



Sri Lanka State Trading (General) Corporation Ltd.

**ANNUAL REPORT
2018-2019**

Contents

Vision, Mission & Corporate Goals.....	04
Goals, Functions, Services & Progress during the year.....	05
Corporate Information.....	06
Chairman’s Message.....	07
Senior Management & Heads of Divisions.....	08 - 09
Product Portfolio.....	10 - 12
Business Review.....	13
Employment Generation.....	14
Corporate Governance.....	15
Financial Highlights.....	16
Graphical View of Financial Highlights.....	17 - 18
Divisional Performance of STC.....	19 - 20
Auditor General’s Report.....	21 - 22
Statement of Comprehensive Income.....	23
Statement of Financial Position.....	24
Statement of Changes in Equity.....	25
Statement of Cash Flow.....	26 - 27
Notes to the Financial Statements.....	28 - 47

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.3,474 Million. Other operating income during the year under review was Rs.2.6 Million. The net loss before tax showed as Rs.32.5 Million and total equity decreased to Rs.786 Million during the year.

Number of employees of STC at the end of March 2019 was 436 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 Trade.

Chairman/Managing Director:

Dr. A.M. Jameel	-	(Resigned 08.06.2018)
Mr. Hussein A. Bhaila	-	(Joined 22.06.2018) (Resigned 26.11.2019)
Mr.Yoga Perera	-	(Joined 24.01.2020)

Board of Directors:

Mr. S.L. Deen	-	(Joined 02.02.2015)
Mr. D. Jeevanadan	-	(Resigned 23.11.2018)
Mr. V. Nitharsan	-	(Resigned 23.11.2018)
Mr.T.V. Weerasena	-	(Joined 01.12.2015)
Mr. S.Ilangathilake	-	(Resigned 05.09.2018)
Mr. K.Ariyawansa	-	(Resigned 21.11.2018)

Company Secretary: K L Management Consultants (Pvt) Ltd.

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

Bankers: People's Bank
NDB Bank
Sampath Bank

Registered office: PO Box 1686,
100, Nawam Mawatha,
Colombo 2,
Sri Lanka.
Telephone: 2422341-3
Fax: 2447970
Email: lankagen@slt.net.lk
Web: www.stcgeneral.com

Company Registration No: PB 863

No. of Employees: 436 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 2018/2019.

External Environmental Outlook

GDP growth rate during the year 2017 was 3.42% and was further declined in 2018 to 3.2%. The negative trend continued into year 2019 as well and the GDP of 2019 remained at 2.7%. Overall slowdown in economic activities and the government policy on reducing expenditures directly affected the business of STC during this period. With continues efforts, STC has managed the overall negative situation at a reasonable level and expect to do better in the year to come.

STC Progress during 2018-2019

The total business revenue of Rs.3,474 million was recorded and it was a negative growth compared to the previous period of 2017/2018. The overall economic slowdown directly affected the overall business during the year. The main reason being the external factors that reduced the purchasing power of the general public and the state sector experienced a slow growth following a tight policy towards its activities.

STC being the main supplier for the government sector, the decision to cut down government costs by regulatory authorities has directly affected the drop in turnover. However there is a slight increase in the turnover of office supplies divisions as the demand for opex items has been at a static level. Apart from the Duty Free shop and the Chemicals Division, all the other divisions have recorded a growth in the Gross Profit Margin during 2018/2019. Drop in turnover of the Duty Free shop has affected the overall loss in gross profit which finally ended at the same level of 18% on turnover both periods. When compared to the previous period, other operating expenses dropped from Rs. 18 million to Rs. 2.6 million.

The total expenditure excluding the impact of financial expenses dropped by 9% compared to the previous period while the financial expenditure has slightly increased. The overall net effect has been a negative net profit of Rs. 29 million .

Earnings per share recorded a negative value of Rs. 2.7 per share as against the positive Rs. 6.87 recorded at the previous year.

Employee strength stands 436 as at March 31st of 2019.

Future Plans

- Special focus on customer satisfaction by providing quality goods at reasonable prices and a continues after sales service to increase the market share both in the public and private sectors. Introduce new product on special loan schemes to state sector employees in line with governments policy guidelines and also look into the possibilities of penetrating into the export markets to reduce the exchange rate risks that are in the schedule for next year .
- Look at the possibilities of obtaining Sole Agentships for world renowned brands which can be marketed in Sri Lanka in order to increase profit margins.
- Continues attention on improving the stock turnover and debtors turnover ratios to improve the cash flow and thereby reduce the financial costs to improve the performance and net profit levels. While expecting support from my senior management and staff members for the betterment of the organization, I take this opportunity to thank the Hon. Minister of Trade, my fellow members of the Board, Bankers and all Stakeholders who have contributed to the achievement throughout the financial year.



Yoga Perera
Chairman/Managing Director

SENIOR MANAGEMENT & HEADS OF DIVISIONS

Senior Management

	Name
Chairman / Managing Director	Mr. Hussein A. Bhaila
General Manager	Mrs. Chamila Iddamalgodra
Deputy General Manager-Marketing	Mr. M.N. Mahesh Mendis
Finance Manager	Mr. Meril Nonis

Head of Divisions

Chemical & Allied Division

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

Asst. Manager	Mrs. K. L. S. Jayanthi
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Household & Recreational Division

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

Asst. Manager-Sales	Mrs. K. H. Anupama Peiris
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ICT Services Division

Manager-ICT Services	Mr. M. I. M. Azhar
Asst. Manager- ICT Services	Mr. K.G.C. Janaka

Electrical & Electronic Division

Manager	Mr. K. L. Pathirana
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Agricultural, Machinery & Equipment Division

Asst. Manager	Mrs. Madushani Akurugoda
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Battery Division

Manager	Mrs. D.K. Jayasooriya
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Construction, Hardware & Office furniture

Asst. Manager	Mr. Anurudha Mahesh
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Automotive Products division

Asst. Manager	Mrs. Saroja De Silva
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SENIOR MANAGEMENT & HEADS OF DIVISIONS

Head of Divisions

Name

FMCG Division

Officer in Charge

Mr. D.P. Kumara

Special Projects & Marketing

Asst. Manager

Miss. Mihiri Herath

Showroom Operation

Manager

Mr. Gayan Ranathunga

Duty Free Shop

Asst. Manager

Mr. M. L. Ranjan Padmalal

Procurement Division

Asst. Manager

Mr. A.R. Mohamed Fasnun

Finance Division

Accountant

Mrs. I.K.P.P. Perera

IT Division

Act. Senior Manager

Mr. Nirosh Bandara

Audit Division

Manager –Internal Audit

Miss. Lalani Samudra

Human Resources & Legal Division

Legal Officer

Mrs. R.S.D. Rathnayaka

Asst. Manager - HR

Mrs. A. Dasanayaka

Services & Supply Manager

Mr. H.K. Anura

Stores Manager

Mr. Athambawa Rafeek

Branches & Showrooms

01. Kurunegala Showroom	No. 243/3/1, Puttalam Road, Kurunegala.
02. Kandy Showroom	No. 449, William Gopallawa Mawatha, Kandy.
03. Matara Showroom	No. 11, YMCA Building, Station Road, Matara.
04. Anuradhapura Showroom	No. 561-B, 38, 4 th Lane, Anuradhapura.
05. Jaffna Showroom	No.127, MPCs Building, KKS Road, Jaffna.
06. Sainthamaruthu Showroom	No.452, Main Street, Sainthamaruthu.
07. Polonnaruwa Showroom	No.75/B, 2 Alapara, Kaduruwela.
08. Seilency Shopping Arcade	Economic Center, Narahenpita.

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 & EXIDE Batteries



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.

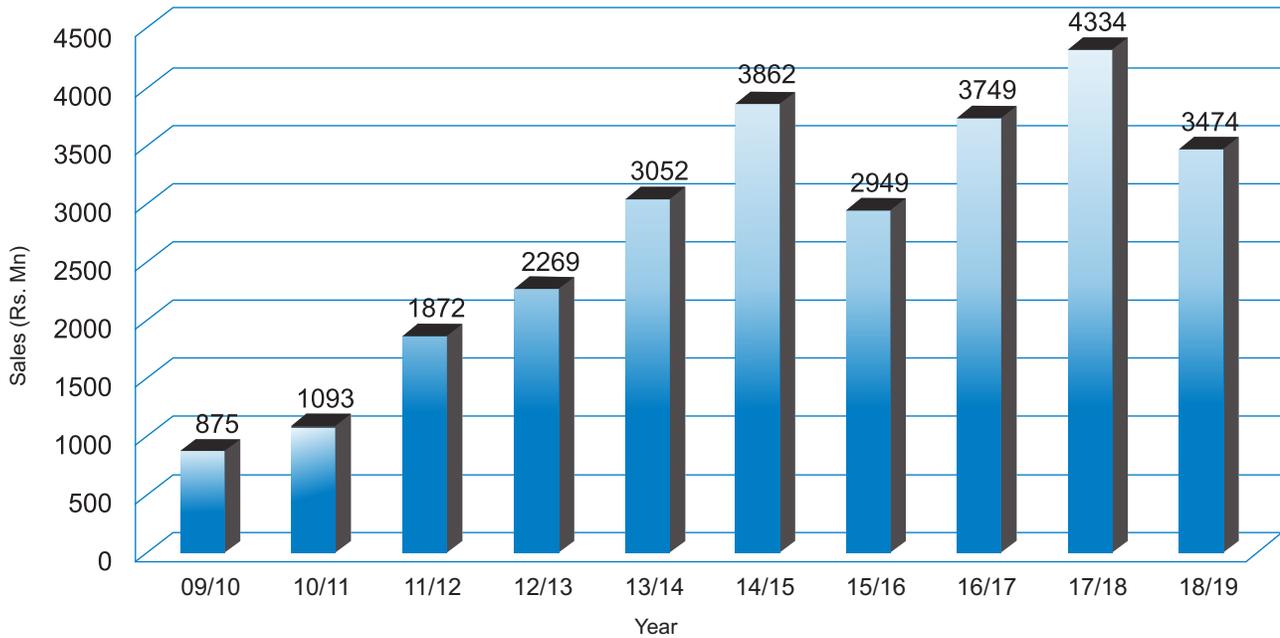


Duty Free Shop

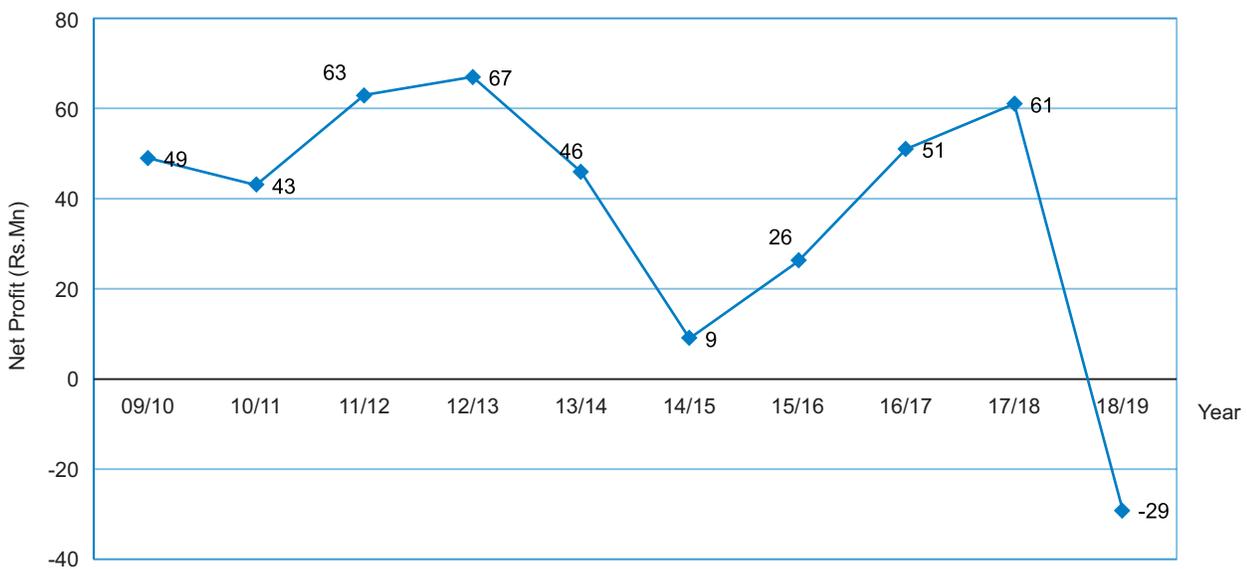
Facilitate the requirement of the diplomats and diplomatic missions.

BUSINESS REVIEW

Sales Growth (Rs. Mn)



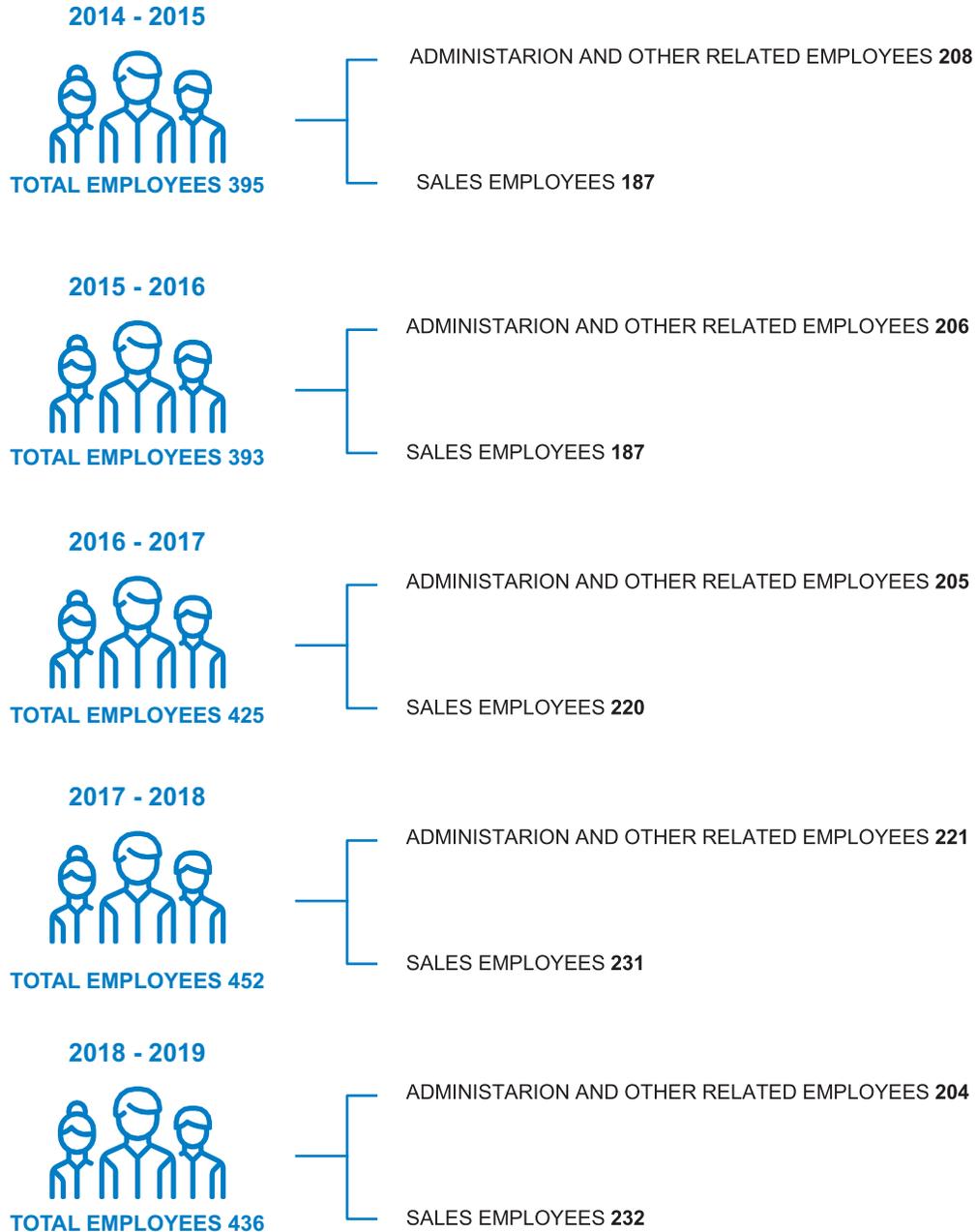
Net Profit after Tax Growth (Rs. Mn)



EMPLOYMENT GENERATION

2014 - 2019

Numbers in Employment since 2014/2015 to 2018/2019

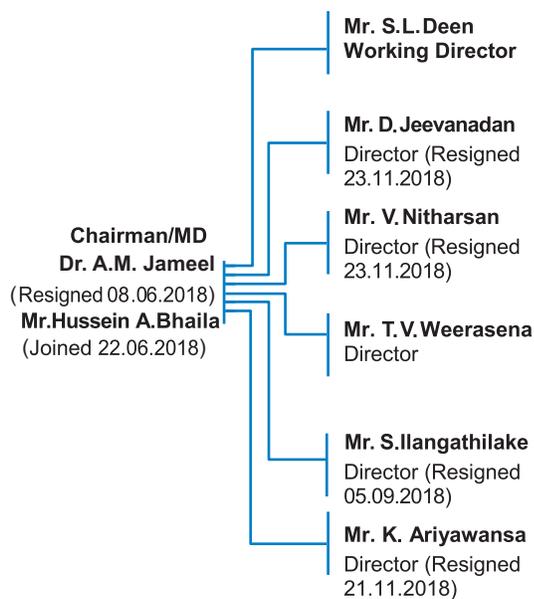


CORPORATE GOVERNANCE

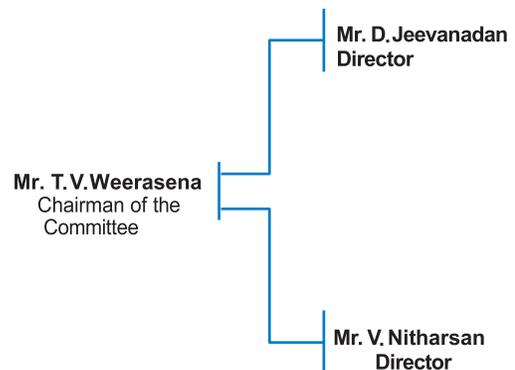
During the past year management of STC strived to rejuvenate governance structure and best business practices. In addition, STC has a separate Internal Audit Division and internal controls are in place to ensure a sound control environment. Further there is a separate Audit & Management Committee which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

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

Board Members



Audit Committee Members



Availability of Business Managing Instruments



- 1) Corporate Plan 2019/2021
- 2) Annual Report 2017/2018
- 3) STC Procurement Procedures
- 4) STC Action Plan
- 5) STC Product Profile
- 6) STC Profile
- 7) STC Credit Sales Policy
- 8) STC Approved carder

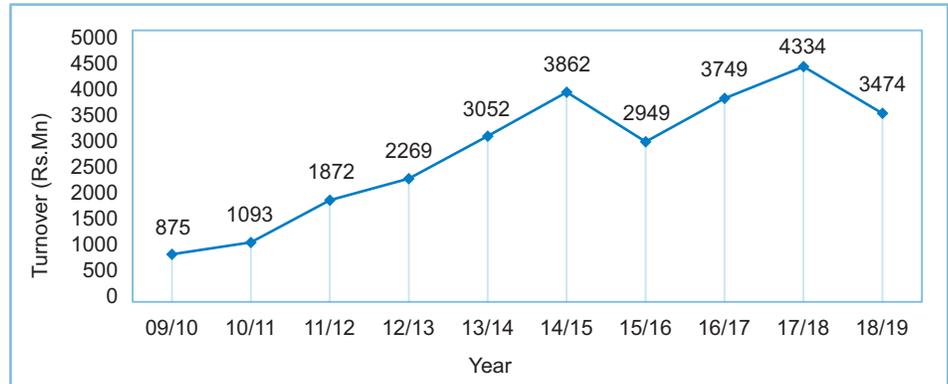
FINANCIAL HIGHLIGHTS

	2018/2019 (Rs.000'S)	2017/2018 (Rs.000'S)	Change% ↑ / ↓
Operation			
Turnover	3,473,579	4,334,175	-20%
Earnings before interest & Tax	48,424	160,705	-70%
Profit before Taxation	-32,925	82,333	-140%
Profit after Taxation	-29,098	61,434	-147%
Balance Sheet			
Non Current Assets	454,305	471,022	-4%
Current Assets	2,341,268	2,523,316	-7%
Current Liabilities	1,897,331	2,045,097	-7%
Non-Current Liabilities	111,841	128,742	-13%
Stated Capital & Reserves	786,401	820,500	-4%
Cash flow			
Net Cash generated from Operating Activities	359,943	87,622	311%
Net Cash Used in Operating Activities	340,582	64,927	425%
Net Cash generated from Investing Activities	48,743	36,700	33%
Net Cash generated from Financing Activities	-378,983	-150,877	151%
Per Share Data			
Earnings per share	-2.7	6.87	-139%
Net Assets per Share	78.64	82.05	-4%
Return on Equity (ROE)	-0.04	0.07	-153%
Return on Assets (ROA)	-0.01	0.022	-146%
Key Ratios			
Gross Profit Ratio	18%	18%	0%
Net Profit Ratio	-0.8%	1%	-184%
Quick Ratio	0.89	0.81	10%
Current Ratio	1.23	1.23	0%
Gearing Ratio	1.53	1.63	-6%

GRAPHICAL VIEW OF FINANCIAL HIGHLIGHTS

TURNOVER

Year	(Rs.Mn)
09/10	875
10/11	1093
11/12	1872
12/13	2269
13/14	3052
14/15	3862
15/16	2949
16/17	3749
17/18	4334
18/19	3474



NET PROFIT BEFORE TAX

Year	(Rs.Mn)
09/10	52
10/11	59
11/12	82
12/13	97
13/14	74
14/15	11
15/16	31
16/17	61
17/18	82
18/19	-33



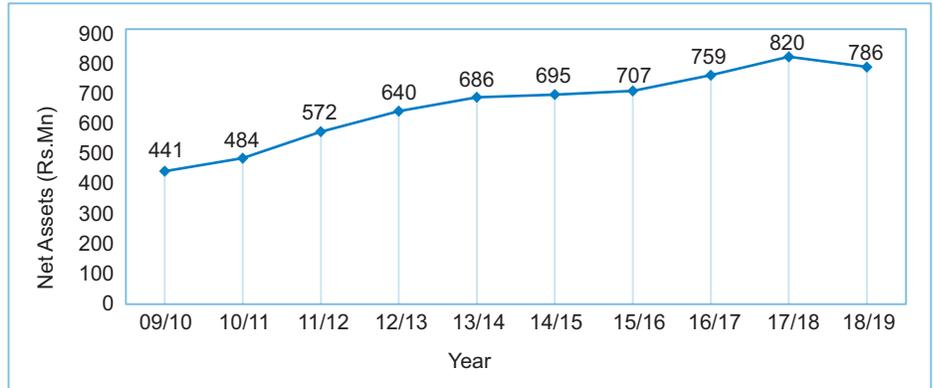
TOTAL ASSET

Year	(Rs.Mn)
09/10	2639
10/11	2028
11/12	2469
12/13	2059
13/14	2275
14/15	3051
15/16	2694
16/17	2650
17/18	2994
18/19	2796

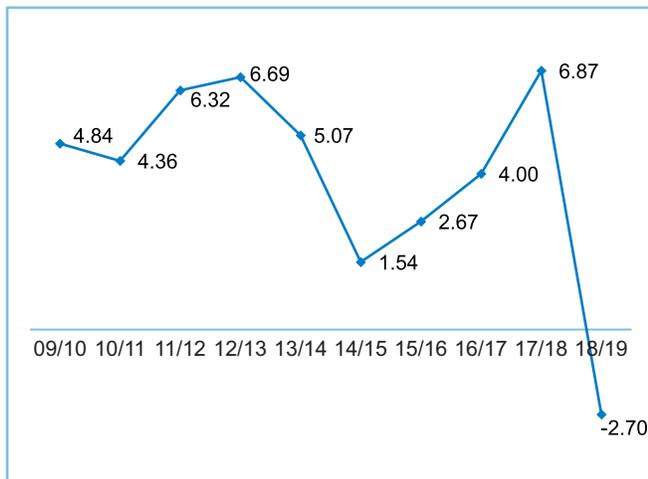


NET ASSETS

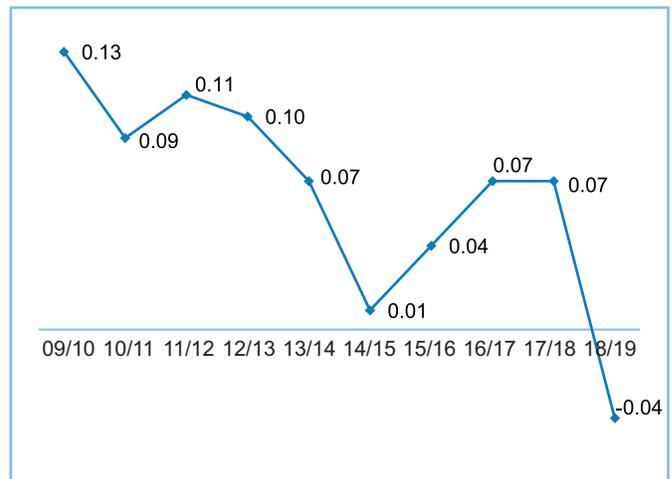
Year	(Rs.Mn)
09/10	441
10/11	484
11/12	572
12/13	640
13/14	686
14/15	695
15/16	707
16/17	759
17/18	820
18/19	786



EPS (Rs)

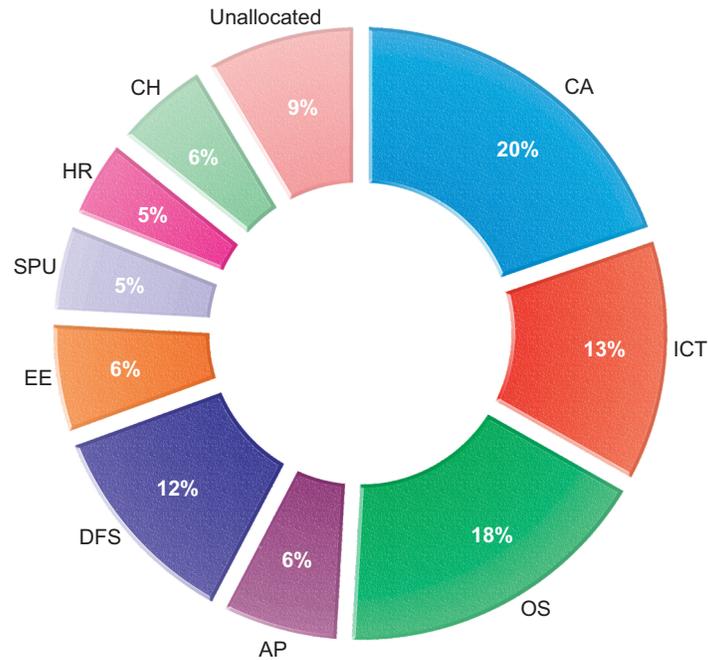


ROE (Rs)



DIVISIONAL PERFORMANCE OF STC

Revenue Drivers 2018-2019



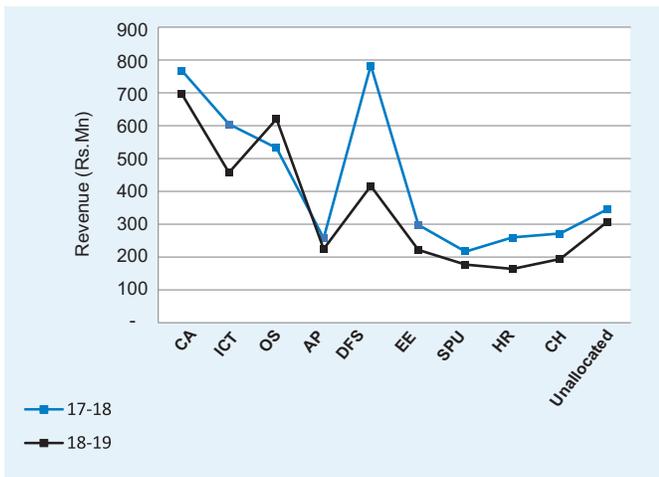
Performance of Revenue Drivers 2018/2019

Division	Revenue	GP	GP%
CA	696,841,274	201,279,967	29%
ICT	456,579,898	46,661,751	10%
OS	619,773,850	82,116,062	13%
AP	223,230,910	24,383,169	11%
DFS	416,275,725	131,094,537	31%
EE	221,241,408	31,741,015	14%
SPU	176,183,621	18,758,879	11%
HR	163,266,101	27,166,103	17%
CH	193,723,958	24,150,866	12%
Unallocated	306,462,610	43,155,354	14%
Total	3,473,579,355	630,507,703	18%

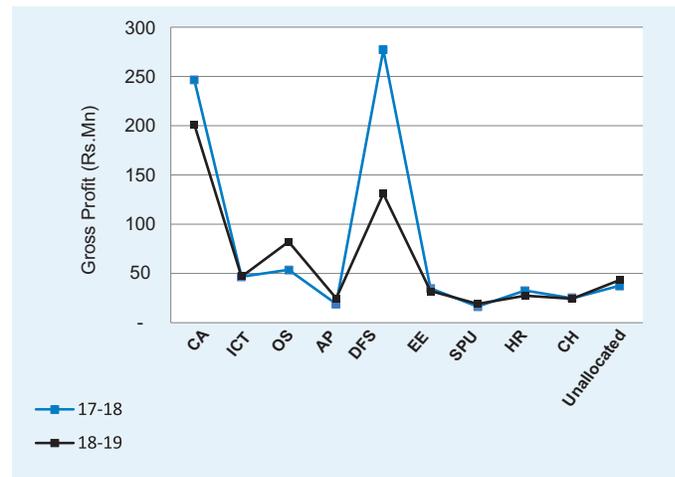
Comparison of Divisional Performance (2017-2018/2018-2019)

Dept	2017 / 2018			2018 / 2019			% ↑ / ↓		
	Sales	GP	GP%	Sales	GP	GP%	Sales	GP	GP%
							↑ / ↓	↑ / ↓	↑ / ↓
CA	767,934,157	246,604,335	32%	696,841,274	201,279,967	29%	-9%	-18%	-3%
ICT	604,046,918	46,678,195	8%	456,579,898	46,661,751	10%	-24%	0%	2%
OS	532,512,338	53,616,357	10%	619,773,850	82,116,062	13%	16%	53%	3%
AP	257,081,798	18,889,668	7%	223,230,910	24,383,169	11%	-13%	29%	4%
DFS	783,301,510	277,264,230	35%	416,275,725	131,094,537	31%	-47%	-53%	-4%
EE	297,487,998	34,722,307	12%	221,241,408	31,741,015	14%	-26%	-9%	2%
SPU	216,406,431	16,218,823	7%	176,183,621	18,758,879	11%	-19%	16%	4%
HR	259,173,624	32,333,881	12%	163,266,101	27,166,103	17%	-37%	-16%	5%
CH	271,006,723	24,742,990	9%	193,723,958	24,150,866	12%	-29%	-2%	3%
Unallocated	345,223,678	37,417,186	11%	306,462,610	43,155,354	14%	-11%	15%	3%
Total	4,334,175,175	788,487,972	18%	3,473,579,355	630,507,703	18%	-20%	-20%	0%

Divisional Revenue Comparison



Divisional Gross Profit Comparison



My No: TCM E STC 2018 19FA

Your No:

Date: 05 December 2019

Chairman
Sri Lanka State Trading (General) Corporation Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka State Trading (General) Corporation Limited for the year ended 31 March 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka State Trading (General) Corporation Limited ("Company") for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of comprehensive income statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 opinion.

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act: Act. No. 19 of 2018.
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2018 / 2019 Rs. Cts	2017 / 2018 Rs. Cts
Revenue	03	3,473,579,355	4,334,175,176
Cost of Sales		(2,843,071,652)	(3,545,687,204)
Gross Profit		630,507,703	788,487,971
Other Operating Income / (Expenses)	04	2,647,447	18,016,165
		633,155,151	806,504,136
Distribution Expenses	05	93,747,214	144,680,192
Administration Expenses	06	488,926,409	495,474,830
		582,673,622	640,155,022
Earnings Before Interest & Tax		50,481,528	166,349,114
Net Finance Income / (Expenses)	07	(81,349,838)	(78,371,967)
Profit / (Loss) Before Taxation		(30,868,309)	87,977,147
Taxation	08	3,827,578	(19,318,944)
Net Profit / (Loss) For the Year		(27,040,732)	68,658,203
Other Comprehensive Income			
Actuarial Gain / (Loss) on employee benefits		(1,607,402)	(5,643,597)
Tax on other comprehensive income		(450,073)	-
Deferred tax Charge		-	(1,580,207)
Other Comprehensive Income / (Loss) - Net of Tax		(2,057,475)	(7,223,804)
Total Comprehensive Income / (Loss) for the Year - Net of Tax		(29,098,206)	61,434,399
Basic Earnings / (Loss) per Share	09	(2.70)	6.87

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2019

ASSETS	Notes	2018 / 2019 Rs. Cts	2017 / 2018 Rs. Cts
Non-Current Assets			
Property, Plant & Equipment	10	429,972,869	452,319,189
Investments in Shares	11	20	20
Loans Given to Employees	12A	10,314,183	8,581,931
Easy Payment Loan Scheme	12B	2,590,833	2,071,322
Net Deferred Tax Asset	18	11,427,278	8,049,773
Total Non Current Assets		454,305,183	471,022,235
Current Assets			
Inventories	13	655,081,823	872,108,293
Trade & Other Receivables	14	904,713,585	960,794,288
Loans Given to Employees - Current Maturity	12A	4,945,806	4,457,856
Easy Payment Loan Scheme	12B	3,434,055	3,555,187
Short Term Investment in Fixed Deposits		493,962,343	447,008,574
Short Term Investment - Build up Margin -Peoples Bank		235,253,795	190,933,790
Short Term Investment - Build up Margin -NDB Bank		6,695,655	5,424,230
Cash & Cash Equivalents	15	37,181,578	39,034,331
		2,341,268,640	2,523,316,550
Total Assets		2,795,573,823	2,994,338,782
EQUITY & LIABILITIES			
		2018 / 2019 Rs. Cts	2017 / 2018 Rs. Cts
Capital & Reserves			
Stated Capital 10,000,000 Ordinary Shares Rs. 10/- each		100,000,000	100,000,000
General Reserves		45,607,646	45,607,646
Revaluation Reserves		241,108,234	241,108,234
Other Reserves		(12,631,022)	(10,573,548)
Retained Earnings		412,316,835	444,357,568
Total Equity		786,401,693	820,499,900
Non-Current Liabilities			
Interest Bearing Liabilities	16	-	169,638
Retirement Benefit Obligations	17	30,215,207	29,317,174
Government Grants Deferred Income A/C	22	45,942,424	41,488,114
Long Term Borrowings	19	35,683,430	57,766,780
		111,841,061	128,741,706
Current Liabilities			
Income Tax Payable		-	10,661,017
Short Term Borrowings	19	778,593,857	876,075,376
Interest Bearing Liabilities	16	169,776	4,916,092
Trade & Other Payables	20	729,546,081	752,228,973
Bank Overdrafts	21	389,021,354	401,215,719
		1,897,331,068	2,045,097,176
Total Equity & Liabilities		2,795,573,823	2,994,338,782

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.

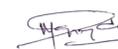


Finance Manager

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 / Managing Director
30.07.2019



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Stated Capital		Revaluation Reserves		General Reserves		Other Reserves		Retained Profit/(Loss)		Total	
	Rs.	Cts	Rs.	Cts	Rs.	Cts	Rs.	Cts	Rs.	Cts	Rs.	Cts
Balance as at 1st April 2017	100,000,000		241,108,234		45,607,646		(3,349,743)		375,699,364		759,065,501	
Prior Year Adjustment	-		-		-		-		-		-	
Revaluation during the year	-		-		-		-		-		-	
Net Profit / (Loss) for the year	-		-		-		-		68,658,203		68,658,203	
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-		-		-		(7,223,804)		-		(7,223,804)	
Proposed Dividend (Gross)	-		-		-		-		-		-	
Balance as at 31st March 2018	100,000,000		241,108,234		45,607,646		(10,573,548)		444,357,568		820,499,902	
Balance as at 01st April 2018	100,000,000		241,108,234		45,607,646		(10,573,548)		444,357,567		820,499,900	
Net Profit / (Loss) for the year	-		-		-		-		(27,040,732)		(27,040,732)	
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-		-		-		(2,057,475)		-		(2,057,475)	
Prior Year Adjustment	-		-		-		-		-		-	
Proposed Dividend (Gross)	-		-		-		-		(5,000,000)		(5,000,000)	
Balance as at 31st March 2019	100,000,000		241,108,234		45,607,646		(12,631,022)		412,316,835		786,401,693	

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Cash Flow from Operating Activities		
Net Profit Before Taxation	(30,868,309)	87,977,147
Adjustments for		
Lease Interest	392,320	1,356,246
Depreciation / Amortization	44,337,371	48,527,351
Interest Income	(73,752,132)	(69,093,040)
Trust Receipt Loan & Overdraft Interest	154,709,650	146,108,760
Disposal Profit / (Loss) of PPE	(1,300)	(19,991)
Provision of Audit fees	2,077,040	-
Stocks & Debts Written Off	1,319,567	5,503,360
Impairment of Debtors	880,003	(3,391,900)
Impairment of Stocks	623,514	8,965,684
Provision for Retirement Benefit Obligations	5,214,624	4,151,134
Operating Profit Before Working Capital Changes	104,932,347	230,084,753
(Increase) / Decrease in Inventories	216,402,956	(67,210,202)
(Increase) / Decrease in Trade Debtors	51,384,287	(204,180,436)
(Increase) / Decrease in Government Grants Deferred Income	9,559,024	41,488,114
(Increase) / Decrease in Easy Payment Loan Scheme	347,663	2,487,691
Increase / (Decrease) in Trade & Other Payables	(22,682,892)	84,952,199
Cash Generated From Operations	359,943,385	87,622,118
WHT Paid	(3,650,406)	(6,244,215)
Income Tax Paid	(9,787,302)	(11,756,131)
Gratuity Paid	(5,923,993)	(4,695,106)
Net Cash Used in Operating Activities	340,581,684	64,926,667
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(22,558,750)	(25,768,594)
Disposal Proceed Received	6,500	26,150
Interest Received from Short Term Investments	71,295,604	62,442,153
Net Cash from in Investing Activities	48,743,354	36,699,709
Cash Flows from Financing Activities		
Investments in Fixed Deposits	(46,953,769)	(39,560,760)
Short Term Investment - Build up Margin - Peoples Bank	(44,320,005)	(40,319,987)
Short Term Investment - Build up Margin - NDB Bank	(1,271,425)	(1,217,191)
Net Loan Repayments & Proceeds	(119,564,869)	83,307,989
Trust Receipt Loan & Overdraft Interest Paid	(154,709,650)	(146,108,760)
Lease Rentals Paid	(7,163,710)	(6,978,349)
Dividends Paid	(5,000,000)	-
Net Cash from Financing Activities	(378,983,427)	(150,877,058)
Net Increase / (Decrease) in Cash & Cash Equivalents	10,341,611	(49,250,682)
Cash & Cash Equivalents at the beginning of the year	(362,181,387)	(312,930,705)
Cash & Cash Equivalents at the End of the year - (Note A)	(351,839,776)	(362,181,387)

Note A - Analysis of Cash & Cash Equivalents	As at 31.03.2019	As at 31.03.2018
	Rs. Cts.	Rs. Cts.
Cash at Bank		
BOC (A/C No 8859546)	270,658	270,658
Sampath Bank (A/C No 000930000337)	-	491,890
BOC (A/C No 1060)	20,097	20,347
People's Bank - Kurunegala	389,830	1,692,691
People's Bank - Matara	1,281,302	6,806,415
People's Bank - Kandy	864,892	3,765,446
People's Bank - Polonnaruwa	1,726,542	1,157,094
People's Bank - Kalmunai	687,610	663,731
Cash in Hand		
Petty Cash Imprest	544,139	572,551
Cash in Hand	31,396,508	23,593,507
Bank Overdrafts		
Sampath Bank (A/C No 000930000337)	(352,453)	-
Sampath Bank - DFS (A/C No 002930006974)	(20,195,355)	(10,826,465)
People's Bank (A/C No - 004100120210918)	(359,036,652)	(380,942,013)
NDB (A/C - 106340003864)	(9,436,894)	(9,447,240)
	(351,839,776)	(362,181,387)

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

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 2019 was 436. (2017/18 – 452)

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 17 – Retirement Benefit Obligations

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

Appropriate significant policies are explained in succeeding notes.

2.1.5 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.2 Assets and the bases of their valuation

2.2.1 Property, plant and equipment

2.2.2 Recognition and Measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

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

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

2.2.3 Subsequent Costs

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

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

2.2.4 De-recognition

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

2.2.5 Depreciation

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

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

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

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

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

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

2.2.6 Financial assets - classification

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

2.2.7 Loans and receivables

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

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

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

2.2.8 Offsetting financial instruments

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

2.2.9 Impairment of financial assets

Assets carried at amortized cost

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

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

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

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

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

2.2.10 Impairment of non-financial assets

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

2.2.11 Inventories

- 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.
- The amount of inventories recognized as cost of sales in the Profit and loss during the year is Rs. 2,843,071,652 .
- 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 in full when there is objective evidence that the Company will not be able to realize all amounts status in the inventory.
- The following inventory values have been mortgaged to financial institutions as for credit facilities, provided.

Name of Bank	Mortgage Amount (Rs.)
People's Bank	98,000,000
Sampath Bank	159,000,000
National Development Bank	83,900,000

2.2.12 Trade Receivables

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

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

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

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

2.2.13 Investments

(a) Long Term Investments

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

(b) Short Term Investments

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

2.2.14 Cash & Cash Equivalents

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

2.2.15 Stated Capital

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

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

2.2.16 Trade Payables

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

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

Trade payables are recognized initially at fair value.

2.2.17 Borrowings

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

2.2.18 Accounting for leases

The Company leases certain property, plant and equipment. Leases of property, plant and equipment, where the Company has substantial risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant

periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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

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

(b) Deferred Taxation

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

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

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

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

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

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

(c) Turnover Based Taxes

Turnover based tax includes Value Added Tax (VAT) and Nation Building Tax (NBT).

2.2.20 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 17.

(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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

of comprehensive income in the period in which it is incurred.

2.2.21 Revenue Recognition

Revenue recognition

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

(a) Sale of goods

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

(b) Rendering of Services

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

(c) Interest Income

Interest income is recognized on cash basis.

(d) Other Income

Other income is recognized on an accrual basis.

(e) Disposal of property, plant and equipment

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

2.2.22 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.

2.2.23 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 23 to the Financial Statements.

Transactions with Related Entities

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

2.2.24 Statement of Cash Flows

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

2.2.25 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.

2.2.26 Earning Per Share

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

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

2.2.27 Events after the Reporting Date

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

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

2.2.28 Commitments and Contingencies

Commitments and contingencies as at the reporting date, is disclosed in Note 24 to the Financial Statements.

2.2.29 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 - 2018/2019

NOTE 03 - REVENUE

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Gross Sales	3,474,585,182	4,335,976,898
Less : Sales Returns	(1,005,827)	(1,801,723)
Net Sales (Note 03.01)	3,473,579,355	4,334,175,176

Note 03.01 - Business Segments (Net Sales)

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Chemical & Allied	696,841,274	767,934,157
ICT Products	456,579,898	604,046,918
Office Suppliers	619,773,850	532,512,338
Automotive Products	223,230,910	257,081,798
Duty Free Shop	416,275,725	783,301,510
Electricals & Electronics	221,241,408	297,487,998
Special Project Unit	176,183,621	216,406,431
Household Products	163,266,101	259,173,624
Construction & Hardware	193,723,958	271,006,723
Unallocated (Others)	306,462,610	345,223,678
	3,473,579,355	4,334,175,176

Note 03.02 - Segmental Operating Results (Gross Profits)

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Chemical & Allied	201,279,967	246,604,335
ICT Products	46,661,751	46,678,195
Office Suppliers	82,116,062	53,616,357
Automotive Products	24,383,169	18,889,668
Duty Free Shop	131,094,537	277,264,230
Electricals & Electronics	31,741,015	34,722,307
Special Project Unit	18,758,879	16,218,823
Household Products	27,166,103	32,333,881
Construction & Hardware	24,150,866	24,742,990
Unallocated (Others)	43,155,354	37,417,186
	630,507,703	788,487,971

NOTE 04 - OTHER OPERATING INCOMES

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Gain / (Loss) on Exchange	63,010	16,240
Miscellaneous Income (Note 04.01)	125,996	63,491
Department Of Police - Commission	-	3,080,780
S L Army - Commission	-	12,707,368
Income of Registration of Suppliers	769,520	685,813
Earned Income & Other Income - Loan / Hire Purchases	934,288	1,442,481
Sale of Fixed Assets	1,300	19,991
Rent Received - Shop Seilency	753,333	-
	2,647,447	18,016,165

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

(Note 04.01) - Miscellaneous Income	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Sale of Damages Items	114,808		63,391	
Others	11,188		-	
	125,996		63,391	

NOTE 05 - DISTRIBUTION EXPENSES

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Sales Incentives	3,974,337		27,253,955	
Sample Expenses	3,038,801		2,505,553	
Tender Forms	2,266,057		2,982,159	
Expenses of Registration of Suppliers	4,764,522		4,837,837	
Stores & Showroom Rent	25,408,995		29,877,954	
Lorry Hire / Transport	3,886,830		9,084,296	
Servicing Charges	756,759		3,461,777	
Reimbursement of Sales Expenses	13,870,057		14,813,869	
Reimbursement of Debt Collection Expenses	1,766,522		1,682,082	
Trade Fair Expenses	90,310		53,165	
License Fees - Selling	506,652		438,456	
Overseas Travelling	28,100		204,623	
Trade Promotional Expenses	3,597,291		5,290,248	
Advertising	1,865,814		5,044,701	
Loading & Unloading Expenses	43,705		88,436	
Disallowed VAT	2,399,166		2,523,163	
Nation Building Tax	22,793,485		26,615,850	
Bad & Doubtful Debts	183,950		70,424	
Sales Promotion to Co-Operate Customers	1,002,344		2,277,860	
Impairment loss of Stocks	623,514		8,965,684	
Impairment loss of Debtors	880,003		(3,391,900)	
	93,747,214		144,680,192	

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 06 - ADMINISTRATIVE EXPENSES

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Salaries	130,022,458	131,058,213
EPF	25,249,609	25,715,756
ETF	5,049,922	5,145,201
Overtime & Special Allowances	37,506,919	40,788,685
New Year Festival Allowances	19,916,968	16,523,446
Contract & Casual Employee Salaries	60,150,527	60,505,052
Staff Benefits Cost	1,239,614	490,696
Labour Compensations	200,000	-
Staff Welfare	7,751,469	6,134,382
Staff Medical Expenses	3,908,077	2,855,983
Staff Vehicle & Fuel Allowance	16,956,705	16,454,366
Family Welfare Assistance	4,063,000	3,570,000
Uniforms	564,130	1,387,853
Labour Charges	2,984,655	2,976,520
Death Gratuity	400,000	300,000
Leave Encashments	7,999,164	5,685,541
Gratuity Provision	5,214,624	4,151,134
Travelling & Subsistence	6,043,617	5,112,367
Audit Fees	2,098,972	226,960
Professional & Consultancy Fees	561,553	979,900
Legal Fees	187,520	275,832
Secretarial & Other Expenses	760,035	410,000
Directors Salaries	1,720,188	1,740,000
Directors Fees	346,800	348,500
Board Meeting Expenses	12,850	15,065
Insurance - General	1,835,451	2,356,607
Rates & Taxes	1,165,823	2,954,725
License Fees	280,984	365,297
Telephone Charges	12,953,681	14,366,476
Electricity	18,016,725	14,414,405
Postage	1,850,972	1,679,691
Water	2,783,825	2,016,490
News Papers & Periodicals	120,693	60,810
Printing & Stationery	9,793,662	9,516,595
Maintenance - Building	16,938	145,922
Maintenance - Office Equipment	7,642,471	11,939,700
Maintenance - Stores Equipment	1,702,652	5,715,209
Maintenance - Show Rooms	13,387,498	11,256,481
Maintenance - Motor Vehicles	5,835,964	5,824,475
Motor Vehicle Registration & Insurance	331,671	286,441
Fuel & Lubricant	5,644,716	5,676,136
Computer Management Fees	127,908	244,768
Computer Maintenance	2,867,821	3,027,882
Depreciation - Building	1,661,084	1,661,084
Depreciation - Motor Vehicle	1,564,823	4,364,829
Depreciation - Plant & Equipment	8,109,246	10,293,020
Depreciation - Furniture	7,303,452	6,889,736
Depreciation - Tools & Equipments	362,551	331,296
Depreciation of Office / Showroom construction on Leasehold Premises	20,169,001	24,987,386
Hire of Vehicles	4,717,846	5,681,570
Bank Charges	15,955,597	13,231,833
Staff Training & Development Expenses	396,325	283,920
Surcharges	438,048	1,254,690
Parking Expenses	979,604	1,795,904
	488,926,409	495,474,830

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 07 - NET FINANCE INCOME / (EXPENSE)

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Interest Income				
Interest Income on Short Term Deposits	71,596,082		67,834,169	
Interest on Staff Loans	916,437		768,175	
Un - winding of Pre-Paid Staff Benefits	1,239,614		490,696	
	73,752,132		69,093,040	
Interest Expense				
Overdraft Interest	37,634,854		37,582,837	
Trust Receipt Loan Interest	117,074,796		108,525,924	
Lease Interest	392,320		1,356,246	
	155,101,970		147,465,006	
	(81,349,838)		(78,371,967)	

NOTE 08 - INCOME TAX EXPENSE

	Note	2018 / 2019		2017 / 2018	
		Rs.	Cts.	Rs.	Cts.
Income Tax on Profits for the year - 2017/2018	08.01	-		16,905,232	
Income Tax on Profits for the year - 2012/2013		-		1,242,004	
Income Tax on Profits for the year - 2014/2015		-		1,390,956	
Deemed Dividend Tax		-		972,259	
Deferred Tax Expense	08.02	(3,827,578)		(1,191,507)	
		(3,827,578)		19,318,944	

(Note 8.1) Reconciliation between Accounting Profit to Income Tax

For the year ended 31st March

	2019		2018	
	Rs.	Cts.	Rs.	Cts.
Accounting Profit Before Taxation	(30,868,309)		87,977,147	
Income From Other Sources	(72,349,415)		(68,602,344)	
Aggregate Disallowable Items	80,077,781		64,653,702	
Aggregate Allowable Items	(79,655,455)		(59,744,958)	
Adjusted Business Profit	(102,795,399)		24,283,547	
Total Statutory Income	72,349,415		92,885,891	
Utilisation of carry forward tax losses	(72,349,415)		(32,510,062)	
Taxable Income	-		60,375,829	
Income Tax on Profits for the year @ 28%	-		16,905,232	

The unutilised tax loss carried forward as at the reporting date amounted to Rs.208,716,525/- (2017/18 -Rs 178,270,541/-).

(Note 8.2) Deferred Tax Expense / (Reversal)

Deferred tax expense / (reversal) arises from :

	2019		2018	
	Rs.	Cts.	Rs.	Cts.
Charge / (Reversal) during the year for Deffered Tax Assets	(672,434)		(2,451,769)	
Charge / (Reversal) during the year for Deffered Tax Liabilities	(1,124,864)		1,260,262	
Charge / (Reversal) during the year for Acturial Loss	(2,030,280)			
	(3,827,578)		(1,191,507)	

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 09 - EARNINGS PER SHARE**Basic earnings 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.

	2018 / 2019 Rs.	2017 / 2018 Rs.
Net profit attributable to shareholders - (Rs. Cts.)	(27,040,732)	68,658,203
Weighted average number of ordinary shares in issue	10,000,000	10,000,000
Basic earnings / (Loss) per share (Rs. Cts.)	(2.70)	6.87

Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st March 2019.

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 11 - INVESTMENTS IN SHARES

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
STC Medical Ltd.	49,990.00		49,990.00	
Less : Provision for Impairment of STC Medical Company Investment	(49,990.00)		(49,990.00)	
	-		-	
Ceylon Shipping Lines	20.00		20.00	
	20.00		20.00	

NOTE 12A - LOANS GIVEN TO EMPLOYEES

	Note	2018 / 2019		2017 / 2018	
		Rs.	Cts.	Rs.	Cts.
Non - Current					
Loans given to employees	12.1	9,610,375		8,015,155	
Pre paid Staff Benefits	12.2	703,808		566,776	
		10,314,183		8,581,931	
Current					
Loans given to employees	12.1	4,403,368		4,011,154	
Pre paid Staff Benefits	12.2	542,438		446,702	
		4,945,806		4,457,856	
		15,259,989		13,039,787	

NOTE 12.1 - LOANS GIVEN TO EMPLOYEES

Balance at the beginning of the year	13,039,785	11,330,971
Loans granted	7,494,500	6,572,851
Loans recovered	(5,274,297)	(4,864,037)
	15,259,988	13,039,785
Transfer to prepaid staff benefit	(1,246,245)	(1,013,476)
Balance at the end of the year	14,013,743	12,026,309
Non Current		
	9,610,375	8,015,155
Current		
	4,403,368	4,011,154
	14,013,743	12,026,309

NOTE 12.2 - PREPAID STAFF BENEFITS

Balance at the beginning of the year	1,013,476	896,097
Additions during the year	787,258	608,075
Amortization	(554,464)	(490,696)
Balance at the end of the year	1,246,270	1,013,476
Non Current		
	703,808	566,776
Current		
	542,438	446,701
	1,246,246	1,013,477

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

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

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 12 B - EASY PAYMENT LOAN SCHEME	Note	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Non - Current			
Gross Investment	12.3	2,943,376	2,299,237
Less : Unearned Finance Income	12.4	(352,543)	(227,915)
		2,590,833	2,071,322
Current			
Gross Investment	12.3	4,237,734	4,240,375
Less : Unearned Finance Income	12.4	(803,679)	(685,190)
		3,434,055	3,555,187
		6,024,888	5,626,509

NOTE 12.3 - Gross Investment

Balance at the beginning of the year	5,626,509	8,966,365
Gross Investment during the year	4,994,198	4,974,634
Less : Rentals Received	(4,595,819)	(8,314,490)
	6,024,888	5,626,509
Add : Unearned Finance income	1,156,222	913,105
Balance at the end of the year	7,181,110	6,539,614
Non - Current	2,943,376	2,299,237
Current	4,237,734	4,240,375
	7,181,110	6,539,612

NOTE 12.4 - Unearned Finance Income

Balance at the beginning of the year	913,105	1,321,535
Additions during the year	1,137,338	1,177,030
Less : Interest income for the year	(894,221)	(1,585,460)
Balance at the end of the year	1,156,222	913,105
Non - Current	352,543	227,915
Current	803,679	685,190
	1,156,222	913,105

NOTE 13 - INVENTORIES

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
Closing Inventory	611,541,580	821,082,524
Goods in Transits	55,789,003	62,651,015
Provision for Damage & Slow Moving Stock	(12,248,760)	(11,625,245)
	655,081,823	872,108,293

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 14 - TRADE & OTHER RECEIVABLES

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Trade Debtors	815,411,249		898,985,241	
Impairment of debtors	(8,905,261)		(8,025,258)	
	806,505,988		890,959,983	
Festival Advance	2,601,750		2,728,000	
Electricity Deposits	825,000		163,000	
Security Deposits - NSB	1,061,156		1,031,266	
Rent Deposits	22,164,288		17,958,185	
Sundry Deposits	606,500		506,500	
Port Authority - PVQ	50,000		50,000	
Prepayments	3,722,673		366,108	
Advance to Staff on Petty Cash	26,500		52,000	
L/Guaranty Margin - People's Bank	600,000		600,000	
VAT Receivables	-		143,958	
Interest Receivable	25,810,101		25,509,624	
IT Self Assessment Payment	2,776,691		-	
With Holding Vat Receivable	37,901		-	
Suspended VAT A/C	1,239,708		1,240,734	
Ministry of Education	7,784,039		7,784,039	
Advance on Sundry Expenses	1,503,113		1,983,449	
Advance on Services	1,830,476		666,185	
Advance on Other Payments	4,517,081		4,517,081	
Tender & Other Deposits	97,200		367,025	
Rent Advance Payment - Year 01	-		15,000	
WHT on Interest	3,650,406		-	
Shipping Guaranty Margin - People's Bank	-		-	
Shipping Guaranty Margin - Sampath Bank	10,730,000		-	
Staff Debtors - Salary Advance	36,000		33,000	
David Pieris Motor Co.Ltd	1,074,440		1,074,440	
Flood Relief Collection AC	-		263,085	
Scrap Battery Control A/C	384,997		-	
Scienter Technologies (Pvt) Ltd	1,805,000		-	
Loan / Hire purchases Rent, Insurance & Other Receivable	3,272,576		2,781,626	
	904,713,585		960,794,288	

Note about debtor impairment is to be included under the Notes to the Financial Statements.

Management of STC has decided to account the impairment loss of debtors on the basis of collective impairment criteria and percentage of 5 % has been calculated of the debts which the age is over 1 year period.

NOTE 15 - CASH HAND CASH EQUIVALENTS

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Cash at Bank				
BOC (A/C No 8859546)	270,658		270,658	
Sampath Bank (A/C No 000930000337)	-		491,890	
BOC (A/C No 1060)	20,097		20,347	
People's Bank - Kurunegala	389,830		1,692,691	
People's Bank - Kandy	864,892		3,765,446	
People's Bank - Matara	1,281,302		6,806,415	
People's Bank - Kalmunai	687,610		663,731	
People's Bank - Polonnaruwa	1,726,542		1,157,094	
Petty Cash Imprest	544,139		572,551	
Cash in Hand	31,396,508		23,593,507	
	37,181,578		39,034,331	

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 16 - INTEREST BEARING LIABILITIES - LEASES

	Nissan Jeep WPKX 9352		ALTO Car KY 6145 / KY 6148		Total	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Balance as at 01st April 2018	4,364,643		1,207,643		7,336,353	
Less : Rentals Paid	(4,364,643)		(1,035,000)		(7,163,710)	
Balance as at 31st March 2019	-		172,643		172,643	
Interest in Suspense						
Balance as at 01st April 2018	390,635		95,921		603,588	
Less : Charge to P & L	(390,635)		(93,054)		(600,721)	
Balance as at 31st March 2019	-		2,867		2,867	
Interest Bearing Liabilities - Non Current						
Balance as at 31st March 2019	-		-		-	
Interest Bearing Liabilities - Current						
Balance as at 31st March 2019	-		169,776		169,776	

NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Balance at the beginning of the year	29,317,174		24,217,549	
Provision made during the year	6,822,026		9,794,731	
Payments made during the year	(5,923,993)		(4,695,106)	
Balance at the end of the year	30,215,207		29,317,174	

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.

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Interest Cost	3,518,060		2,477,383	
Current Service Costs	1,696,563		1,673,751	
Total included in the staff cost	5,214,623		4,151,134	
Net Actuarial (Gain)/Loss recognized immediately	1,607,402		5,643,597	
Total recognized in the comprehensive income	6,822,025		9,794,731	

The Key Assumptions used by the management include the following.

Financial Assumptions

	31.03.2019	31.03.2018
Rate of Interest	12%	12%
Rate of Increase of Salaries	1%	1%
Staff Turnover Factor	5%	2%
Retiring Age (Years)	60	60

The Company will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 18 - NET DEFERRED TAX LIABILITY (ASSET)

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Balance at the beginning of the year	(8,049,773)		(8,438,473)	
Provision / (Reversal) for the year	(3,377,505)		(1,191,507)	
Provision / (Reversal) for the year		-	1,580,207	
Balance at the end of the year	(11,427,278)		(8,049,773)	

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:

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Provision for slow moving stocks	3,429,653		(3,255,069)	
Provision for bad & doubtful debts	2,493,473		(2,247,072)	
Employee Benefit Liability	8,460,258		(6,628,602)	
Accelerated depreciation for tax purpose	(2,956,105)		4,080,970	
	11,427,279		(8,049,773)	

NOTE 19 - SHORT TERM BORROWINGS

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Non Current Liabilities				
T.R. Loans - Peoples' Bank	32,558,000		48,182,000	
T.R. Loans - Sampath Bank -Lease	3,125,430		9,584,780	
	35,683,430		57,766,780	
Current Liabilities				
Long Term				
T.R. Loans - Peoples' Bank	15,624,000		15,624,000	
T.R. Loans - Sampath Bank -Lease	8,750,180		24,999,600	
	24,374,180		40,623,600	
Short Term				
T.R. Loans - Peoples' Bank	403,947,524		350,107,546	
T.R. Loans - Sampath Bank	228,253,059		340,847,314	
T.R. Loans - NDB Bank	122,019,094		144,496,916	
	754,219,677		835,451,776	
	778,593,857		876,075,376	
Total Loan Liability	814,277,287		933,842,156	

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 20 - TRADE OTHER PAYABLES

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Trade Creditors	433,500,823		563,476,351	
Foreign Import Liability	230,462,601		112,322,682	
NBT	2,128,844		1,989,486	
Accrued Expenses	30,859,734		38,610,801	
VAT	10,063,285		14,636,240	
Other Creditors - Sundry	4,698,029		1,638,548	
Audit Fees	2,304,000		453,920	
Security Deposit - NSB	1,061,156		1,031,266	
EPF	3,489,849		3,588,728	
ETF	418,782		430,647	
Staff Creditors - Re Banked Salaries etc.	146,883		781,065	
Salary Deductions	332,475		617,580	
Salary Deductions - Staff & Others	-		57,244	
Staff Recreation Fund	225,021		488,105	
ABC Trade & Investment	1,041,629		1,041,629	
Sala Enterprises	95,507		95,507	
Abans (Pvt) Ltd	1,920,661		1,920,661	
Deemed Dividend Tax	-		972,259	
Refundable Tender Deposits	60,070		5,000	
Withholding Tax Payable	9,478		-	
Scrap Battery Control A/C	-		115,200	
Etisalat Credit Card Proceed	748,683		748,683	
Free Issues Contro A/C	32,736		1,004,115	
Stamp Recoveries	30,250		32,650	
Loan / Hire Purchases Advance	1,266,905		167,984	
Creditor for Lease Equipment	182,625		13,500	
Money Received for Year End Sales Promotional Exp.	-		5,054,907	
Money Received for Jaffna SR	415,128		358,568	
Insurance Payable for Loan / Hire Purchases	56,098		56,098	
Stamp Duty Payable for Loan / Hire Purchases	8,870		3,090	
Stafford Motors (Pvt) Ltd	28,000		28,000	
Retention	2,746,906		2,098,458	
Retention on Service Contracts	972,288		421,127	
Scienter Technologies (Pvt) Ltd	-		(2,031,125)	
Settlement Account of Loss of Revenue - Jaffna SR	238,765		-	
	729,546,081		752,228,973	

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 21 - BANK OVERDRAFTS

	2018 / 2019 Rs. Cts.	2017 / 2018 Rs. Cts.
People's Bank - (A/ C No 004100120210918)	359,036,652	380,942,013
Sampath Bank - DFS (A/C No 002930006974)	20,195,355	10,826,465
Sampath Bank - (A/C No 000930000337)	352,453	-
NDB - (A/C - 101000160408)	9,436,894	9,447,240
	389,021,354	401,215,719

NOTE 22 - GOVERNMENT GRANT DEFERRED INCOME A/C

The following government grant, received in respect of construction of Mega Showroom at Narahenpita Economic Center.

2017/18 -	Rs. 41,488,113.60
2018/19 -	Rs. 9,559,023.90
	<u>Rs. 51,047,137.50</u>

Mega showroom at Narahenpita is a lease hold property for a period of 30 years. But the whole capital expenditure was incurred 3 years ago and normal depreciation policy of 13 Years as per accounting standard was applied. The above government grant received subsequently and in accordance with LKAS 20, accounting method was applied as deducting the grant in calculating the caring amount of the asset. The grant is recognized in profit and loss over the life of a depreciable asset as a reduced depreciation expenses. Accordingly a sum of Rs. 5,104,713.75 was charged in the year 2018/19, considering the remaining 10 years period and continue till the year 2027/28.

NOTE 23 - 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 23(A - iii) to these Financial Statements.

NOTE 24 - CAPITAL COMMITMENTS

There were no contracted capital expenditure approved by the Board of Directors as at 31st March 2019.

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

Shifting STC head office premises from No. 100, Nawam Mawatha, Colombo 2 to Narahenpita Economic Center after the Balance Sheet date. Management of STC are of the opinion that shifting STC head office from present location at No. 100, Nawam Mawatha to Narahenpita Economic Center will take place since STC present location falls under the Megapolis National Project demarcated area and to make use the unutilised space area, available at Narahenpita Mega Showroom of which monthly payment of lease rentals have been paying. However revaluation of present STC land & building will be done to strengthen the STC Balance Sheet when new development takes place.

NOTES TO THE FINANCIAL STATEMENTS - 2018/2019

NOTE 26 - COMPARATIVE INFORMATION

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

NOTE 27 - 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.