/ Increase in Results 2021	Effect on Total Comprehensive Income - (Reduction)/ Increase in Results 2020
+1% Change in	265,419,922	241,954,298
-1% Change in Discount Rate	312,708,909	280,811,591

23 Trade and Other Payables

Trade Payables			
Related Party	23.1	1,873,711,575	1,954,829,253
Others		6,877,891,761	7,275,233,343
Other Payables	23.2	160,202,422	62,549,724
Accrued Expences	23.3	222,656,533	217,659,706
		9,134,462,290	9,510,272,026

23.1 Amount Due to Related Parties-Trade

Name of the Company	Relationship		
Co-operative Wholesale Establishment (CWE)	Related Company	1,826,860,899	1,924,384,456
CWE Economic Center Services (Pvt) Ltd	Related Company	41,575,324	3,401,350
CWE Construction and Engineering (Pvt) Ltd	Related Company	4,795,691	27,043,446
CWE Milco Agent (Pvt) Ltd	Related Company	479,661	-
		1,873,711,575	1,954,829,253

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

		<i>(Expressed in Sri Lankan Rupees)</i>	
	Note	2021	2020
23.1 Trade Payables			
Supplier Payables, and others		8,751,603,336	9,230,062,595
		<u>8,751,603,336</u>	<u>9,230,062,595</u>
23.2 Other Payables			
Employee Security Deposits		11,522,620	11,659,250
Retention Money		24,211,234	28,477,282
Refundable Deposit Payable		3,175,685	2,943,000
Gift Voucher Control		14,876,672	7,196,934
Printing Expense Payable		2,582,000	1,832,501
Lanka Sathosa Welfare Society		-	-
Intermediate - Fixed Assets Payable		40,377,522	-
incentive Payable		28,683,159	-
Transport Charge Payable		34,773,530	10,440,757
		<u>160,202,422</u>	<u>62,549,724</u>
23.3 Accrued Expenses			
Salaries Payable		156,893	162,211
Overtime Payable		34,999,825	36,836,254
EPF Payable		10,694,754	29,461,063
ETF Payable		1,547,237	4,401,854
Annual Leave Reimbursement Payable		64,648,963	65,834,344
Audit and Tax Fee Expenses		6,200,000	5,800,000
Rent Payable		54,375,036	37,903,390
Electricity Payable		17,693,325	13,156,088
Telephone Charges Payable		8,673,869	7,002,889
Water Charges		414,425	433,599
Security Charge Payable		15,568,921	15,568,921
Accrued Charges		7,679,745	1,095,555
Mobitel Recharge Payable		3,539	3,539
		<u>222,656,533</u>	<u>217,659,706</u>
24 Interest bearing Loans and Borrowings			
24.1 Current interest bearing Loans and Borrowings			
Import Loan	24.1.1	722,602,213	1,574,659,843
Working Capital	24.1.2	600,000,000	600,000,000
		<u>1,322,602,213</u>	<u>2,174,659,843</u>
24.2 Non -Current interest bearing Loans and Borrowings			
Import Loan	24.2.1	8,055,573,595	10,330,657,890
Working Capital Loan	24.2.2	1,200,000,001	1,945,746,667
		<u>9,255,573,596</u>	<u>12,276,404,557</u>

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

		<i>(Expressed in Sri Lankan Rupees)</i>	
	Note	2021	2020
24.1.1 Import Loan			
24.1.1-Import Loan-BOC			
Balance as at		10,790,415,521	10,239,728,531
Loans Obtained During the Year			
Interest Accrued		929,023,918	550,686,990
<u>Repayments During the Year</u>			
Repayment-Grant		(1,479,710,907)	(550,686,989)
Repayments -Equity Infusion		(3,071,918,559)	(1,023,972,853)
Not paid during the year		722,602,213	1,574,659,843
Balance as at		7,890,412,185	10,790,415,521
24.1.2-Import Loan-People's Bank			
Balance as at		1,114,902,212	1,238,802,212
Loans Obtained During the Year			-
Interest Accrued		108,439,725	65,294,747
<u>Repayments During the Year</u>			
Repayment-Grant		(108,439,725)	(65,294,747)
Repayments -Equity Infusion		(247,800,000)	(123,900,000)
Not paid during the year		20,661,411	
Balance as at		887,763,623	1,114,902,212
Total		8,778,175,807	11,905,317,733
24.1.2 Working Capital			
Balance as at		2,545,746,667	3,000,000,000
Loans Obtained During the Year		-	-
Interest Accrued		-	-
Repayments - Interest		-	-
Repayments -Capital		(745,746,666)	(454,253,333)
Balance as at		1,800,000,001	2,545,746,667
25 Statutory Payables			
Economic Service Charges (ESC)		-	-
Value Added Tax (VAT) Payable		317,674,408	210,907,489
National Building Tax (NBT)		-	-
With Holding Tax (WHT) Payable		-	-
		317,674,408	210,907,489

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

26 Government Grants

	Development and Implementation of ERP System	Outlet Expansion and Re-furbishments of Existing Outlets	Installation of CCTV System	Installation of Air Conditioners	Installation of Point of Sales System	Other Projects	Total
Balance as at 01 January 2020	39,635,157	810,547,334	83,883,438	62,051,878	77,363,829	16,556,976	1,090,038,611
Addition during the year	-	-	-	-	-	-	-
Non receivable from Ministry	-	(34,959,767)	-	-	-	-	(34,959,767)
Amortization for the Period	(19,817,578)	(296,458,549)	(28,660,422)	(23,785,864)	(34,440,050)	(4,330,603)	(407,493,066)
Balance as at 31 December 2020	19,817,578	479,129,018	55,223,016	38,266,014	42,923,779	12,226,373	647,585,778
Non Current Portion	9,908,789	223,597,899	26,562,593	14,480,150	8,483,730	7,895,769	290,928,931
Current Portion	9,908,789	255,531,119	28,660,422	23,785,864	34,440,050	4,330,603	356,656,847
	19,817,578	479,129,018	55,223,016	38,266,014	42,923,779	12,226,373	647,585,778
Balance as at 01 January 2021	19,817,578	479,129,018	55,223,016	38,266,014	42,923,779	12,226,373	647,585,778
Non receivable from ministry	-	(16,626,066)	-	-	-	-	(16,626,065)
Addition during the year	-	49,181,953	9,345,020	8,275,433	7,874,937	21,621,543	96,298,886
Amortization for the Period	(9,908,789)	(275,507,527)	(28,660,422)	(29,127,821)	(34,440,050)	(4,330,603)	(381,975,212)
Balance as at 31 December 2021	9,908,789	236,177,379	35,907,613	17,413,627	16,358,667	29,517,312	345,283,387
Non Current Portion	(0)	157,430,812	23,038,084	14,193,303	13,169,903	25,186,709	233,018,809
Current Portion	9,908,789	78,746,567	12,869,530	3,220,324	3,188,764	4,330,603	112,264,577
	9,908,789	236,177,379	35,907,613	17,413,627	16,358,667	29,517,312	345,283,387

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

27. EARNING PER SHARE

27.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

27.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2021	2020
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	(840,281,277)	(1,387,666,643)
Number of Ordinary Shares Used as Denominator:	2021 Number	2020 Number
Weighted Average Number of Ordinary Shares in Issue	89,375,272	89,375,272
27.3 Earning Per Share	2021	2020
Basic Earnings Per Share	(9.40)	(15.53)

28. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events after the reporting date that require adjustment to or disclosure in the Financial Statements except points mentioned below

28.1 At the reporting date, 441 outlets were operated by the company and expanded with 6 new outlets and closed down 03 outlets after the reporting date strengthening the company's retail network.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

29. ASSETS PLEDGED

The following assets have been pledged as security for liabilities;

Nature of Asset	Nature of Liability	Included under	Carrying amount of the Assets Pledged	Carrying amount of the Assets Pledged
Fixed Deposits	Loan from People's Bank to Import Rice	Cash and Cash	525,099,312.62	864,422,504.73

30. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows;

30.1 Transaction with the parent and related entities

Name of the Company	Relationship	Nature of Transactions	2021	2020
a) Co-operative Wholesale Establishment	Related Company	Amounts Receivable as at 31 December Amounts Payable as at 31 December Rent Transport Royalty Fees Electricity & Water Packeting & Other Purchases Auditorium Charges Payments Made	- (1,826,860,899) 138,751,596 116,110,033 4,920,024 932,006 - 2,458,532 650,625 -	- (1,924,384,456) 113,179,566 49,121,826 11,320,056 8,322,451 632,021 100,888,027 - 412,304,825
b) CWE Construction and Engineering (Pvt) Ltd	Related Company	Amounts Receivable as at 31 December Amounts Payable as at 31 December Purchase of Goods/Services Services received Payments Made	- (4,795,690) - 9,067,335 7,672,994	- (3,401,349) - 21,379,901 81,292,895
c) CWE Economic Centre Services (Pvt) Ltd	Related Company	Amounts Receivable as at 31 December Amounts Payable as at 31 December Services received Payments Made	- (41,575,324) 230,267,147 215,735,269	- (27,043,446) 194,590,924 188,371,239
d) CWE Milco Agent Pvt Ltd	Related Company	Amounts Receivable as at 31 December Amounts Payable as at 31 December Purchase of Goods/Services Payments Made	- (479,660) - -	- - - -

30.2 Transactions with Key Management Personnel of the Company or its Parent

The Key Management Personnel of the Company are the members of its Board of Directors and other KMP's.

a) Key Management Personnel Compensation	2021	2020
Short-term Employee Benefits	1,718,000	910,000
b) Other Transactions with key Management Personnel		
Lanka Sathosa Limited carries out transactions with Key Management Personnel and their close family members on an arm's length basis except any concessions which have been availed under concessionary schemes uniformly applicable to all staff. This is mainly evident in the Lanka Sathosa sales outlets Island wide.		

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise Bank Overdrafts, Loans and Borrowings and Trade and Other Payables. The main purpose of these financial liabilities is to finance the Company's operations.

31.1 Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading towards negative effect towards Company profitability. The Company is exposed to credit risk from its operating activities and from its financing activities.

Carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows ;

	2021	2020
Trade and Other Receivables	687,776,959.14	1,012,584,149
Deposit and Advances	209,116,667.33	152,079,103
Pre-Paid Expenses and Statutory Receivables	14,007,452.24	21,366,644
Cash and Cash Equivalents	255,307,417.00	950,820,657
Total credit risk exposure	1,166,208,495.71	2,136,850,553

31.1.1 Trade and Other Receivables

	2021	2020
As at 31 December		
Less Than 3 Months	412,666,175	607,550,489
3 to 12 Months	275,110,783	405,033,659
2 to 5 Years	-	-
More than 5 Years	-	-
	687,776,959	1,012,584,149

31.1.2 Deposit and Advances

Deposit and Advances balance represents the advances and deposits paid regarding rent , payment of Festival advances to employees and other advances.

31.1.3 Pre-Paid Expenses and Statutory Receivables

Pre-Paid Expenses and Statutory Receivables balance represents pre payments regarding insurance , Software license and liquor license.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

31.1.4 Cash and Cash Equivalents

Lanka Sathosa Limited held cash and cash equivalents of Rs. 0.25 Bn at 31 December 2021 (2020 - 0.95 Bn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AA-(Ika), based on Fitch Ratings.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

32.1 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient leeway's in the short term facilities and structuring new credit lines for short and long term tenors to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

32.2 Liquidity Risk

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On Demand	Less than 3 Months	30 to 12 Months	2 to 5 Years	Total
As of 31 December 2021					
Trade and Other Payables *	3,653,784,916	913,446,229	913,446,229	3,653,784,916	9,134,462,290
Interest-bearing Borrowings	-	150,000,000	450,000,000	9,830,760,719	9,230,760,719
Bank Overdrafts	3,181,598,660	-	-	-	3,181,598,660
	6,835,383,576	1,063,446,229	1,363,446,229	13,484,545,635	21,546,821,670
	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 Years	Total
As of 31 December 2020					
Trade and Other Payables *	3,804,108,809	951,027,202	951,027,202	3,804,108,810	9,510,272,025
Interest-bearing Borrowings	-	150,000,000	450,000,000	13,853,333,009	14,453,333,009
Bank Overdrafts	986,755,198	-	-	-	986,755,198
	4,790,864,008	1,101,027,202	1,401,027,202	17,657,441,819	24,950,360,232

* Trade and other payables exclude statutory payables.

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the companies income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

32.3.1 Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan rupees (LKR). The Company also has no exposure in respect of recognised foreign currency assets and liabilities.

32.3.2 Interest rate risk

The Group is exposed to interest rate risk on borrowings and deposits. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate, floating rate and inflation-linked liabilities.

Financial Assets	On Demand LKR	Less than 3 Months LKR	3 to 12 Months LKR	2 to 5 Years LKR	Total LKR
Short term Deposits	-	-	525,099,313	-	525,099,313
	-	-	525,099,313	-	525,099,313
Financial Liabilities	On Demand LKR	Less than 3 Months LKR	3 to 12 Months LKR	2 to 5 Years LKR	Total LKR
Bank Overdraft	3,181,598,660	-	-	-	3,181,598,660
Interest-bearing Loans and Borrowings	-	150,000,000	450,000,000	9,230,760,719	9,830,760,719
	3,181,598,660	150,000,000	450,000,000	9,230,760,719	13,012,359,380

33. FINANCIAL INSTRUMENTS

33.1 Financial Assets and Liabilities by Categories

2021

2020

Debt instruments at amortised cost

Trade and Other Receivables	687,776,959	1,012,584,149
Deposit and Advances	209,116,667	152,079,103
Pre-Paid Expenses and Statutory Receivables	14,007,452	21,366,644
Cash and Cash Equivalents	255,307,417	950,820,657
	1,166,208,496	2,136,850,553

Financial Liabilities by Categories measured at amortised cost

2021

2020

Trade and Other Payables	9,134,462,290	9,510,272,025
Interest-bearing Loans and Borrowings	9,830,760,719	14,453,333,009
	18,965,223,010	23,963,605,034

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

34 FAIR VALUE

34.1 Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 : Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting year ended 31 December 2021, there were no transfers between Level 2 and Level 3 fair value measurements.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Notes	Carrying Amount		Fair Value	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Financial Assets					
Trade and Other Receivables	A	687,776,959	1,012,584,149	687,776,959	1,012,584,149
Deposit and Advances	A	209,116,667	152,079,103	209,116,667	152,079,103
Short-Term Investment in REPO's	A	-	-	-	-
Short Term Deposits	A	525,099,313	864,422,505	525,099,313	864,422,505
Cash at Bank and in Hand	A	950,820,657	950,820,657	950,820,657	950,820,657
		2,372,813,596	2,979,906,414	2,372,813,596	2,979,906,414
		Carrying Amount		Fair Value	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Financial Liabilities					
Interest Bearing Loans and Borrowings	B	9,230,760,719	13,853,333,009	9,230,760,719	13,853,333,009
Trade and Other Payables	A	9,134,462,290	9,510,272,025	9,134,462,290	9,510,272,025
Bank Overdrafts	A	3,181,598,660	986,755,198	3,181,598,660	986,755,198
Current Portion of Interest Bearing Loans	B	600,000,000	600,000,000	600,000,000	600,000,000
		22,146,821,670	24,950,360,233	22,146,821,670	24,950,360,233

The following methods and assumptions were used to estimate the fair values;

- A** Cash at bank and in hand, Short Term Deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instrument.
- B** Long-term variable/Fixed rate borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at the reporting date, the carrying amounts of such borrowings are not materially different from their calculated fair values.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

35 COMMITMENTS AND CONTINGENCIES

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

There were no material contingent liabilities and litigations as at end of the reporting period which require adjustments to / or disclosures in the Financial Statements except the following;

35.1 The matter of an Industrial Dispute Between Mr. P. H. C. Peiris & 494 of Employees and Lanka Sathosa Limited (The Government Gazette Notifications No. 2023/39 on 14 June 2016)

The matter in dispute between the aforesaid parties are ;

Whether the non amalgamation of the period of earlier service at the Sathosa Retail Limited to the period of service of Lanka Sathosa Limited of the four hundred and ninety five (495) employees including Mr. P. H. C. Peiris at the time of joining them to Lanka Sathosa Limited on the liquidation of the Sathosa Retail Limited is justified and if not justified, to what relief each of them is entitled.

The Award given, with the order that this award to be implemented within 21 days of publication of above Gazette Notification on the above dispute by the Arbitrator Mr. Kapila M. Sarathchandra (appointed under The Industrial Act.. Chapter 131) are;

(a) Be amalgamate the period of earlier service at Sathosa Retail Limited to the period of service of Lanka Sathosa Limited of the 495 employees.

(b) Be paid any increments, statutory allowances which were entitled by 495 employees during the period in which the continuity service was denied to them.

However, the management of the company is in the process of Appealing through the court to dismiss the above arbitration award. The financial impact that may arise could not be ascertained nor quantified.

35.2 Waterways International Lanka (Pvt) Ltd - Dispute on Liner Demurrage and Damage Charges

A dispute in returning empty containers to the above shipping agent used for rice importation from India in the year 2015 had been occurred due to disagreements in settling the relevant charges by the company and a letter of demand has been received in this regard on 21 February 2017 through Mr. Karunarathne Lansakkara (Attorney-at-law) claiming for total outstanding amounting to Rs. 54.5 Mn, at the reporting date company lawyer has confirmed that value of the case 61.1 Mn. However, the company is in the process of obtaining legal advice in this regard as the date of authorization of these financial statements.

35.3 Custom and Other Duties - for Rice Importation During the Years of 2014 and 2015

The custom duties and other related charges incurred for the rice importation during the year 2014 and 2015 has not been accounted in these financial statements following certain Cabinet Decisions and other communication had with the Government Treasury for waiver off of the such costs incurred. The balance confirmation obtained from Sri Lanka Customs on 01 December 2016 for the purpose of special audit investigation of Rice Project by the Government's Audit Section shows an aggregated value of Rs. 5.8 Bn outstanding to Sri Lanka Customs. However, no directive has been issued by the treasury or by the Customs in this regard and company awaits for the detail to proceed with the matter.

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(Contd...)*
FOR THE YEAR ENDED 31ST DECEMBER 2021

35.4 Trident Champer Limited-Dispute on Liner Demurrage

We have received a letter of Demand dated 27th March 2018 From N.G.J.M.W Senanayake –Attorney –at-Law and N.P on behalf of Trident Champer Limited of SY 66 & 67, Miyapur, and Hyderabad, India.

Lanka Sathosa Limited purchased Ponni Rice from the above said supplier and goods were sent from three vessels named “MV Mercy wisdom, MV Dynamic Ocean and MV Vingh Hung for which a liner demurrage amounting to US \$ 152,231 which is claimed by the supplier and the local equivalent is Rs.23, 900,267.

This matter has been referred to Attorney General's Department.

LANKA SATHOSA LIMITED NOTES TO THE FINANCIAL STATEMENTS (Contd...) FOR THE YEAR ENDED 31ST DECEMBER 2021

35. Litigations -the employment related disputes for and against the company, which details, are tabulated below.

The Party (Counselor)	Description of the Case	Case No.	Court	Status of The Litigation	Value
Supreme Court					
Mr.Nalinda Indatissa,PC	Filed against us to recover the Damage	SC FR 313/2021	Supreme Court	Pending	
Mr.Shantha Jayawardena,AAL	This is a Liquor License matter- Monaragala Outlet	SC FR 303/2021	Supreme Court	Pending	
Court Of Appeal					
Mr.Shantha Jayawardena,AAL	This is regarding Liquor License matter	CA/Writ 76/2021 CA/Writ 109/2021 CA/Writ 83/2021	Court of Appeal	pending	
Commercial High Court					
Mr.Avindra Rodrigo, PC	To recover the Advance Payment of proposed	CHC 35/2020	Commercial High Court – Colombo	Pending	Rs.59,600,000
Mr.Avindra Rodrigo, PC	Filed against us to recover the Demurrage	CHC 417/18 MR	Commercial High Court – Colombo	Pending	Rs.61,162,893
Mr.Chandaka Jayasundara,PC	Filed against us by Swedeshi Kohomba claiming Intellectual Property Rights.	HC (Civil)41/2021 IP HC(Civil)20/2021/IP	Commercial High Court – Colombo	Pending	Rs.5Mn
Mr.Avindra Rodrigo,PC	Filed By Softwatch (Pvrt)Ltd Claiming damages on ERP system.	CHC 127/2021/MR	Commercial High Court – Colombo	Pending	Rs.112,941,954
High Court					
Mr. Ravi Hettiarachchi	Termination of Employment matter. Appealed by the employee to revisethe LT Order.	HCALT 20/2020	High Court –Gampaha	Pending(LT Order remains)	
Mr.Anura Meddegoda,PC	Filed by us against the Magistrate Courts Order of Gratuity Matter	HCRA/96/2021	High Court		
District Court					
Mr.Rushan Fernandopulle	This is a money recovery matter filed against the Maggona outlet building owner.	DMR 6706/19	District Court of Colombo	Pending	Rs.1,073,548.39
Mr.RushanFernandopulle	An advance payment recovery matter filed against the building owner of Panadura 1 Outlet.	M 5593/19	District Court of Panadura	Pending	
Mr.Rushan Fernandopulle	An advance payment recovery matter filed against the building owner of Rajagiriya Outlet.	DMR 2816/2020	District Court of Colombo	Newly initiated matter	Rs.3,410,000
Mr.Rushan Fernandopulle	Damages recovery matter filed against the LSL by building owner of Pitipana.	DA 18972/19	District Court of Homagama	Pending	
Magistrate Court					
Mr. Anura Maddegoda, PC	An Employee gratuity matter filed against us.	10216/2018	Magistrate Court - Fort	Pending	
	This is a new matter filed by the PHI Godakawela	91970/MC	Magistrate Court - Pelmadulla	Pending	
	Filed by the peliyagoda police regarding Garlic Incident	B 2909/21/MC	Megistrate Court	Pending	

LANKA SATHOSA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd...)
FOR THE YEAR ENDED 31ST DECEMBER 2021

(Expressed in Sri Lankan Rupees)

Labour Tribunal

Mr.Ravi Hettiarachchi	This is a termination of employee matter filled by an employee against us	03/68 & 69/2014	Labour Tribunal –Kandy	Pending	Rs.891,540
Mr.Ravi Hettiarachchi	This is a termination of employee matter filled by an employee against us	23/KU/37/2019	Labour Tribunal –Kurunegala	Pending	
Mr.Ravi Hettiarachchi	This is a termination of employee matter filled by an employee against us	02/919/2019	Labour Tribunal –Borella	Pending	Rs.5,000,000
Attorney General's Department	This is a termination of employee matter filled by an employee against us	02/927/2019	Labour Tribunal –Borella	Pending	
Attorney General's Department	This is a termination of employee matter filled by an employee against us	01/Athi/50/2019	Labour Tribunal –Battaramulla	Pending	

Arbitration Center

Mr.Avindra Rodrigo,PC	Filed By Softwatch (Pvt)Ltd Claiming damages on ERP system.		IICP Arbitration Center	Pending	Rs.112,941,954
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