# Sri Lanka State Trading (General) Corporation Ltd.

## ANNUAL REPORT

## 2022-2023

# Contents

# VISION, MISSION & CORPORATE GOALS

## Our Vision

To be the National Business Leader.

## Our Mission

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

## Corporate Goals

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

# GOALS, FUNCTIONS, SERVICES & PROGRESS DURING THE YEAR

## Operational Goals

- Stabilizing the market through sale of diversified goods and services.
- Represent the reputed and trusted international brands in our country.
- Establishing a reputation through enhancing the revenue and profit of the organization.
- Achieving development targets through provision of state sector needs effectively.
- Initiate actions to fulfill the consumer needs through organizations main products.
- Improving production through continuous attention on the State Policies, Customers and Staff.

## Operational Strategies

- Widening customer base & accessibility.
- Increasing products portfolio as per customer requirements.
- Web enabled business management and data management through operational resource planning system and procurement approval.
- Active and effective participation in main product categories

## Progress During the Year

Our core business revenue recorded a value of Rs.9,417 Million. Other operating income during the year under review was Rs.35 Million. The net profit before tax showed as Rs.731 Million and total equity increased to Rs.1782 Million during the year.

Number of employees of STC at the end of March 2023 was 336 numbers.

We planned to establish our own STC brands in partnership with manufacturing organizations and a range of products are in the pipeline.

# CORPORATE INFORMATION

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

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

**Chairman/Managing Director:**

Mr. Asiri Walisundara - (Joined 05.09.2022)
Mr. Yoga Perera - (Resigned 05.09.2022)

**Board of Directors:**

Mr. D. A .Hettiarachchi - (Joined 20.01.2020)
Mr. U. Dissanayake - (Resigned 09.08.2022)
Mr. D. J. Vidanachchi - (Resigned 12.08.2022)
Mrs. G. Dahanayake - (Joined 05.02.2020)
Mr. T.A.D. Ranjith - (Reappointed 09.09.2022)
Mr. C. Peiris - (Joined12.11.2022)
Mr. K.R.S. Perera - (Joined 20.01.2023)
Mr. K. Sathyakumar` - (Joined 02.03.2022)

**Company Secretary:** A W Management Consultants (Pvt) Ltd

**Auditor:**

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

**Bankers:**

People's Bank
NDB Bank
Sampath Bank
BOC

**Registered office:**

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

**Company Registration No:** PB 863

**No. of Employees:** 336 employees had been employed by the company at the year ended.

# CHAIRMAN'S MESSAGE

I wish to present the Annual Report of Sri Lanka State Trading (General) Corporation Ltd for the year 2022/2023.

**External Environmental Outlook**

At the beginning of 2022/2023 financial year, Sri Lanka was facing a severe economic crisis. The GDP growth rate stood at 1.4% at the end of 2021 and in the beginning of financial year 2022-2023 GDP growth rate had reduced to -7.4% due to the high inflation, scarcity of foreign reserves and significant challenges, including poor governance, trade restrictions and fiscal indiscipline. This severe economic crisis resulted in job losses, increased poverty and widened inequality. The government responded with structural reforms such as reducing of government expenditures, import restrictions, tax reforms and seeking support from the IMF and other development partners. Also the Central Bank implemented monetary policy adjustments, contributing to declining interest rates, increased foreign reserves and debt restructuring. All these changes in monetary policy and public financial management were underway during the year 2022/2023.

During this challenging period STC emphasized the necessity of ongoing reforms, prudent financial management and openness,in order to restore public trust and provide better public services to strengthen Sri Lanka Government to overcome the economic crisis.

**Performance Review**

I am pleased to inform that even in the economic downturn in the country, STC recorded a net profit of Rs.533 million after taxation in 2022/2023 which is a 24% growth compared to the financial year 2021/22. Similarly, the company's annual turnover reached Rs.9417 million, reflecting a 7.6% increase in comparison to the previous year, with a GP margin of 11%. Accurate and timely decisions taken by the Line Ministry, Chairman, Board of Directors and the STC Management was the cause for this outcome.

By fully leveraging the advantages of the varying interest rates of the economy, we were able to boost the net financial income up to Rs.348 million, through the implementation of measures such as increasing the investment in short-term investments and effectively managing the cash-flow of the company. Further Steps were taken to dispose the obsolete and slow-moving stock items and regards to debtors, strict adhere to the credit policy was maintained order to minimize the credit period and strengthen cash flow.

The Company had staff strength of 336 as at March 31, 2023.

**Social Responsibilities**

STC has played an active role as the major trading arm of the government in stabilizing the prices of consumables in the retail market by way of ensuring the maintenance of prices at government controlled price levels. Further, STC has successively fullfilled the customer requirement to its maximum level even amidst an economic recession.

**Future Plans**

- Importation and distribution of essential food items, in order to streamline the market supply and stabilize the market price. As an initial step, STC imported rice and distributed through government retail trading arm. Also STC has already started importing and distributing Eggs to fulfill the market scarcity and stabilize the market price.

- Achieve additional sales growth by introducing new products to the existing product portfolio.
- Increase turnover by expanding the customer base into more Government sector institutions and to more Private sector institutions

While expecting support from my Senior Management and Staff Members for the betterment of the Organization I wish to extend my sincere appreciation for the visionary guidance provided by Hon. Minister of Finance and my fellow Members of the Board. I would also like to take this opportunity to thank our Bankers and all Stakeholders who have shared our journey throughout the financial year and look forward for their continuous support.

Asiri Walisundara
Chairman/Managing Director

# DIRECTOR'S REPORT

The directors present their report to the members together with the audited financial statements and the balance sheet of State Trading (General) Corporation Limited for the financial year ended 31 March 2023.

**Principal Activities**

The Company Sri Lanka State Trading (General) Corporation Limited is principally engaged in trading activities mainly to state sector institutions for their office requirements. Our product portfolio includes Office Supplies and Equipments, Home Appliances, IT and Telecommunication Accessories , Electrical & Electronic Accessories, Fast Moving Consumer Goods, Tyres and Vehicle Batteries, Agriculture Equipment and Tools ,Interior Designs and office furniture ,Chemicals ,Essential Foods and Duty Free Operation. Additionally Sri Lanka State Trading (General) Corporation Limited act as the main importer and distributor for commodities as an when Government requires to interfere in to the retail market for streamline the supply and prices of such items. The company has involved in importing Rice and Table eggs on such basis and successfully carried out the Process.

**Directors**
The directors of the Company in office at the date of this report are as stated in the Corporate Information to annual report.

**Financial Results**
The Financial results shows a positive growth its turnover and the Net profit for the year 2022/2023

| | Turnover Rs. Million | Gross Profit Rs. Million | Net Profit Rs. Million |
|---|---|---|---|
| Financial Performance for year 2022/2023 | 9416.8 | 1019.2 | 532.8 |

Issue of Shares - 10 million ordinary shares at Rs.10/- each

There were no changes in the capital structure of the Company. No new shares have been issued during the period 2022/2023

**Dividend**
The Directors have recommended an interim dividend of Rs 5.00 per share for the current financial year 2022/2023.

**Reserves and provisions**
During the Financial year 2022/2023 a revaluation of Motor Vehicle fleet have been done creating a re valuation reserve of Rs 104,369,977 and a revaluation of computer software system creating a re valuation reserve of Rs 9,330,000. The total revaluation reserve Rs 113.6 million has been taken in to revaluation reserve in the financial statements.

An impairment provision for doubtful debts amounting to Rs 104 million has been made when arriving at the profit for the year 2022/2023 with the board approval.

**Audit and Management committee Meetings**
There were three Audit and Management Committee meetings during the year 2022/23 and a treasury representative on the board acted as the chairman of the committee and following are the members appointed and represented the Audit committee during 2022/2023

| **Name of the Director** | **Position of AMC** |
|---|---|
| Mr. K.Sathyakumar | Chairman |
| Mr. Dinesh Vidanarchi | Member (Resigned on 12.08.2022) |
| Mr. Dulan Hettiarachchi | Member |
| Mrs. Gilma Dahanayaka | Member |

The internal Audit plan covering the scope of Audit work was approved by the members of Audit and Management committee Meeting. The approved plan was periodically reviewed and summarized and to depict the progress.

**Number of Employees**
The Number of employees of the company as at the end of the financial year was 336 with a composition of HM 4 numbers, MM 4 numbers, JM 20 numbers and other grades 308 numbers.

**Auditors**
The Auditor General has been re-appointed by regulation to continue in office

Signed on behalf of the board of Directors

................ ................
Chairman Director

# SENIOR MANAGEMENT & HEADS OF DIVISIONS

| Senior Management | Name |
|---|---|
| Chairman / Managing Director | Mr. Asiri Walisundara |
| General Manager | Mrs. Chamila Iddamalgoda |
| Deputy General Manager - Marketing | Mr. M. N. Mahesh Mendis |
| Deputy General Manager - Finance | Mrs. I. M. D. K. Ilangasinghe |

## Head of Divisions

**Chemical & Allied Division**

| | |
|---|---|
| Asst. Manager | Mr. K. H. Gunawardana |

**Office Supply Division**

| | |
|---|---|
| Asst. Manager | Miss. Nimalka Ranasingha |

**Household & Recreational Division**

| | |
|---|---|
| Officer in Charge | Mrs. Kumari Perera |

**ICT Division**

| | |
|---|---|
| Asst. Manager - Sales | Mr. Maduka Bandara |

**Electrical & Electronic Division**

| | |
|---|---|
| Manager | Mr. K. G. C. Janaka |

**Agricultural, Machinery & Equipment Division**

| | |
|---|---|
| Asst. Manager | Mrs. Madushani Akurugoda |

**Construction, Hardware & Office furniture**

| | |
|---|---|
| Asst. Manager | Mr. Anurudha Mahesh |

**Automotive Products division**

| | |
|---|---|
| Officer in Charge | Mr. D. Pradeep Kumara |

**FMCG Division**

| | |
|---|---|
| Officer in Charge | Mr. D. Pradeep Kumara |

# SENIOR MANAGEMENT & HEADS OF DIVISIONS

| Head of Divisions | Name |
|---|---|
| **Duty Free Shop** | |
| Asst. Manager | Mr. K. G. C. Janaka |
| **Procurement Division** | |
| Act. Senior Manager | Mr. Nirosh Bandara |
| **Finance Division** | |
| Manager | Mrs. I. K. P. P. Perera |
| Asst. Manager | Miss. N. U. D. Alwis |
| Asst. Manager | Mrs. P. R. D. Peiris |
| Asst. Manager | Miss. M. E. Ilipangamuwa |
| **IT Division** | |
| Act. Senior Manager | Mr. Nirosh Bandara |
| **Services & Supply Division** | |
| Asst. Manager | Mrs. K. H. Anupama Peiris |
| **Transport Division** | |
| Asst. Manager | Mr. A. R. Mohomad Fasnun |
| **Audit Division** | |
| Assistant Internal Auditor | Mrs. M. Madusha Amali Dias |
| **Human Resources & Legal Division** | |
| Legal Officer | Mrs. Lakmali Kularathne |
| Manager | Mrs. Dharshana Pathirana |

## Branches & Showrooms

| | |
|---|---|
| 01. Nawam Mawatha Showroom | No. 100, Nawam Mawatha, Colombo 02. |
| 02. Kurunegala Showroom | No. 243/3/1, Puttalam Road, Kurunegala. |
| 03. Kandy Showroom | No. 449, William Gopallawa Mawatha, Kandy. |
| 04. Matara Showroom | No. 11, YMCA Building, Station Road, Matara. |
| 05. Anuradhapura Showroom | No. 561-B, 38, 4th Lane, Anuradhapura. |
| 06. Jaffna Showroom | No. 127, MPCS Building, KKS Road, Jaffna. |
| 07. Batticaloa Showroom | No. 32A, 32B, New Kalmunai Road, Batticaloa. |

# OUR PRODUCT PORTFOLIO

## Office Supplies and Equipment

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

## Home Appliances

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


## IT & Telecommunication Accessories

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

## Electrical & Electronic Accessories

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

# OUR PRODUCT PORTFOLIO


### FMCGs (Fast Moving Consumer Goods)

Homecare Products, Personal Care Products, Food Brands.

### Tyres & Vehicle Batteries

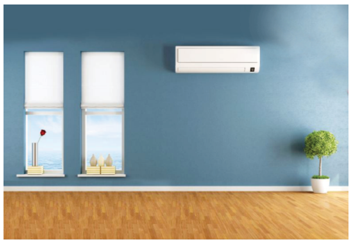
EXIDE
APOLLO DUNLOP PIRELLI
YOKOHAMA NANKANG



### Agricultural Equipment, Machinery Tools & Hardware

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

# OUR PRODUCT PORTFOLIO

### Interior Design & Office Furniture

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

### Chemicals

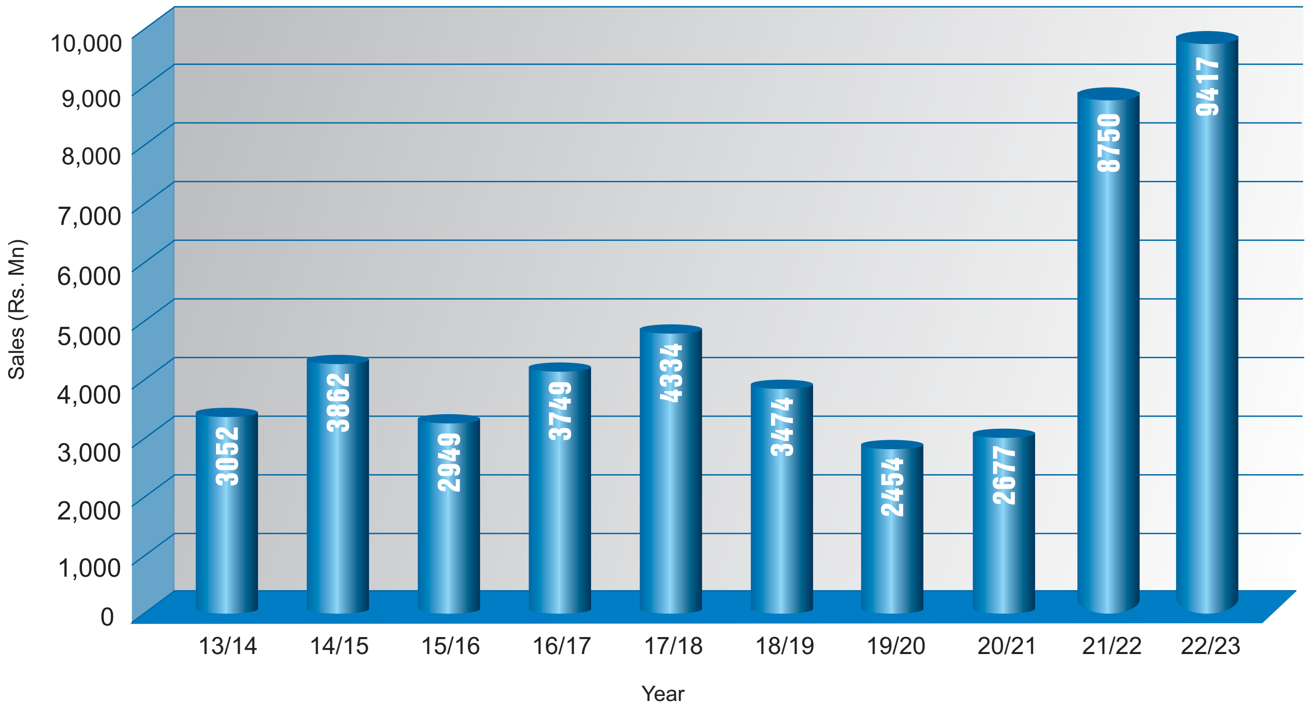
Industrial Chemicals, Laboratory Chemicals, Specialty Chemicals, Selected Explosive Chemicals.


### Duty Free Shop

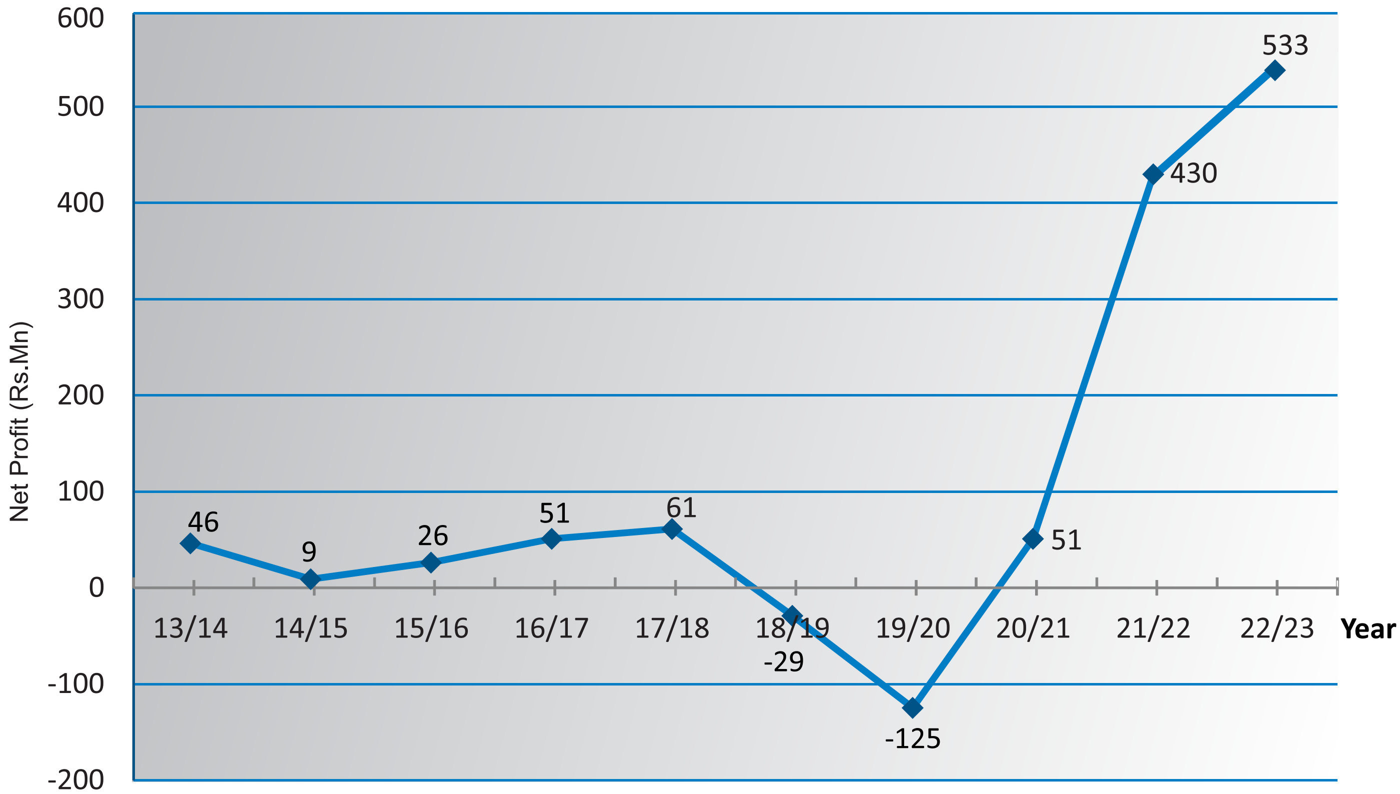
Facilitate the requirement of the diplomats and diplomatic missions.

# BUSINESS REVIEW

## Sales Growth (Rs. Mn)




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



# EMPLOYMENT GENERATION

## 2018 - 2023

Numbers in Employment since 2018/2019 to 2022/2023

### 2018 - 2019

TOTAL EMPLOYEES 436

ADMINISTARION AND OTHER RELATED EMPLOYEES **204**

SALES EMPLOYEES **232**

### 2019 - 2020

TOTAL EMPLOYEES 398

ADMINISTARION AND OTHER RELATED EMPLOYEES **211**

SALES EMPLOYEES **187**

### 2020 - 2021

TOTAL EMPLOYEES 374

ADMINISTARION AND OTHER RELATED EMPLOYEES **169**

SALES EMPLOYEES **205**

### 2021 - 2022

TOTAL EMPLOYEES 392

ADMINISTARION AND OTHER RELATED EMPLOYEES **185**

SALES EMPLOYEES **207**

### 2022 - 2023

TOTAL EMPLOYEES 336

ADMINISTARION AND OTHER RELATED EMPLOYEES **154**

SALES EMPLOYEES **182**

# CORPORATE GOVERNANCE

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

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

## Board Members

**Chairman / MD**
**Mr. Yoga Perera**
(Resigned 05.09.2022)
**Mr. Asiri Walisundara**
(Joined 05.09.2022)

- **Mr. K. Sathyakumar**
  Director
- **Mr. D. A. Hettiarachchi**
  Director
- **Mr. C. Peiris**
  Director
- **Mr. K.R.S. Perera**
  Director
- **Mrs. G. Dahanayake**
  Director
- **Mr. T. A. D. Ranjith**
  Director

## Audit Committee Members

**Mr. K. Sathyakumar**
Chairman of the Committee

- **Mrs. G. Dahanayake**
  Member
- **Mr. D. J. Vidanachchi**
  Member

- During the year 2022/2023, Eleven (11) Board Meetings and Three (3) Audit Committee meetings have been conducted.

## Availability of Business Managing Instruments

1) Corporate Plan 2022/2027
2) Annual Report 2021/2022
3) STC Procurement Procedures
4) STC Action Plan
5) STC Product Profile
6) STC Profile
7) STC Credit Sales Policy
8) STC Stock Control Policy
9) STC Approved carder

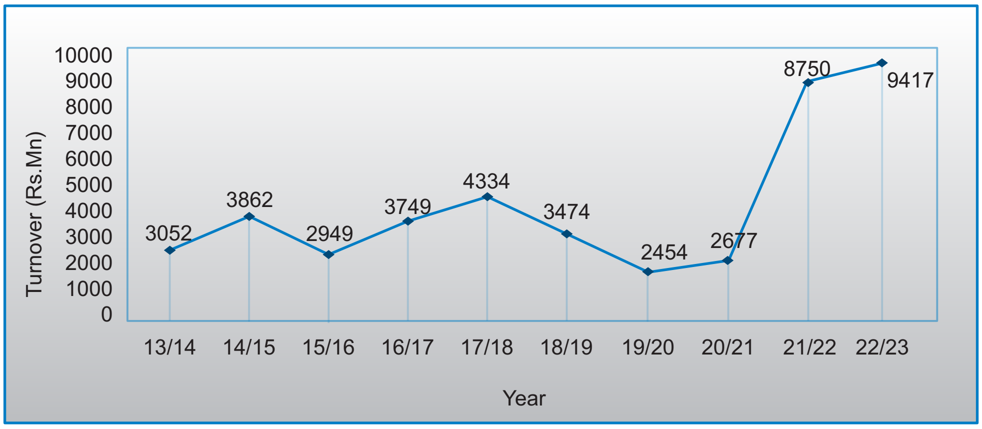
# FINANCIAL HIGHLIGHTS

| | 2022/2023 (Rs.000'S) | 2021/2022 (Rs.000'S) | Change% ↑ / ↓ |
|---|---|---|---|
| **Operation** | | | |
| Turnover | 9,416,776 | 8,750,243 | 8% |
| Earnings before interest & Tax | 383,501 | 487,963 | -21% |
| Profit before Taxation | 731,165 | 481,892 | 52% |
| Profit after Taxation | 532,775 | 429,731 | 24% |
| **Balance Sheet** | | | |
| Non Current Assets | 632,397 | 491,822 | 29% |
| Current Assets | 3,831,030 | 5,425,506 | -29% |
| Current Liabilities | 2,502,747 | 4,595,780 | -46% |
| Non-Current Liabilities | 178,433 | 190,328 | -6% |
| Stated Capital & Reserves | 1,782,247 | 1,131,220 | 58% |
| **Cash Flow** | | | |
| Net Cash generated from Operating Activities | 153,186 | 1,359,770 | -89% |
| Net Cash Used in Operating Activities | 92,532 | 1,354,036 | -93% |
| Net Cash generated from Investing Activities | 115,616 | -1,619 | -7241% |
| Net Cash generated from Financing Activities | -711,081 | -711,059 | 0.003% |
| **Per Share Data** | | | |
| Earnings per share | 54 | 42 | 29% |
| Net Assets per Share | 178.00 | 113.12 | 58% |
| Return on Equity ( ROE ) | 0.30 | 0.38 | -21% |
| Return on Assets ( ROA ) | 0.10 | 0.10 | 0% |
| **Key Ratios** | | | |
| Gross Profit Ratio | 11% | 10% | 1% |
| Net Profit Ratio | 6% | 5% | 1% |
| Quick Ratio | 0.94 | 0.85 | 11% |
| Current Ratio | 1.53 | 1.18 | 30% |
| Gearing Ratio | 0.07 | 0.14 | -52% |

# GRAPHICAL VIEW OF FINANCIAL HIGHLIGHTS

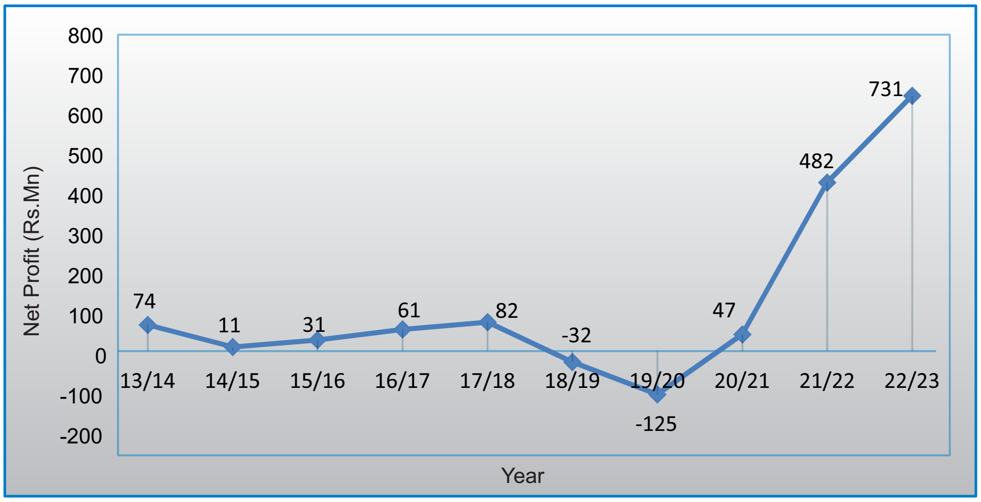
### TURNOVER

| Year | (Rs.Mn) |
|---|---|
| 13/14 | 3052 |
| 14/15 | 3862 |
| 15/16 | 2949 |
| 16/17 | 3749 |
| 17/18 | 4334 |
| 18/19 | 3474 |
| 19/20 | 2454 |
| 20/21 | 2677 |
| 21/22 | 8750 |
| 22/23 | 9417 |



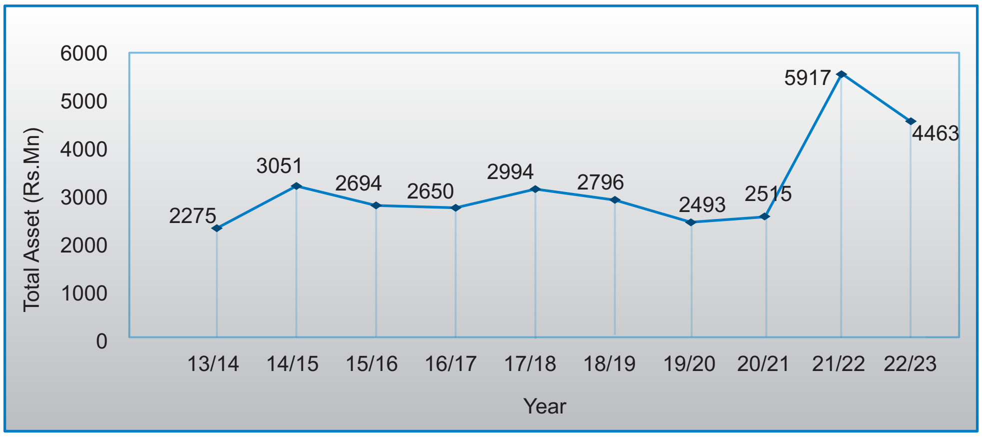

### NET PROFIT BEFORE TAX

| Year | (Rs.Mn) |
|---|---|
| 13/14 | 74 |
| 14/15 | 11 |
| 15/16 | 31 |
| 16/17 | 61 |
| 17/18 | 82 |
| 18/19 | -32 |
| 19/20 | -125 |
| 20/21 | 47 |
| 21/22 | 482 |
| 22/23 | 731 |



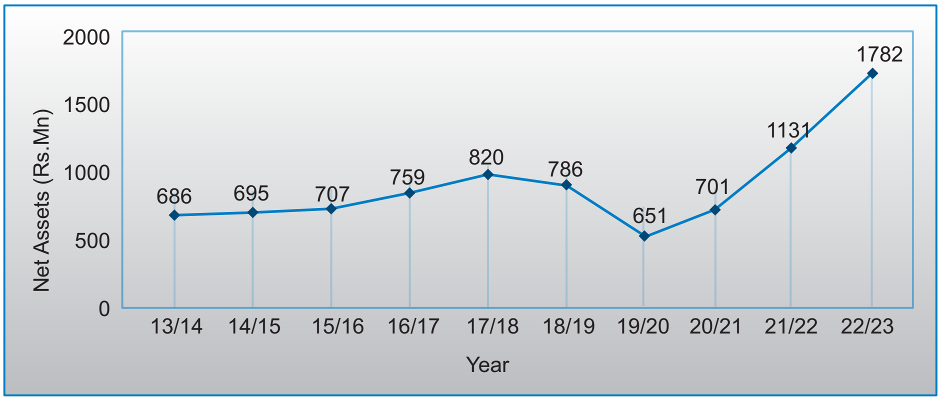

### TOTAL ASSET

| Year | (Rs.Mn) |
|---|---|
| 13/14 | 2275 |
| 14/15 | 3051 |
| 15/16 | 2694 |
| 16/17 | 2650 |
| 17/18 | 2994 |
| 18/19 | 2796 |
| 19/20 | 2493 |
| 20/21 | 2515 |
| 21/22 | 5917 |
| 22/23 | 4463 |

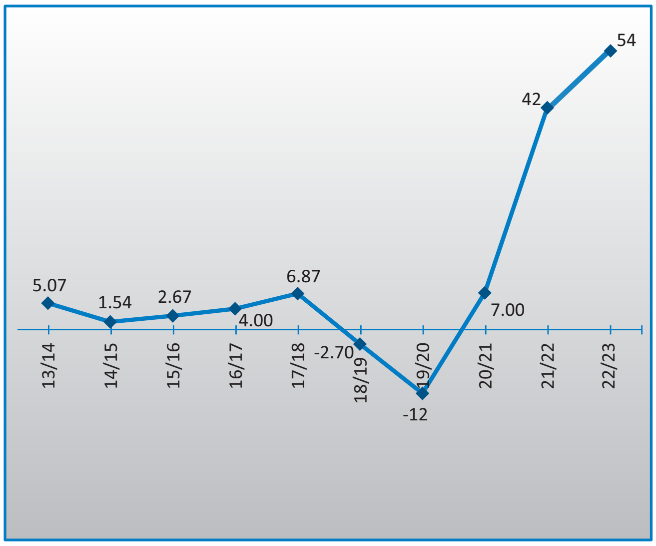


NET ASSETS

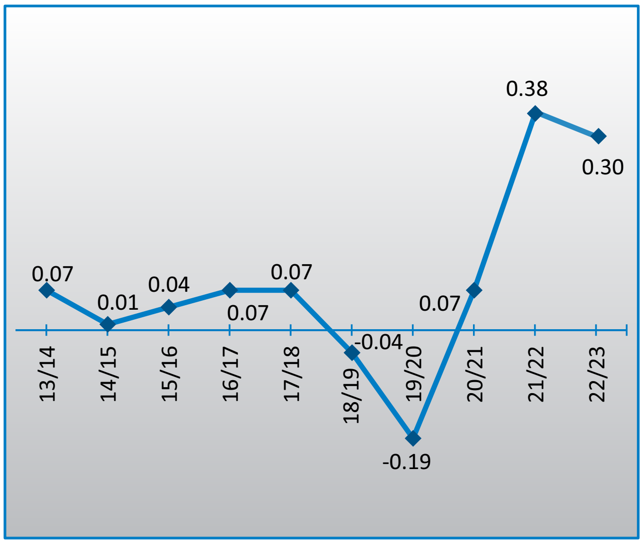
| Year | (Rs.Mn) |
|---|---|
| 13/14 | 686 |
| 14/15 | 695 |
| 15/16 | 707 |
| 16/17 | 759 |
| 17/18 | 820 |
| 18/19 | 786 |
| 19/20 | 651 |
| 20/21 | 701 |
| 21/22 | 1131 |
| 22/23 | 1782 |




EPS (Rs)

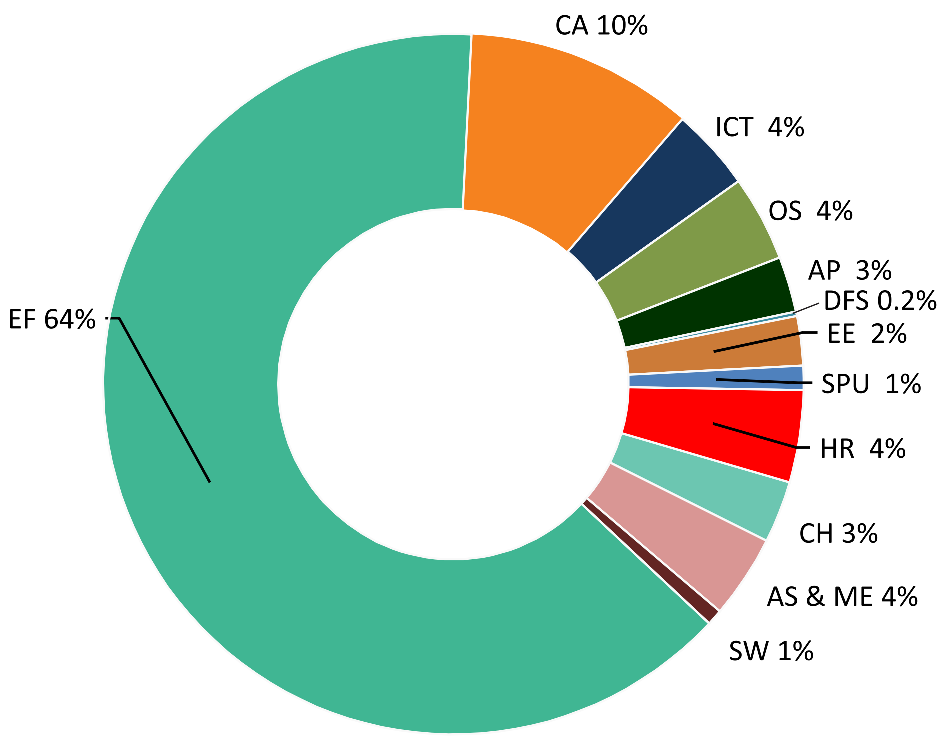



ROE (Rs)



# DIVISIONAL PERFORMANCE OF STC

### Revenue Drivers 2022-2023




### Performance of Revenue Drivers 2022/2023

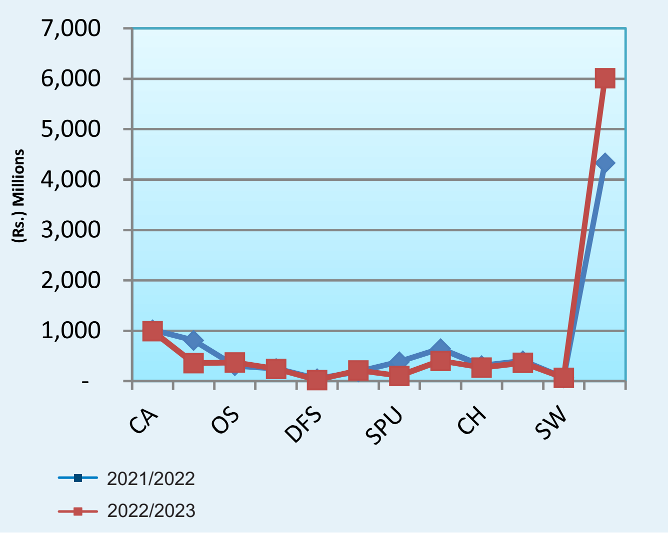
| Division | Revenue | GP | GP% |
|---|---|---|---|
| Chemical & Allied | 989,466,830 | 336,774,106 | 34% |
| ICT Products | 358,777,332 | 24,780,251 | 7% |
| Office Supplies | 372,467,640 | 110,702,911 | 30% |
| Automotive Products | 242,593,285 | 32,367,653 | 13% |
| Duty Free Shop | 19,268,522 | 6,009,146 | 31% |
| Electrical & Electronic | 213,499,779 | 32,480,523 | 15% |
| Special Project Unit | 105,450,290 | 17,868,546 | 17% |
| Household Product | 400,374,661 | 64,927,777 | 16% |
| Construction & Hardware | 268,200,300 | 31,077,606 | 12% |
| Agri. Supplies & Machinery Equipments | 364,395,394 | 61,221,547 | 17% |
| Swashakthi | 67,982,942 | 13,112,918 | 19% |
| Essential Foods | 6,014,299,297 | 287,936,563 | 5% |
| **Total** | **9,416,776,272** | **1,019,259,548** | **11%** |

# Comparison of Divisional Performance (2021-2022/2022-2023)

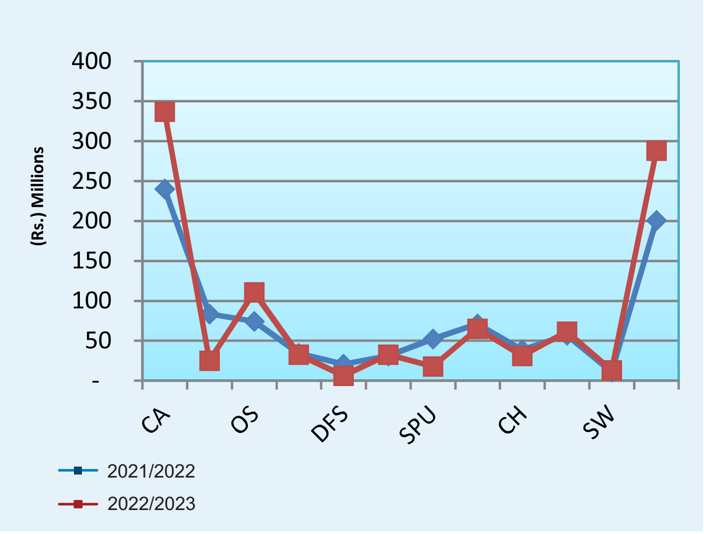
| Dept | 2021 / 2022 | | GP% | 2022 / 2023 | | GP% | % ↑ / ↓ | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sales | GP | | Sales | GP | | Sales | GP | GP% |
| CA | 1,017,779,819 | 239,853,555 | 24% | 989,466,830 | 336,774,106 | 34% | -3% | 40% | 10% |
| ICT | 809,072,989 | 83,291,124 | 10% | 358,777,332 | 24,780,251 | 7% | -56% | -70% | -3% |
| OS | 310,308,658 | 74,368,095 | 24% | 372,467,640 | 110,702,911 | 30% | 20% | 49% | 6% |
| AP | 247,936,198 | 34,286,188 | 14% | 242,593,285 | 32,367,653 | 13% | -2% | -6% | -0.5% |
| DFS | 47,311,627 | 20,346,487 | 43% | 19,268,522 | 6,009,146 | 31% | -59% | -70% | -12% |
| EE | 188,930,383 | 30,964,040 | 16% | 213,499,779 | 32,480,523 | 15% | 13% | 5% | -1% |
| SPU | 383,931,252 | 51,982,586 | 14% | 105,450,290 | 17,868,546 | 17% | -73% | -66% | 3% |
| HR | 641,478,998 | 71,182,448 | 11% | 400,374,661 | 64,927,777 | 16% | -38% | -9% | 5% |
| CH | 308,887,197 | 38,357,992 | 12% | 268,200,300 | 31,077,606 | 12% | -13% | -19% | -1% |
| AS & ME | 400,136,509 | 57,018,170 | 14% | 364,395,394 | 61,221,547 | 17% | -9% | 7% | 3% |
| SW | 65,075,722 | 10,738,532 | 17% | 67,982,942 | 13,112,918 | 19% | 4% | 22% | 3% |
| EF | 4,329,393,636 | 200,730,099 | 5% | 6,014,299,297 | 287,936,563 | 5% | 39% | 43% | 0.2% |
| Total | **8,750,242,988** | **913,119,316** | **10%** | **9,416,776,272** | **1,019,259,548** | **11%** | **8%** | **12%** | **0.39%** |

Started importing and distributing rice in 2021/2022 and that operation is included in Essential Food department in the table above.

## Divisional Revenue Comparison




## Divisional Gross Profit Comparison



# AUDITOR GENERAL'S REPORT

My No: TAC/D/STC/F/A/2022/23/10 Date: 04th October 2023

Chairman
Sri Lanka State Trading (General) Corporation Ltd

**Report of the Auditor General on the Financial Statements and other legal and regulatory requirements of the Sri Lanka State Trading (General) Corporation Ltd for the year ended 31 March 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018**

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## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka State Trading (General) Corporation Ltd ("Company") for the year ended 31 March 2023 comprising the balance sheet as at 31 March 2023 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 of Articles 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis of Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

(a) Though, in terms of paragraph 32 of Sri Lanka Accounting Standard 01, an entity should not offset assets and liabilities unless required or permitted by a standard, as a result of trade debtor balance of Rs. 338,829,077 being shown in financial statements having deducted non-settled advance balances of Rs. 15,230,311 ranging from 2 years to 5 years, the debtors have been under calculated by Rs. 15,230,211. Similarly, trade creditor balance of Rs. 290,034,187 was shown in financial statements having deducted the receivable value of Rs. 9,050,348 from creditors, the creditors have been under calculated by Rs. 9,050,348.

(b) In terms of Sri Lanka Accounting Standard 02, though inventories shall be measured at the lower of cost and net realizable value; in measuring the inventory amounting to Rs. 1,467,189,374 only the cost has been considered and inventories have not been measured at the net realizable value.

(c) In terms of paragraph 42 of Sri Lanka Accounting Standard 8, an entity shall correct material prior period errors retrospectively in the financial statements of the year under review after their discovery by restating the comparative amounts for the prior periods presented in which the error occurred. Similarly, in terms of paragraph 49 of the standard, the details of correction of error shall be disclosed. However, contrary to the standard, in correcting the value of state grants of Rs. 22,924,908 received during the year 2021/2022 for the 'Rajawasa' project, Batticaloa, the company had stated it as the receipt of state grants of the year under review.

(d) Though property, plant and equipment should be revalued every three or five years in terms of paragraph 34 of Sri Lanka Accounting Standard 18, lands costing of Rs. 226,240,000, furniture costing Rs. 76,650,751, computers costing Rs. 53,311,892 and tools and equipment costing Rs. 4,604,753 and office equipment costing Rs. 46,498,023 as at 31 March of the year under review have not been revalued after year 2012.

(e) As per paragraph 51 of Sri Lanka Accounting Standard 16, though the residual value and the useful life of an asset shall be reviewed at least each financial year end if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate in accordance with Sri Lanka Accounting Standard 08, the useful life of assets amounting to Rs. 125,382,242 which had been fully depreciated as at 31st March 2023, had not been reviewed.

(f) In terms of paragraph 28 of Sri Lanka Accounting Standard 20, though the receipt of government grants should be disclosed separately in the cash flow statement, capital grants of Rs. 1,379,052 received during the year were not shown in the cash flow statement and in terms of paragraph 39(a) the accounting policy adopted for government grants had not been disclosed in financial statements.

(g) The accounting policy including details of basis for recognition of intangible assets, useful life and amortization ratio used in respect of intangible assets (computer software) to the value of Rs. 9,330,001 as at 31 March 2023 had not been disclosed in financial statements.

(h) Though the assets pledged as collateral for liabilities should be disclosed in financial statements in accordance with the Sri Lanka Financial Reporting Standard No. 07, the fixed deposits of Rs. 1,008,700,000 at People's Bank pledged as collateral by the company for obtaining banking facility had not been disclosed in financial statements.

(i) Without separately disclosing stock shortages amounting to Rs. 42,167,379 and stock surpluses amounting to Rs. 9,689,479 as at 31 March 2023 they were shown under the sales cost. These stock damages which have been occurring over a long period of time have increased by 262 percent when compared to the previous year.

(j) Though the value net of withholding taxes should be accounted in accounting the receivable fixed deposit interest, the company has included the interest value before the deduction of withholding tax of fixed deposits at People's Bank and Bank of Ceylon amounting respectively to Rs. 174,159,655 and Rs. 35,961,370 as the receivable fixed deposit interest. Therefore the receivable fixed deposit interest has been over-calculated by Rs. 10,506,051 and the receivable withholding taxes have been under-calculated by Rs. 10,506,051.

(k) According to the financial statements, the Value Added Tax payable as at 31 March 2023 was Rs. 2,909,027 and according to VAT remittance forms, Rs. 12,486,683 had been paid on 20 April 2023 for the year under review. Therefore, as a result of making payments for the year under review without allocating provisions, the tax expenditure and the value of VAT has been under-calculated by Rs. 9,577,656.

(l) Though the rental payable to the Batticaloa showroom for the year under review was Rs. 87,500, the company has stated Rs. 300,000 as Advance Account debit and Accumulated Rent Account credit for the period from 01 September 2022 to 31 August 2024 in the financial statements. As a result, the advance value has been overstated by Rs. 300,000 and accumulated rent by Rs. 212,500 and rent expenditure has been understated by Rs. 87,500.

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

**1.3 Other information included in the Company's 2022/2023 Annual Report**

The other information comprises the information included in the Company's 2022/2023 annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this Auditor's Report. The management is responsible for the other information.

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

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

In reading the annual report 2022/2023 of the Company, if I concluded that there are material misstatements, such matters shall be communicated to those charged with management. If there still are misstatements which have not been corrected, they will be included in the report to be tabled in Parliament by me in due course in terms of Article 154(6) of the Constitution.

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

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

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

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

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

**1.5 Auditor's responsibilities in connection with the Financial Statements**

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

I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I will communicate with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

**2. Report on other legal and regulatory requirements**

2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

2.1.1 In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Qualified Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the Company had maintained proper financial reports.

2.1.2 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements presented by the Company are consistent with the preceding year.

2.1.3 Other than the observations set out in paragraph (c) of the section on the qualified opinion in my report, the recommendations made by me in the previous year have been included in the financial statements as per the requirement of Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018.

2.2 On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

2.2.1 In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the Company has any interest, direct or otherwise, outside normal business status in any contract entered into by the Company.

2.2.2 In terms of the requirement of section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the Company;

| Reference to laws, rules/regulations | Observations |
|---|---|
| (a) Public Enterprise Department Circular No. PED 1/2015 dated 25 May 2015 | A sum of Rs. 2,952,500 had been paid for 41 officers recruited on permanent basis as transport allowance and a sum of Rs. 1,160,000 for 10 officers recruited on contract basis who were not entitled to official vehicles. |
| (b) Government Procurement Guidelines 2006<br>Section 4.2.1 | Though a Master Procurement Plan should be prepared for all purchases of the institution, the company had not prepared a procurement plan for the trade stock and a procurement plan had been prepared only for the purchase of fixed assets. |

2.2.3 In terms of the requirement of Section 12(g) of the National Audit Act No. 19 of 2018, whether the Company has not performed according to its powers, functions and duties, except for the following observations.

2.2.4 In terms of the requirement of Section 12(h) of the National Audit Act No. 19 of 2018, whether 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.

**2.3 Other Matters**

(a) Out of the stock existed at the store as at 31 March 2023, of which the cost amounted to Rs. 529,846,414 the value of stocks remained in the store for more than 1,2,3,4 and 5 years was Rs. 39,190,210, Rs. 7,251,928, Rs.3,722,072, Rs. 6,035,062 and Rs. 89,113,082 respectively. The company had not taken action for the disposal of stocks amounting to Rs. 9,511,044 identified as defective items contained in the above stock. Further, an adequate method or an accounting software system had not been installed for the verification of stocks amounting to Rs. 9,511,044 which had either expired or were close to expiry.

(b) The company had imported 50 mobile stores (cocoons) in the year 2015 for storing paddy at a cost of Rs. 107,388,160 from the Philippines of which only 15 had been sold to the Paddy Marketing Board for Rs. 35,432,450 and 13 units had been distributed amongst 4 public sector institutions under the CSR project. The remaining stock of 22 units costing Rs. 47,250,790 had remained unsold and had been kept in the store for a period of 08 years.

(c) During the period from November 2020 to March 2022, nine Q Shop outlets had been started and 02 outlets remained active in the year 2021/2022 and 09 outlets remained active in the year 2022/2023. The working profit of those shops in the years 2020/2021 and 2021/2022 was Rs. 1,335,844 and 2,163,344 respectively and the total working loss of the year 2022/2023 was Rs. 10,043,972. As a result, the company had failed to achieve the expected objectives of setting up Q Shop outlets. Further, at the physical inspection it was observed that expired or defective goods to the value of Rs. 6,209,741 (at sales price) identified from the Q Shops were found at the Narahenpita warehouse and a mechanism had been drawn up to remove those items from the warehouse.

(d) As Q Shops continued to incur losses, it was decided in the year 2023 to suspend the operations of these shops and in terms of the decision of the Board of Directors on 28 March 2023 an agreement was entered into on 26 May 2023 for handing over 08 Q Shops for a period of 5 years at a monthly rent of Rs. 575,000 to the Spices and Allied Products Marketing Board , only 04 shops had been handed over to the Board by 31 August 2023.

(e) After the expiry of the contracted period of the Veyangoda warehouse in February 2023 which had been obtained by the company on rent basis from the Food Commissioner's Department, it remained idling for a period of 06 months without storing goods and as a result of not taking action either to renew the agreement or return the warehouse, Rs. 1,260,000 had to be paid to the Food Commissioner's Department for the said 06 months at Rs. 210,000 per month.

(f) A physical verification had not been carried out after the year 2012 regarding fixed assets amounting to Rs. 1,053,318,795 as at the last day of the year under review.

(g) Within the debtor balance of Rs. 726,761,316 before deducting advances, the value of debtor balances not recovered for a period ranging from 2,3,4,5 years and more than 5 years was Rs. 29,055,601, Rs. 4,207,863, Rs. 9,215,669, Rs.17,378,652 and Rs. 166,098,488. Within the debtor balance of more than 05 years amounting to Rs. 166,098,488, a debtor balance of Rs. 104,387,590 receivable from 06 state sector institutions for a period of 08 years had been written off from the accounts without confirming the balances.

(h) The receivable balance not recovered for more than 4 years within the other receivable value of Rs. 425,033,261 was Rs. 15,180,560.

(i) The value of loan balances which were not settled for a period ranging over 4 to 5 years within the creditor balance of Rs. 290,036,187 was Rs. 39,056,445 and Rs.51,465,657 respectively. Further, action had not been taken to settle balances to the value of Rs. 205,743,565 which had not been settled over a long period of time.

(j) In the Action Plan prepared for the years 2022/2023, eleven (11) activities had been identified and as per the Performance Report submitted, 5 activities had not been implemented. Compared to the total number of projects, the number of projects not implemented was 45 percent amongst them were ERP project which was of special significance and the project for entering the export market.

(k) Though it had been planned in the Action Plan to introduce 8 new marketing/product lines during the year for the promotion of sales, only 3 marketing/product lines had been introduced during the year under review.

(l) Though 06 audit areas to be covered had been identified as per the Audit Plan prepared for the year 2022/2023, as per the reports submitted greater attention had been focused on stocks survey and other areas had not been adequately covered. Further, during the stock surveys, attention had not been paid on adopting measures for minimizing stock damages which had occurred continuously.

(m) An advance of Rs. 1,805,000 had been paid to a private institution for modernizing the accounting system of the corporation and though 05 years had lapsed since the payment of the advance, the modernization of the accounting system had not been carried out and no action had been taken to reclaim the advance.

(n) Compared to the previous year, the impairment loss for the debtors during the year under review had increased by Rs. 104,070,519 from 1,211,418 to Rs. 105,281,937 or by 99 percent.

(o) In terms of the Cabinet decision No: 23/0038/627/001 dated 11 January 2023, approval had been granted to import eggs as a short term solution to the egg shortage prevailed in the local market. Accordingly, having followed the procurement procedure, Immortal Company was selected as the temporary stock warehouse subsequent to the import of eggs in importing 16,531,000 eggs from March 2023 and Immortal Company had procured the service from Spectra Yard and offered the service to the corporation. Subsequently, without following the procurement procedure, the Corporation had obtained the service from Spectra Yard and had paid Rs. 7,053,250 as warehouse rental.

(p) The net loss incurred by Rajawasa Trade Complex which was established in terms of Cabinet decision No: CP/20/1698/313/029 dated 16 November 2020 from the date of commencement i.e. 15th March 2021 up to 30 June 2023 which was the date of the audit was Rs. 6,743,948. The total rental income relevant to this period was Rs. 31,222,146 and after having settled from cash receipts and rent deposits, the amount receivable as at 31 July 2023 was Rs. 1,369,750. Further, though the second party had to bear the monthly electricity, water and telephone bills as per the lease agreement, the Company had paid the electricity bill of Rs. 12,947,529 for the aforementioned period.

(q) The total approved cadre of the Company as at 31 March 2023 was 320 and as a result of the actual cadre being 328, there were 45 vacancies and 53 excesses. Included in 45 vacancies were 24 executive level vacancies and 21 vacancies of the support staff. Further, within the actual staff, there were 51 officers recruited on contract basis and 44 officers who had been recruited on casual basis and retained without extensions being granted after the expiry of their period of contract.

W.P.C. Wickremaratne
Auditor General

# STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31ST MARCH 2023*

| | Notes | 2022/ 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|---|
| Revenue | 03 | 9,416,776,271 | 8,750,242,988 |
| Cost of Sales | | (8,397,516,723) | (7,837,123,672) |
| Gross Profit | | 1,019,259,548 | 913,119,316 |
| Other Operating Income / ( Expenses ) | 04 | 35,297,453 | 68,551,847 |
| | | **1,054,557,002** | **981,671,163** |
| | | | |
| Distribution Expenses | 05 | 233,327,415 | 83,825,722 |
| Administration Expenses | 06 | 433,457,185 | 419,056,526 |
| | | **666,784,600** | **502,882,248** |
| | | | |
| **Earnings Before Interest & Tax** | | **387,772,401** | **478,788,916** |
| Net Finance Income / ( Expenses ) | 07 | 347,663,542 | (6,071,005) |
| **Profit / ( Loss ) Before Taxation** | | **735,435,943** | **472,717,911** |
| Taxation | 08 | (199,671,153) | (49,959,186) |
| **Net Profit / ( Loss ) For the Year** | | **535,764,790** | **422,758,725** |
| | | | |
| **Other Comprehensive Income** | | | |
| Actuarial Gain / (Loss) on Employee Benefits | | (4,271,080) | 9,174,235 |
| Tax on Other Comprehensive Income | | 1,281,324 | (2,201,817) |
| **Other Comprehensive Income / ( Loss ) - Net of Tax** | - | **(2,989,756)** | **6,972,419** |
| **Total Comprehensive Income / ( Loss ) for the Year - Net of Tax** | | **532,775,034** | **429,731,144** |
| | | | |
| Basic Earnings / ( Loss ) per Share | 09 | 54 | 42 |

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
*(Figures in brackets indicate deductions.)*

# STATEMENT OF FINANCIAL POSITION

*AS AT 31ST MARCH 2023*

| ASSETS | Notes | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant & Equipment | 10 | 566,611,360 | 466,200,401 |
| Intangible Assets | 10a | 9,330,001 | 1 |
| Investments in Shares | 11 | 20 | 20 |
| Loans Given to Employees | 12A | 15,422,666 | 11,971,618 |
| Easy Payment Loan Scheme | 12B | - | - |
| Net Deferred Tax Asset | 17 | 41,032,830 | 13,649,744 |
| **Total Non Current Assets** | | **632,396,876** | **491,821,785** |
| **Current Assets** | | | |
| Inventories | 13 | 1,467,189,374 | 1,497,967,033 |
| Trade & Other Receivables | 14 | 648,176,634 | 2,358,849,700 |
| Loans Given to Employees - Current Maturity | 12A | 6,991,454 | 5,875,877 |
| Easy Payment Loan Scheme | 12B | - | 9,229 |
| Short Term Investment in Fixed Deposits | | 1,668,700,000 | 626,565,159 |
| Short Term Investment - Build up Margin -Peoples Bank | | 25,266,927 | 364,276,347 |
| Short Term Investment - Build up Margin -NDB Bank | | 1,231,400 | 2,473,211 |
| Cash & Cash Equivalents | 15 | 13,474,352 | 569,489,844 |
| **Total Current Asset** | | **3,831,030,142** | **5,425,506,400** |
| **Total Assets** | | **4,463,427,000** | **5,917,328,166** |
| | | | |
| **EQUITY & LIABILITIES** | | **2022 / 2023** | **2021 / 2022** |
| | | **Rs.** | **Rs.** |
| **Capital & Reserves** | | | |
| Stated Capital 10,000,000 Ordinary Shares Rs. 10/- each | | 100,000,000 | 100,000,000 |
| General Reserves | | 45,607,646 | 45,607,646 |
| Revaluation Reserves | | 354,808,198 | 241,108,234 |
| Other Reserves | | (30,210,013) | (27,220,257) |
| Retained Earnings | | 1,312,041,000 | 771,724,662 |
| **Total Equity** | | **1,782,246,831** | **1,131,220,285** |
| **Non-Current Liabilities** | | | |
| Retirement Benefit Obligations | 16 | 34,243,718 | 39,164,924 |
| Government Grants Deffered Income A/C | 21 | 144,189,502 | 151,163,223 |
| Long Term Borrowings | 18 | - | - |
| **Total Non-Current Laibilities** | | **178,433,220** | **190,328,148** |
| **Current Liabilities** | | | |
| Short Term Borrowings | 18 | 13,600,000 | - |
| Trade & Other Payables | 19 | 2,383,206,991 | 4,436,757,832 |
| Bank Overdrafts | 20 | 105,939,957 | 159,021,901 |
| **Total Current Laibilities** | | **2,502,746,947** | **4,595,779,734** |
| **Total Equity & Liabilities** | | **4,463,427,000** | **5,917,328,166** |

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

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DGM Finance

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

............................................................
Chairman

Date : 28.06.2023

............................................................
Director

# STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31ST MARCH 2023*

| | Stated Capital Rs. | Revaluation Reserves Rs. | General Reserves Rs. | Other Reserves Rs. | Retained Profit/(Loss) Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Balance as at 1st April 2021 | 100,000,000 | 241,108,234 | 45,607,646 | (34,192,676) | 348,965,937 | 701,489,142 |
| Net Profit / (Loss) for the year | - | - | - | - | 422,758,725 | 422,758,725 |
| Actuarial Gain / (Loss) on Retirement Benefit Obligations | - | - | - | 6,972,419 | - | 6,972,419 |
| **Balance as at 31st March 2022** | **100,000,000** | **241,108,234** | **45,607,646** | **(27,220,257)** | **771,724,662** | **1,131,220,287** |
| | | | | | | |
| **Balance as at 01st April 2022** | **100,000,000** | **241,108,234** | **45,607,646** | **(27,220,257)** | **771,724,662** | **1,131,220,286** |
| Net Profit / (Loss) for the year | - | - | - | | 535,764,790 | 535,764,790 |
| Net of actuarial Gain / (Loss) on Retirement Benefit Obligations & Net of Tax | - | - | - | (2,989,756) | - | (2,989,756) |
| Prior Year Adjustment | - | - | | | 4,551,548 | 4,551,548 |
| Revaluation During the Year | - | 113,699,964 | | | | 113,699,964 |
| Proposed Dividend (Gross) | - | - | | | | |
| **Balance as at 31st March 2023** | **100,000,000** | **354,808,198** | **45,607,646** | **(30,210,013)** | **1,312,041,000** | **1,782,246,830** |

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
*(Figures in brackets indicate deductions.)*

# STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 31ST MARCH 2023*

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| Net Profit Before Taxation | 735,435,943 | 472,717,911 |
| **Adjustments for** | | |
| Depreciation / Amortization | 47,682,310 | 43,781,182 |
| Interest Income | (370,461,238) | (52,801,540) |
| Trust Receipt Loan & Overdraft Interest | 22,797,696 | 58,872,545 |
| Disposal Profit / ( Loss ) of PPE | (2,352,197) | (54,939) |
| Provision of Audit Fees | 1,326,000 | 1,308,000 |
| Impairment of Debtors | 105,281,937 | 1,211,418 |
| Impairment of Stocks | (17,209,276) | (9,730,290) |
| Provision for Retirement Benefit Obligatios | 6,623,591 | 7,979,707 |
| Revaluation Surplus | (113,699,977) | - |
| Prior Year Adjustments | 4,551,548 | - |
| **Operating Profit Before Working Capital Changes** | **419,976,338** | **523,283,993** |
| (Increase) / Decrease in Inventories | 47,986,935 | (1,055,176,914) |
| (Increase) / Decrease in Trade Debtors | 711,094,235 | (1,735,736,778) |
| (Increase) / Decrease in Government Grants Deffered Income | (1,205,100) | 11,770,585 |
| (Increase) / Decrease in Imported Rice Price Subsidy Receivable | 1,209,838,823 | - |
| (Increase) / Decrease in Easy Payment Loan Scheme | (19,788) | 541,161 |
| Increase / (Decrease) in Trade & Other Payables | (2,234,485,838) | 3,615,088,211 |
| **Cash Generated From Operations** | **153,185,604** | **1,359,770,258** |
| WHT Paid | (1,655,756) | - |
| Income Tax Paid | (43,182,162) | - |
| Gratuity Paid | (15,815,878) | (5,734,470) |
| **Net Cash Used in Operating Activities** | **92,531,809** | **1,354,035,788** |
| **Cash Flows from Investing Activities** | | |
| Acquisition of Property, Plant & Equipment | (3,176,535) | (55,615,946) |
| Investment in Work in Progress | (34,766,180) | - |
| Disposal Proceed Received | 100,000 | 70,067 |
| Interest Received from Short Term Investments | 153,458,665 | 53,926,735 |
| **Net Cash from in Investing Activities** | **115,615,950** | **(1,619,144)** |
| **Cash Flows from Financing Activities** | | |
| Investments in Fixed Deposits | (1,042,134,841) | (36,711,218) |
| Short Term Investment - Build up Margin - People's Bank | 339,009,420 | (41,156,849) |
| Short Term Investment - Build up Margin - NDB Bank | 1,241,811 | (1,858,668) |
| Net Loan Repayments & Proceeds | 13,600,000 | (572,459,623) |
| Trust Receipt Loan & Overdraft Interest Paid | (22,797,696) | (58,872,545) |
| **Net Cash from Financing Activities** | **(711,081,307)** | **(711,058,903)** |
| Net Increase / (Decrease) in Cash & Cash Equivalents | (502,933,548) | 641,357,741 |
| Cash & Cash Equivalents at the beginning of the year | 410,467,943 | (230,889,798) |
| **Cash & Cash Equivalents at the End of the year - (Note A)** | **(92,465,605)** | **410,467,943** |

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
*(Figures in brackets indicate deductions.)*

| Note A - Analysis of Cash & Cash Equivalents | As at 31.03.2023 Rs. | As at 31.03.2022 Rs. |
|---|---|---|
| **Cash at Bank** | | |
| BOC ( A/C No 8859546) | 270,158 | 270,158 |
| Sampath Bank (A/C No 000930000337) | 1,354,218 | 4,245,877 |
| BOC (A/C No 1060) | 93,358 | 73,940,432 |
| People's Bank - Kurunegala | 1,015,315 | - |
| People's Bank - Matara | 1,006,750 | 1,043,286 |
| People's Bank - Kandy | 1,312,850 | 1,277,555 |
| People's Bank - Polonnaruwa | - | 382 |
| People's Bank - Kalmunai | 1,000,000 | 872,305 |
| NDB (A/C - 101000160408) | 478,506 | 505,927 |
| People's Bank - Rice 180 | 614,901 | 467,503,401 |
| People's Bank - Rice 004 1 0027 0206579 | 81,951 | - |
| National Savings Bank | 25,474 | - |
| **Cash in Hand** | | |
| Petty Cash Imprest | 873,019 | 624,779 |
| Cash in Hand | 5,216,191 | 19,205,743 |
| **Bank Overdrafts** | | |
| Sampath Bank - DFS ( A/C No 002930006974) | 131,660 | (23,721,292) |
| People's Bank (A/C No - 004100120210918) | (105,939,957) | (135,154,900) |
| People's Bank - Kurunegala | - | (145,709) |
| | **(92,465,605)** | **410,467,943** |

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
*(Figures in brackets indicate deductions.)*

# NOTES TO THE FINANCIAL STATEMENTS - 2022/2023

## 1. GENERAL INFORMATION

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

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

The staff strength of the company as at 31st March 2023 was 336. ( 2021/22 – 392 )

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

### 2.1.1 Statement of Compliance

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

### 2.1.2 Basis of measurement

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

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

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

### 2.1.3 Comparative Information

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

### 2.1.4 Use of estimates and judgments

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

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

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

Note 16 - Retirement Benefit Obligations

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

Appropriate significant policies are explained in succeeding notes.

### 2.1.5 Foreign Currency Translation

(a) **Functional and presentation currency**

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

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Monetary assets and liabilities balances are translated at year end exchange rate.

### 2.2 Assets and the bases of their valuation

### 2.2.1 Property, plant and equipment

### 2.2.2 Recognition and Measurement

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

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

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

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

Land and Buildings are accounted on the basis of revaluation done in 2006. Action has been taken to revalue the Land and Buildings and it will be stated in the Financial Statement in 2023/2024. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, any increases in the carrying amount is recognized in other income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve statement of equity, any excess and all other decreases are charged to the statement of comprehensive income.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. The revaluation process of Plants and Equipment has been commenced and will be stated in the financial statement for the year 2023/2024.

### 2.2.3 Subsequent Costs

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

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

### 2.2.4 De-recognition

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

### 2.2.5 Depreciation

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

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

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

| | |
|---|---|
| Building | 7.5% |
| Motor Vehicles | 20% |
| Equipment | 10% |
| Furniture & Fittings | 10% |
| Computer Software | 33.33% |
| Showroom Equipment | 20% |
| Leasehold Building | Over the lease period or building depreciable period whichever is lower. |

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

### 2.2.6 Intangible assets (SLAS 38)

The computer software system was revalued at the end of 2021/2022. The future useful time of the software system has been estimated as 3 years. Based on the useful

Computer Software 33.33%

### 2.2.7 Financial assets - classification

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

### 2.2.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprises of 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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

### 2.2.9 Offsetting financial instruments

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

### 2.2.10 Impairment of financial assets

#### Assets carried at amortized cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, and where

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. "For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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

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

### 2.2.11 Impairment of non-financial assets

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

### 2.2.12 Inventories

(I) Inventories are stated at the lower of cost or net realizable value. Cost is determined by the Weighted Average method, Net realizable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses. Physical verification has been carried out for the financial year end and damaged stock items have been identified and net realizable value accounted.

Stocks purchased over one year have been taken after providing an impairment provision of 5% of the total cost. Stocks purchased within one year has been taken at cost as the market price levels are higher than the cost prices.

(ii) The amount of inventories recognized as cost of sales in the Profit and Loss during the year is Rs. 8,397,516,723.

(iii) A provision for impairment of inventory is established on the basis of collective impairment of 5 % for inventories that are more than 1 year and damaged stock items have been included in full when there is objective evidence that the Company will not be able to realize all amounts stated in the inventory.

(iv) The following inventory values Fixed deposits and buildup margins have been mortgaged to financial institutions for credit facilities provided.

**a) Inventory**

| Name of Bank | Mortgage Amount (Rs.) |
|---|---|
| People's Bank | 220,490,000 |
| Sampath Bank | 115,000,000 |
| National Development Bank | 200,000,000 |

**b) i) Fixed Deposit**

| Name of Bank | Mortgage Amount (Rs.) |
|---|---|
| People's Bank | 1,008,700,000 |

**ii) Build-up Margin**

| Name of Bank | Mortgage Amount (Rs.) |
|---|---|
| People's Bank | 25,266,927 |
| National Development Bank | 1,231,400 |

### 2.2.13 Trade Receivables

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

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

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

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

Debtor amounts listed in the cabinet paper over 5 years amounting to Rs. 104,387,890.21 have been provided as impairment provisions in year 2022/ 2023. If any amount is recovered, corresponding adjustments will be made in the financial statement for the relevant year.

### 2.2.14 Investments

#### (a) Long Term Investments

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

#### (b) Short Term Investments

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

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

### 2.2.15 Cash & Cash Equivalents

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

### 2.2.16 Stated Capital

The stated capital includes the total of all amounts received by the Company in respect of the issue of Shares.
The entity is fully owned by the Government of Sri Lanka and comes under the purview of The Ministry of Finance, Economics Stabalizatation & National Policies.

### 2.2.17 Trade Payables

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

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

### 2.2.18 Borrowings

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

### 2.2.19 Accounting for Government Grants

Accounting for Government Grants activities have been done according to SLAS 20 and has disclosed under Note 21 to the accounts.

### 2.2.20 Income Tax

#### (a) Current Taxes

The provision for income tax is based in the results of the operation during the year according to the Inland Revenue Act no.24 of 2017 and amendments thereto.

#### (b) Deferred Taxation

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

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

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

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

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

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

#### (c) Turnover Based Taxes

Turnover based tax includes Value Added Tax (VAT) and Social Security Contribution Levy (SSCL).

### 2.2.21 Post-Employment Benefits

#### (a) Defined Benefit Plan

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

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

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

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

#### (b) Defined Contribution Plan – EPF & ETF

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

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

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

### 2.2.22 Revenue Recognition

**Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The following specific recognition criteria must also be met before revenue is recognized.

(a) **Sale of goods**

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

(b) **Rendering of Services**

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

(c) **Interest Income**

Interest income is recognized on accrual basis.

(d) **Other Income**

Other income is recognized on accrual basis.

(e) **Disposal of property, plant and equipment**

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

### 2.2.23 Expenditure Recognition

(a) **Revenue Expenditure**

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

(b) **Capital Expenditure**

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

(c) **Borrowing Costs**

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

(d) **Net Finance Income / Cost**

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

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

(e) **Provisions for Bad Debts**

Provisions are recognized when the company has present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Recoverability of individual balances have been scrutinized and specific bad debts which were identified have been recognized as expenses.

### 2.2.24 Related Party Transactions

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

**Transactions with Related Entities**

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

### 2.2.25 Statement of Cash Flows

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

### 2.2.26 Segmental Information

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

### 2.2.27 Earning Per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

### 2.2.28 Events after the Reporting Date

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

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

### 2.2.29 Commitments and Contingencies

Commitments and contingencies as at the reporting date, is disclosed in Note 23 to the Financial Statements.

### 2.2.30 Responsibility for the Financial Statements

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

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 03 - REVENUE

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Gross Sales | 9,441,056,400 | 8,754,121,795 |
| Less : Sales Returns | (24,280,129) | (3,878,807) |
| **Net Sales (Note 03.01)** | **9,416,776,271** | **8,750,242,988** |

### Note 03.01 - Business Segments (Net Sales)

| | 2022 / 2023 Rs. | 2021/ 2022 Rs. |
|---|---|---|
| Chemical & Allied | 989,466,830 | 1,017,779,819 |
| ICT Products | 358,777,332 | 809,072,989 |
| Office Suppliers | 372,467,640 | 310,308,658 |
| Automotive Products | 242,593,285 | 247,936,198 |
| Duty Free Shop | 19,268,522 | 47,311,627 |
| Electricals & Electronics | 213,499,779 | 188,930,383 |
| Special Project Unit | 105,450,290 | 383,931,252 |
| Household Products | 400,374,661 | 641,478,998 |
| Construction & Hardware | 268,200,300 | 308,887,197 |
| Agricultural Supplies & Machinery & Equipments | 364,395,394 | 400,136,509 |
| Swashakthi | 67,982,942 | 65,075,722 |
| Essential Foods | 6,014,299,297 | 4,329,393,636 |
| | **9,416,776,271** | **8,750,242,988** |

### Note 03.02 - Segmental Operating Results ( Gross Profits )

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Chemical & Allied | 336,774,106 | 239,853,555 |
| ICT Products | 24,780,251 | 83,291,124 |
| Office Suppliers | 110,702,911 | 74,368,095 |
| Automotive Products | 32,367,653 | 34,286,188 |
| Duty Free Shop | 6,009,146 | 20,346,487 |
| Electricals & Electronics | 32,480,523 | 30,964,040 |
| Special Project Unit | 17,868,546 | 51,982,586 |
| Household Products | 64,927,777 | 71,182,448 |
| Construction & Hardware | 31,077,606 | 38,357,992 |
| Agricultural Supplies & Machinery & Equipments | 61,221,547 | 57,018,170 |
| Swashakthi | 13,112,918 | 10,738,532 |
| Essential Foods | 287,936,563 | 200,730,099 |
| | **1,019,259,548** | **913,119,316** |

## NOTE 04 - OTHER OPERATING INCOMES

| | 2022/ 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Gain / ( Loss ) on Exchange - DFS | (22,478) | 94,335 |
| Miscellaneous Income ( Note 04.01 ) | 46,298 | 14,197 |
| S L Police - Commission Income | - | 5,621,132 |
| Debtor / Stocks / Others Written Off | - | 24,291,260 |
| S L Navy - Commission Income | - | 1,754,428 |
| S L Army - Commission Income | - | 3,349,255 |
| Earned Income & Other Income - Loan / Hire Purchases | - | 56,883 |
| Profit on Sale of Fixed Assets | 100,000 | 54,939 |
| Profit on Asset transfer to Trading Stock | 2,252,197 | - |
| Rent Income - Rajawasa | 12,221,436 | 12,915,417 |
| Rent Income - Rajagiriya Premises | 20,700,000 | 20,400,000 |
| | **35,297,453** | **68,551,847** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

| ( Note 04.01 ) - Miscellaneous Income | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Sale of Damages Items | - | 8,750 |
| Others | 46,298 | 5,447 |
| | **46,298** | **14,197** |

## NOTE 05 - DISTRIBUTION EXPENSES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Sample Expenses | 651,731 | 1,633,710 |
| Tender Forms | 479,230 | 450,424 |
| Expenses of Registration of Suppliers | 1,702,665 | 2,109,290 |
| Stores & Showroom Rent | 41,331,197 | 27,238,845 |
| Lorry Hire /Transport | 8,293,605 | 5,843,386 |
| Servicing Charges | 1,001,015 | 2,971,995 |
| Sales Rep Commission | 22,330,788 | 26,972,927 |
| Debt Collection Commission | 298,051 | 609,727 |
| Staff Incentives | - | 9,978,207 |
| License Fees - Selling | 89,486 | 1,198 |
| Overseas Travelling | 833,995 | 759,683 |
| Trade Promotional Expenses | 424,114 | 3,438,110 |
| Advertising | 1,035,463 | 2,147,158 |
| Loading & Unloading Expenses | 272,000 | 28,400 |
| Rice Import / Export Expenses | 50,139,315 | 1,978,144 |
| Disallowed VAT | - | (16,255) |
| Sales Promotion to Co-Operate Customers | - | 199,646 |
| Trade Discount | - | 6,000,000 |
| Egg Import Expenses | 44,090 | - |
| SSCL - Social Security Contribution Levy Expenses | 15,560,598 | - |
| Imparement loss of Stocks | (16,441,863) | (9,730,290) |
| Imparement loss of Debtors | 105,281,937 | 1,211,418 |
| | **233,327,415** | **83,825,722** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 06 - ADMINISTRATIVE EXPENSES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Salaries | 153,859,687 | 135,727,393 |
| EPF | 23,658,608 | 23,824,061 |
| ETF | 4,734,438 | 4,764,834 |
| Overtime & Special Allowances | 25,309,490 | 34,342,811 |
| New Year Festival Allowances | 6,430,000 | 16,905,960 |
| Contract & Casual Employee Salaries | 45,134,944 | 43,028,618 |
| Staff Benefits Cost | 1,006,898 | 887,114 |
| Staff Welfare | 2,687,961 | 7,429,446 |
| Staff Medical Expenses | 3,273,992 | 2,833,385 |
| Staff Vehicle, Fuel, Transport, Professional & Other Allowances | 9,871,055 | 10,249,978 |
| Uniforms | 1,111,041 | 723,061 |
| Labour Charges | 15,900 | 99,600 |
| Death Gratuity | 200,000 | 1,000,000 |
| Leave Encashments | 8,083,390 | 9,317,765 |
| Gratuity Provision | 6,623,591 | 7,979,707 |
| Travelling & Subsistence | 4,757,801 | 4,460,647 |
| Audit Fees | 1,326,000 | 1,308,000 |
| Professional & Consultancy Fees | 100,000 | 120,000 |
| Legal Fees | 187,042 | 655,845 |
| Secretarial & Other Expenses | 1,882,119 | 458,745 |
| Directors Salaries | 954,665 | 960,000 |
| Directors Fees | 848,000 | 750,000 |
| Board Meeting Expenses | 88,868 | 66,628 |
| Insurance - General | 3,351,926 | 1,581,809 |
| Rates & Taxes | 5,012,285 | 2,585,567 |
| License Fees | 1,225,318 | 17,660 |
| Telephone Charges | 10,071,789 | 9,363,845 |
| Electricity | 21,047,835 | 20,154,680 |
| Postage | 849,939 | 821,879 |
| Water | 2,538,332 | 1,533,063 |
| News Papers & Periodicals | 171,090 | 18,420 |
| Printing & Stationery | 7,132,768 | 7,969,986 |
| Maintenance - Building | 6,611,701 | 899,660 |
| Maintenance - Office Equipment | 9,741,019 | 6,086,354 |
| Maintenance - Stores Equipment | 5,803,930 | 1,969,235 |
| Maintenance - Showrooms | 6,326,311 | 8,756,817 |
| Maintenance & Other Expenses - Rajawasa | 5,842,130 | 5,929,330 |
| Maintenance & Other Expenses - Q Shop | 1,978,341 | 4,106,924 |
| Maintenance - Motor Vehicles | 9,076,889 | 6,654,997 |
| Motor Vehicle Registration & Insurance | 150,082 | 111,615 |
| Fuel & Lubricant | 7,932,222 | 4,777,334 |
| Computer Management Fees | 1,022,323 | 608,000 |
| Computer Maintenance | 1,596,730 | 1,058,042 |
| Depreciation - Motor Vehicle | - | 3,218 |
| Depreciation - Plant & Equipment | 6,604,803 | 7,372,189 |
| Depreciation - Furniture | 6,016,600 | 7,905,805 |
| Depreciation - Tools & Equipments | 371,964 | 424,212 |
| Depreciation of Showroom Equipments | 2,182,007 | 1,082,614 |
| Depreciation of Office / Showroom Construction on Leasehold Premises & Rajawasa projects & Q Shop Construction | 8,069,254 | 7,485,207 |
| Staff Training & Development Expenses | 584,108 | 1,884,468 |
| | **433,457,185** | **419,056,526** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 07 - NET FINANCE INCOME / (EXPENSE)

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| **Interest Income** | | |
| Interest Income on Short Term Deposits | 368,285,283 | 50,462,107 |
| Interest on Staff Loans | 1,169,056 | 1,452,319 |
| Un - winding of Pre-Paid Staff Benefits | 1,006,898 | 887,114 |
| | **370,461,238** | **52,801,540** |
| **Finance Expenses** | | |
| Overdraft Interest | 6,092,289 | 14,669,008 |
| Trust Receipt Loan Interest | 8,212,041 | 34,908,953 |
| Festival Loan Interest | - | 118,795 |
| Bank Charges | 8,493,365 | 9,175,789 |
| | **22,797,696** | **58,872,545** |
| | **347,663,542** | **(6,071,005)** |

## NOTE 08 - INCOME TAX EXPENSE

| | Note | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|---|
| Income Tax on Profits for the year - 2022/2023 | 08.01 | 222,987,787 | 50,099,087 |
| Income Tax on Profits for the year - 2021/2022 | | 433,506 | - |
| Income Tax paid for assesments | | 2,351,622 | - |
| Deferred Tax Expense ( Reversal ) | 08.02 | (26,101,761) | (139,901) |
| | | **199,671,154** | **49,959,186** |

### (Note 8.1) Reconciliation between Accounting Profit to Income Tax

**For the year ended 31st March**

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Accounting Profit Before Taxation | 735,435,943 | 472,717,948 |
| Income From Investment Income | (368,285,283) | (83,777,524) |
| Aggregate Deduction not allowed | 110,739,039 | 14,890,511 |
| Aggregate Allowable Items | (31,742,224) | (20,729,499) |
| Utilisation of carry forward tax losses | - | (256,326,493) |
| **Adjusted Business Income** | **446,147,475** | **126,774,943** |
| **Investment Income** | **368,285,283** | **83,777,524** |
| **Assesable Income** | **814,432,758** | **210,552,467** |
| | | |
| **Income Tax on Profits for the year @ 30%** | **222,987,787** | **50,532,592** |

### (Note 8.2 ) Deferred Tax Expense / ( Reversal)

**Deferred tax expense / ( reversal ) arises from :**

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Charge / ( Reversal ) during the year for Deffered Tax Assets | (26,509,551) | 350,240 |
| Charge / ( Reversal ) during the year for Deffered Tax Liabilities | (873,534) | 1,711,676 |
| Charge / ( Reversal ) during the year for Actuarial Loss | 1,281,324 | (2,201,817) |
| | **(26,101,761)** | **(139,901)** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 09 - EARNINGS PER SHARE

### Basic Earning per share

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

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Net profit attributable to shareholders - ( Rs. Cts. ) | 535,764,789 | 422,758,725 |
| Weighted average number of ordinary shares in issue | 10,000,000 | 10,000,000 |
| **Basic earnings / ( Loss ) per share (Rs. Cts.)** | **54** | **42** |

### Diluted Earning per share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st March 2023.

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

## NOTE 10 - PROPERTY, PLANT & EQUIPMENT

| Cost / Revaluation | Freehold Land Rs. | Freehold Building Rs. | Expenditure incurred on Leasehold Building Rs. | Showroom Equipment Rs. | Motor Vehicles Rs. | Office Equipments Rs. | Computers Rs. | Tools & Equipments Rs. | Furniture & Fittings Rs. | Total Rs. |
|---|---|---|---|---|---|---|---|---|---|---|
| As at 01st April 2022 | 226,240,000 | 52,123,790 | 336,011,720 | 32,532,362 | 86,209,348 | 45,731,743 | 52,003,737 | 4,232,233 | 79,101,242 | 914,186,176 |
| Revaluation During the Year | - | - | - | - | 104,369,977 | - | - | - | - | 104,369,977 |
| Additions | - | - | 28,989,557 | 5,776,622 | - | 766,280 | 1,376,105 | 372,520 | 661,631 | 37,942,715 |
| Cost of Disposal of Fixed Assets | - | - | - | - | - | - | 67,950 | - | 3,112,122 | 3,180,072 |
| **As at 31st March 2023** | **226,240,000** | **52,123,790** | **365,001,277** | **38,308,984** | **190,579,325** | **46,498,023** | **53,311,892** | **4,604,753** | **76,650,751** | **1,053,318,795** |
| Depreciation / Impairment | | | | | | | | | | |
| As at 01st April 2022 | - | 52,123,787 | 168,203,319 | 7,302,458 | 86,209,313 | 24,256,251 | 48,500,741 | 2,429,310 | 58,960,607 | 447,985,786 |
| Depreciation Charge for the year | - | - | 26,738,315 | 7,950,628 | - | 3,927,450 | 2,677,353 | 371,964 | 6,016,600 | 47,682,310 |
| Cum. Depriciation Adj. | - | - | - | - | - | (1,509,470) | (1,604,624) | (95,068) | (3,458,387) | (6,667,548) |
| | | | | | | | | | | |
| Cum. Depriciation of Disposals of Fixed Assets | - | - | | - | - | - | 67,950 | - | 2,225,163 | 2,293,113 |
| **As at 31st March 2023** | **-** | **52,123,787** | **194,941,634** | **15,253,086** | **86,209,325** | **26,674,231** | **49,505,520** | **2,706,206** | **59,293,658** | **486,707,435** |
| | | | | | | | | | | |
| Carrying Value as at 01st April 2022 | 226,240,000 | 3 | 167,808,401 | 25,229,904 | 35 | 21,475,493 | 3,502,996 | 1,802,923 | 20,140,635 | 466,200,388 |
| **Carrying Value as at 31st March 2023** | **226,240,000** | **3** | **170,059,643** | **23,055,898** | **104,370,000** | **19,823,793** | **3,806,372** | **1,898,547** | **17,357,092** | **566,611,360** |

## NOTE 10a - INTANGIBLE ASSETS

| | Computer Software Rs. | Total Rs. |
|---|---|---|
| **Cost / Revaluation** | | |
| As at 01st April 2022 | 14,491,580 | 14,491,580 |
| Revaluation During the Year | 9,330,000 | 9,330,000 |
| **As at 31st March 2023** | **23,821,580** | **14,491,580** |
| | | |
| **Depreciation / Impairment** | | |
| As at 01st April 2022 | 14,491,579 | 14,491,579 |
| **As at 31st March 2023** | **14,491,579** | **14,491,579** |
| | | |
| Carrying Value as at 01st April 2022 | 1 | 1 |
| **Carrying Value as at 31st March 2023** | **9,330,001** | **9,330,001** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 11 - INVESTMENTS IN SHARES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| STC Medical Ltd. | 49,990 | 49,990 |
| Less : Provision for Impairment of STC Medical Company Investment | (49,990) | (49,990) |
| | - | - |
| Ceylon Shipping Lines | 20 | 20 |
| | **20** | **20** |

## NOTE 12A - LOANS GIVEN TO EMPLOYEES

| | Note | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|---|
| **Non - Current** | | | |
| Loans given to employees | 12.1 | 13,833,661 | 11,140,493 |
| Pre paid Staff Benefits | 12.2 | 1,589,005 | 831,125 |
| | | **15,422,666** | **11,971,618** |
| **Current** | | | |
| Loans given to employees | 12.1 | 5,863,185 | 5,216,060 |
| Pre paid Staff Benefits | 12.2 | 1,128,269 | 659,817 |
| | | 6,991,454 | **5,875,877** |
| | | **22,414,120** | **17,847,495** |

## NOTE 12.1 - LOANS GIVEN TO EMPLOYEES

| | | |
|---|---|---|
| Balance at the beginning of the year | 17,847,495 | 18,222,887 |
| Loans granted | 13,916,500 | 7,793,500 |
| Loans recovered | (9,349,874) | (8,168,892) |
| | **22,414,121** | **17,847,495** |
| Transfer to prepaid staff benefit | (2,717,272) | (1,490,942) |
| **Balance at the end of the year** | **19,696,849** | **16,356,553** |
| | | |
| Non Current | 13,833,661 | 11,140,493 |
| Current | 5,863,185 | 5,216,060 |
| | **19,696,846** | **16,356,553** |

## NOTE 12.2 - PREPAID STAFF BENEFITS

| | | |
|---|---|---|
| Balance at the beginning of the year | 1,490,942 | 1,472,567 |
| Additions during the year | 2,293,228 | 905,489 |
| Amortization | (1,006,898) | (887,114) |
| **Balance at the end of the year** | **2,777,272** | **1,490,942** |
| | | |
| Non Current | 1,589,005 | 831,125 |
| Current | 1,128,269 | 659,817 |
| | **2,717,274** | **1,490,942** |

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

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 12 B - EASY PAYMENT LOAN SCHEME

| | Note | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|---|
| **Non - Current** | | | |
| Gross Investment | 12.3 | - | - |
| Less : Unearned Finance Income | 12.4 | - | - |
| | | - | - |
| **Current** | | | |
| Gross Investment | 12.3 | - | 9,393 |
| Less : Unearned Finance Income | 12.4 | - | (164) |
| | | **-** | **9,229** |
| | | **-** | **9,229** |

## NOTE 12.3 - Gross Investment

| | | |
|---|---|---|
| Balance at the beginning of the year | 9,230 | 796,006 |
| Gross Investment during the year | - | - |
| Less : Rentals Received | (9,230) | (786,776) |
| | **0.00** | **9,230** |
| Add : Unearned Finance income | - | 164 |
| **Balance at the end of the year** | **0.00** | **9,393** |
| | | |
| Non - Current | - | - |
| Current | - | 9,393 |
| | **-** | **9,393** |

## NOTE 12.4 - Unearned Finance Income

| | | |
|---|---|---|
| Balance at the beginning of the year | 164 | 69,830 |
| Additions during the year | - | - |
| Less : Interest income for the year | (164) | (69,666) |
| **Balance at the end of the year** | **(0)** | **164** |
| Non - Current | - | - |
| Current | - | 164 |
| | **-** | **164** |

## NOTE 13 - INVENTORIES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| | | |
| Closing Inventory | 529,846,415 | 682,773,397 |
| Goods in Transits | 953,673,309 | 848,733,262 |
| Impairment Provision for Damage & Slow Moving Stock | (16,330,350) | (33,539,626) |
| | **1,467,189,374** | **1,497,967,033** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 14 - TRADE & OTHER RECEIVABLES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Trade Debtors | 338,829,077 | 995,268,965 |
| Impairment of debtors | (115,685,704) | (10,403,767) |
| | **223,143,373** | **984,865,197** |
| Other Receivables | 13,902,500 | 18,700,000 |
| Festival Advance | 2,346,750 | 69,250 |
| Festival Loan | - | 5,365 |
| Electricity Deposits | 879,500 | 878,000 |
| Security Deposits - NSB | 1,069,845 | 1,037,720 |
| Container Deposits | 45,000 | 280,000 |
| Rent Deposits | 21,428,789 | 22,528,789 |
| Sundry Deposits | 906,500 | 606,500 |
| Port Authority - PVQ | 50,000 | 50,000 |
| Bid Bond Ac. | 21,380 | 29,075 |
| Prepayments | 113,727,210 | 13,583,492 |
| Advance to Staff on Petty Cash | 48,500 | 38,900 |
| L/Guaranty Margin - People's Bank | 600,000 | 600,000 |
| Interest Receivable | 232,708,493 | 17,881,874 |
| With Holding Tax Receivable | 46,413 | 46,413 |
| Ministry of Education | 7,784,039 | 7,784,039 |
| Advance on Sundry Expenses | 1,111,953 | 451,224 |
| Advance on Services | 203,195 | 786,551 |
| Advance on Other Payments | 4,517,081 | 4,517,081 |
| Advance on Q Shop | 34,260 | 275,614 |
| Rent Advance Payment - Year 01 | 212,500 | 112,500 |
| Security Deposits - Q Shops | 191,128 | 191,128 |
| Shipping Guaranty Margin - People's Bank | - | 56,906,475 |
| Shipping Guaranty Margin - Sampath Bank | 14,946,000 | - |
| Shipping Guaranty Margin - Bank of Ceylon | - | 8,186,178 |
| Control A/C of Gift Vouchers | - | 23,000 |
| Staff Debtors - Salary Advance | 46,250 | 54,250 |
| Stock Shortages Recoverable A/C - Q Shops | 185,397 | - |
| David Pieris Mortor Co.Ltd | 1,074,440 | 1,074,440 |
| Scrap Battery Control A/C | 299,923 | 211,629 |
| Scienter Technologies ( Pvt ) Ltd | 1,805,000 | 1,805,000 |
| Ministry of Trade | - | 576,061 |
| Ministry of Trade - Imported Rice Price Subsidy Receivable | - | 1,209,838,823 |
| Loan / Hire purchases Rent, Insurance & Other Receivable | 4,688,217 | 4,702,132 |
| Reimbursement of Name Board - Rajawasa | 153,000 | 153,000 |
| | **648,176,634** | **2,358,849,700** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 15 - CASH HAND CASH EQUIVALENTS

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| **Cash at Bank** | | |
| BOC - ( A/C No 8859546) | 270,158 | 270,158 |
| Sampath Bank - (A/C No 000930000337) | 1,354,218 | 4,245,877 |
| Sampath Bank - DFS ( A/C No 002930006974) | 131,660 | - |
| BOC - (A/C No 1060) | 93,358 | 73,940,432 |
| NDB - New - Reg.Current (A/C - 101000160408) | 478,506 | 505,927 |
| People's Bank - Kurunegala | 1,015,315 | - |
| People's Bank - Kandy | 1,312,850 | 1,277,555 |
| People's Bank - Matara | 1,006,750 | 1,043,286 |
| People's Bank - Kalmunai | 1,000,000 | 872,305 |
| People's Bank - Polonnaruwa | - | 382 |
| People's Bank - Rice 004 1001 8 0206579 | 614,901 | 467,503,401 |
| People's Bank - Rice 004 1002 7 0206579 | 81,951 | - |
| National Savings Bank | 25,474 | - |
| Petty Cash Imprest | 873,019 | 624,779 |
| Cash in Hand | 5,216,191 | 19,205,743 |
| | **13,474,352** | **569,489,844** |

## NOTE 16 - RETIREMENT BENEFIT OBLIGATIONS

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Balance at the beginning of the year | 39,164,924 | 46,296,906 |
| Provision made during the year | 10,894,671 | (1,397,512) |
| Payments made during the year | (15,815,878) | (5,734,470) |
| **Balance at the end of the year** | **34,243,718** | **39,164,924** |

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

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

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Interest Cost | 4,660,438 | 5,533,756 |
| Current Service Costs | 1,963,154 | 2,242,967 |
| **Total included in the staff cost** | **6,623,591** | **7,776,723** |
| Net Actuarial (Gain)/Loss recognized immediately | 4,271,080 | (9,174,235) |
| **Total recognized in the comprehensive income** | **10,894,671** | **(1,397,512)** |

The Key Assumptions used by the management include the following,

| **Financial Assumptions** | 31.03.2023 | 31.03.2022 |
|---|---|---|
| Rate of Interest | 12% | 12% |
| Rate of Increase of Salaries | 1% | 1% |
| Staff Turnover Factor | 13% | 8% |
| Retiring Age (Years) | 60 | 60 |

The Company will continue as a going concern.

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 17 - NET DEFFERED TAX LIABILITY ( ASSET )

| | 2022 / 2023<br>Rs. | 2021/ 2022<br>Rs. |
|---|---|---|
| Balance at the beginning of the year | (13,649,744) | (15,711,660) |
| Provision / ( Reversal ) for the year | (27,383,085) | 2,061,916 |
| **Balance at the end of the year** | **(41,032,830)** | **(13,649,744)** |

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

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

| | 2022 / 2023<br>Rs. | 2021 / 2022<br>Rs. |
|---|---|---|
| Provision for slow moving stocks | 3,150,405 | 2,335,270 |
| Provision for bad & doubtful debts | (32,209,184) | (290,364) |
| Employee Benefit Liability | (873,534) | 1,711,676 |
| Accelerated depreciation for tax purpose | 2,549,227 | (1,694,666) |
| | **(27,383,086)** | **2,061,916** |

## NOTE 18 - SHORT TERM BORROWINGS

| | 2022 / 2023<br>Rs. | 2021 / 2022<br>Rs. |
|---|---|---|
| **Current Liabilities** | | |
| **Short Term** | | |
| T.R. Loans - Sampath Bank | 13,600,000 | - |
| **Total Loan Liability** | **13,600,000** | **-** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 19 - TRADE OTHER PAYABLES

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| Trade Creditors | 290,036,187 | 521,056,008 |
| Foreign Import Liability | 1,580,420,481 | 3,576,133,635 |
| Accrued Expenses | 52,040,751 | 57,260,929 |
| VAT | 2,909,027 | 4,860,269 |
| Income Tax Payable | 221,332,030 | 40,397,033 |
| Other Creditors - Sundry | 1,887,719 | 2,428,966 |
| Audit Fees | 2,652,000 | 2,520,000 |
| Security Deposit - NSB | 1,069,845 | 1,037,720 |
| EPF | 3,004,700 | 3,535,143 |
| ETF | 360,564 | 424,217 |
| Staff Creditors - Re Banked Salaries etc. | 714,355 | 586,126 |
| Salary Deductions | 366,178 | 791,108 |
| Salary Deductions - Staff & Others | 5,504 | 28,893 |
| ABC Trade & Investment | 1,041,629 | 1,041,629 |
| Sala Enterprises | 94,507 | 94,507 |
| Abans (Pvt ) Ltd | 1,920,661 | 1,920,661 |
| Refundable Tender Deposits | 285,000 | 260,000 |
| Withholding Tax Payable | 27,500 | - |
| Etisalat Credit Card Proceed | 748,683 | 748,683 |
| Free Issues Contro A/C | 109,584 | 109,584 |
| Stamp Recoveries | 24,975 | 28,100 |
| Loan / Hire Purchases Advance | 1,191,883 | 1,191,883 |
| Creditor for Lease Equipment | 118,310 | 165,012 |
| Money Received for Year End Sales Promotional Exp. | 1,641,069 | 2,022,369 |
| Money Received for Jaffna SR | 415,128 | 415,128 |
| Insurance Payable for Loan / Hire Purchases | 49,232 | 49,232 |
| Stafford Mortor (Pvt) Ltd | 28,000 | 28,000 |
| Retention | 4,213,981 | 4,192,963 |
| Retention on Service Contracts | 2,590,392 | 2,055,864 |
| Settlement Account of loss of Revenue - Jaffna SR | 238,765 | 238,765 |
| Reimbersement of salary for DO - Ministry of Trade | 642,394 | - |
| Working Capital for Rice Importation | 200,000,000 | 200,000,000 |
| Other Creditor - Industrial Development Board - IDB | - | 200,000 |
| Non Refundable Security Deposit- Rajawasa | 11,025,956 | 10,935,403 |
| | **2,383,206,991** | **4,436,757,832** |

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 20 - BANK OVERDRAFTS

| | 2022 / 2023 Rs. | 2021 / 2022 Rs. |
|---|---|---|
| People's Bank - (A/ C No 004100120210918) | 105,939,957 | 135,154,900 |
| Sampath Bank - DFS ( A/C No 002930006974) | - | 23,721,292 |
| People's Bank - Kurunegala | - | 145,709 |
| | **105,939,957** | **159,021,901** |

## NOTE 21 - GOVERNMENT GRANT DEFERRED INCOME

| | Government Grant Deffered Income A/C 1 Rs. | Government Grant Deffered Income A/C - 2 Rajawasa Rs. | Government Grant Deffered Income A/C - 3 Q Shop Container Exp Rs. | Government Grant Deffered Income A/C - 4 Q Shop Contruction Exp Rs. | Government Grant Deffered Income A/C -5 Rajawasa Batticaloa Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Openning Balance | 38,208,283 | 84,876,348 | 6,840,000 | 21,238,593 | - | 151,163,223 |
| Government Grant | - | - | - | 1,379,052 | 22,924,908 | 24,303,960 |
| Refund to Ministry of Trade | - | - | (6,840,000) | - | - | (6,840,000) |
| **Total** | **38,208,283** | **84,876,348** | **-** | **22,617,645** | **22,924,908** | **168,627,183** |
| | | | | | | |
| Charged P & L A/C 2022/2023 | 6,368,047 | 7,716,032 | - | 5,768,621 | 4,584,982 | 24,437,682 |
| **Balance** | **31,840,235** | **77,160,316** | **-** | **16,849,024** | **18,339,927** | **144,189,502** |

## NOTE 22 - TRANSACTIONS WITH RELATED PARTIES

### A) Transactions with Key Managerial Personnel

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

**(i) Loans to the Directors**

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

**(ii) Other Transactions with Key Management Personnel**

There were no other transactions with key Managerial Personnel other than those disclosed in Note 22A to these Financial Statements.

## NOTE 23 - CAPITAL COMMITMENTS

There were no contracted capital expenditure and contingencies approved by the Board of Directors as at 31st March 2023.

## NOTE 24 - COMPARATIVE INFORMATION

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

*NOTES TO THE FINANCIAL STATEMENTS - 2022/2023*

## NOTE 25 - FINANCIAL RISK MANAGEMENT

**Overview**

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

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

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

### Risk Management Framework

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

### Credit Risk

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

### Liquidity Risk

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

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

### Market Risk

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

### Interest Rate Risk

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