



**Sri Lanka State Trading (General) Corporation Ltd.**

**ANNUAL REPORT  
2016-2017**



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## 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.

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## GOALS, FUNCTIONS, SERVICES & PROGRESS DURING THE YEAR

### 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 product/ investment sectors
- ☐ Improving production through continuous attention on the State Policies , customers and the staff

### Functions and Services

- ☐ Widening Customer Base & Access
- ☐ Opening of new showrooms in addition to present showrooms
- ☐ Increasing products portfolio as per customer requirements.
- ☐ Web enabled business management and data management through operational resource planning system, procurement approval and human resource management.
- ☐ Active and effective participation in main product categories

### Progress during the Year

Our core business revenue recorded a value of **Rs.3,749 Million**. STC was able to earn other operating income during the year under review of **Rs.12.2 Million**. The net profit before tax showed as **Rs 61.2 Million**. Total Equity increased to Rs.759 Mn during the year.

Number of employees of STC at end March 2017 was 425 numbers.

We planned to establish our own STC brands in partnership with manufacturing organizations. To name a few are STC photocopy papers and stationery items and STC General air conditioners etc. Many more 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 Industry and Commerce.
- Chairman / Managing Director :** Dr. A M Jameel
- Board of Directors :** Mr. S. L. Deen  
Mr. D. Jeevanadan  
Mr. V. Nitharsan  
Mr. T. V. Weerasena  
Mr. S. Illangathilake  
Mr. K. Ariyawansa
- Board Secretary :** Mr. K.G.S.P. Wijyaratne
- Company Secretary :** K L Management Consultants ( Pvt) Ltd
- Auditors :** M/S Ernst & Young  
Chartered Accountants,  
No. 201, De Saram Place  
P.O.Box 101  
Colombo 10.
- Bankers :** People's Bank  
Bank of Ceylon  
NDB Bank  
Sampath Bank
- Registered office :** PO Box 1686  
100. Nawam Mawatha,  
Colombo-2, Sri Lanka.  
Telephone : 242 2341-3  
Fax : 244 7970  
E mail : lankagen@slt.net.lk  
Web: www.stcgeneral.com
- Company Registration No :** PB 863
- No of Employees :** 425 employees had been employed by the company at the year ended.
-

## CHAIRMAN'S MESSAGE

### Macro Economic Outlook

Real GDP growth rate during the year 2016/2017 declined to 4.4% from 4.8% of the previous year. This was followed by the Per capita income which marginally reduced from US\$ 3,744 to US\$ 3,727.

Agriculture sector in the country recorded a negative growth rate of -4.2% due to adverse weather condition ranging from floods to droughts. This caused great disaster to people in many parts of the country contracting overall demand. The government had to prioritize disbursements of funds on the social welfare and security aspects of the People who affected from the disasters. Inflation too prevailed at 6.7% during the year 2016/2017. Although it was expected the economy to progress better during 2016/17, it did not pick up. Therefore fierce competition continued in the market place. However STC was able to manage the business performance to be on positive growth.



### STC Progress 2016/2017.

Total business revenue recorded as Rs 3,748 Million with a growth of 27% compared to the previous year despite having slow growth of Macro economic indicators and having greater competitiveness than previous years due to absence of single quotation base. This revenue increase contributed from product divisions namely Information Communication Technology, House hold product and Chemical & allied division by 85 %, 61 % and 17 % respectively. Other operating income also increased by 60 % than previous year.

The Gross Profit was increased by Rs. 103 Mn. But, total expenses increased by Rs 103 Mn setting off the additional gross profit earned. However, STC managed to control the interest expenses by converting some of non moving stock into cash through bargain sales and expedited some unpaid debtor recoveries. With net interest expense reducing by Rs. 15Mn and actuarial gain from employee benefits turning to be Rs. 11 Mn positive, the net profit after tax recorded to a sum of Rs 51.5 Mn . This is a growth of 99 % in Net Profit after Tax during 2016/17. Earnings per share increased from Rs2.67 to Rs 4.00

### Future Plans

I, with the support of Board of Directors and the Management of STC have taken steps to increase the effectiveness of the organization with motivating the staff positively. Whilst continuous attention on the customer needs and supply chain dynamics , have set plans to add new established products with the development , taking place in other countries. STC still carrying some of long outstanding debts and non moving inventory which are being under the on- going priority tasks.

STC was able to open new Showrooms in Sahindamaruthu and Pollonnaruwa , enhancing the public access to STC products & services. Steps were taken to open the elegant Mega Showroom at Narahenpita which STC has incurred substantial capital expenditure and expect returns from this investment in the next year.

I take this opportunity to thank immensely to the Hon. Minister of Industry & Commerce, my fellow members in the Board , our bankers , customers , business partners and the Management Team who have been supportive in the achievement of the above progress.

Dr A M Jameel

Chairman/Managing Director

## BOARD OF DIRECTORS



### Left to Right

1. Mr K.G.S.P Wijayaratne - Board Secretary
2. Mr S .L. Deen - Executive Director
3. Dr A.M. Jameel - Chairman / Managing Director
4. Mr S. Illangathilake - Director
5. Mr T.V. Weerasena - Director
6. Mr D. Jeevanadan - Director
7. Mr K. Ariyawansa - Director

## SENIOR MANAGEMENT



Mr K.G.S.P. Wijayaratne  
General Manager / CEO



Mr Upali Abeysekera  
Deputy General Manager  
Marketing



Mr Meryl Nonis  
Finance Manager



Mrs Chamila Iddamalgoda  
Assistant General Manager  
Marketing



## SENIOR MANAGEMENT & HEADS OF DIVISIONS

### Senior Management

Chairman / Managing Director	Dr. A.M. Jameel
Executive Director	Mr. S.L. Deen
General Manager	Mr. Perakum Wijayaratne
Deputy General Manager (Trading operational Administration)	Mr. Upali Abeysekera
Finance Manager	Mr. Meryl Nonis
Asst. General Manager (Marketing)	Mrs. Chamila Iddamalgod

### Head of Divisions

<b>Chemical &amp; Allied Division</b> Deputy General Manager	Mr. Upali Abeysekera	<b>Electrical &amp; Electronic Division</b> Actg. Senior Manager	Mr. Vipula De Silva
<b>Office Supply Division</b> Asst. Manager	Mrs. Seetha Jayanthi	<b>Agricultural, Machinery &amp; Equipment Division</b> Asst. Manager	Mrs. Madushani Akurugoda
<b>Household &amp; Recreational Division</b> Asst. Manager	Miss.N.P.Ranasinghe	<b>Swashakthi</b> Manager	Mrs.D.K.Jasooriya
<b>ICT Division</b> Actg. Senior Manager	Mr.Nirosh Bandara	<b>Construction , Hardware &amp; Office furniture</b> Asst. Manager	Mr. Anurudha Mahesh
Manager – ICT services	Mr. Priyankara Aponsu	<b>Automotive Products division</b> Actg. Assit.Manager	Miss.R.Sugandi
Manager – ICT	Mr.M.I.M.Azhar	<b>Finance Division</b> Finance Manager	Mr. Meryl Nonis
Asst. Manager - Sales	Ms. Anupama Peiris	<b>IT Division</b> Actg. Senior Manager	Mr. Nirosh Bandara
<b>FMCG Division</b> Junior Excecutive	Mr.D.P.Kumara	<b>Audit Division</b> Manager - Internal Audit	Miss. Lalani Samudra
<b>Showroom Operation</b> Manager	Mr. Gayan Ranathunga	<b>Human Resources Division</b> Asst. General Manager	Mrs. Chamila Iddamalgod
<b>Duty Free Shop</b> Actg. Manager	Mr.Keneth Jayasundara		
<b>Procurement Division</b> Senior Manager	Mr. Mahesh Mendis		

### Branches & Showrooms

Nawam Mawatha Showroom	No.100, Nawam MV ,Colombo 02.
Kurunegala Showroom	No. 243/3/1, Puttalam Road, Kurunegala.
Kandy Showroom	No. 449, William Gopallawa Mawatha , Kandy.
Matara Showroom	No. 11, YMCA Building, Station Road, Matara.
Anuradhapura Showroom	No. 561-B , 38 4th Lane , Anuradhapura
Jaffna Showroom	No. 127, MPCs Building , KKS Road ,Jaffna
Mount Lavinia Showroom	No. 103, Shopping Complex ,Mt.Lavinia .
Sainthamaruthu Showroom	No.452,Main Street , Sainthamaruthu .
Polonnaruwa Showroom	No.75/B , 2 Alapara ,Kaduruwela .

## OUR PRODUCT PORTFOLIO



### Office Supplies and Equipments

Double A & Other photocopier papers, Boards, Papers Books, Files & Folders, Envelops, Office Bags & Briefcases, Pens & Pencils, Whiteboards & Markers, Scissors, Paper Knives & Paper Shredders, Calculators, Staplers & Punchers, Floppy Diskettes, CDs & DVDs, USB Drives and Other Stationeries



### Home Appliances

Aluminium Items, Porcelain Products, Nonstic Kitchenware, All kinds of Cleaning Products, Sports Goods, All kinds of Plastic Products, Cups & Saucers, Cutlary & Crockery, Kettles & Jugs, Racks & Trays, Vaccum Flasks, Water Filters & Purifiers, Pillows, Metresses & Bedsheets, 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  
Personel Care Products  
Food Brands



### Tyres & EXIDE Batteries



### Agricultural Equipments, Machinery Tools & Hardware

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



### Motorbicycles

Motorcycles (100cc, 110cc, 125cc, 150cc, 180cc)  
Scooters ,Moped Cycles

## OUR PRODUCT PORTFOLIO



### Interior Design & Office Furnitures

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

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### Chemicals

Industrial Chemicals  
Laboratory Chemicals  
Speciality Chemicals  
Selected Explosive Chemicals

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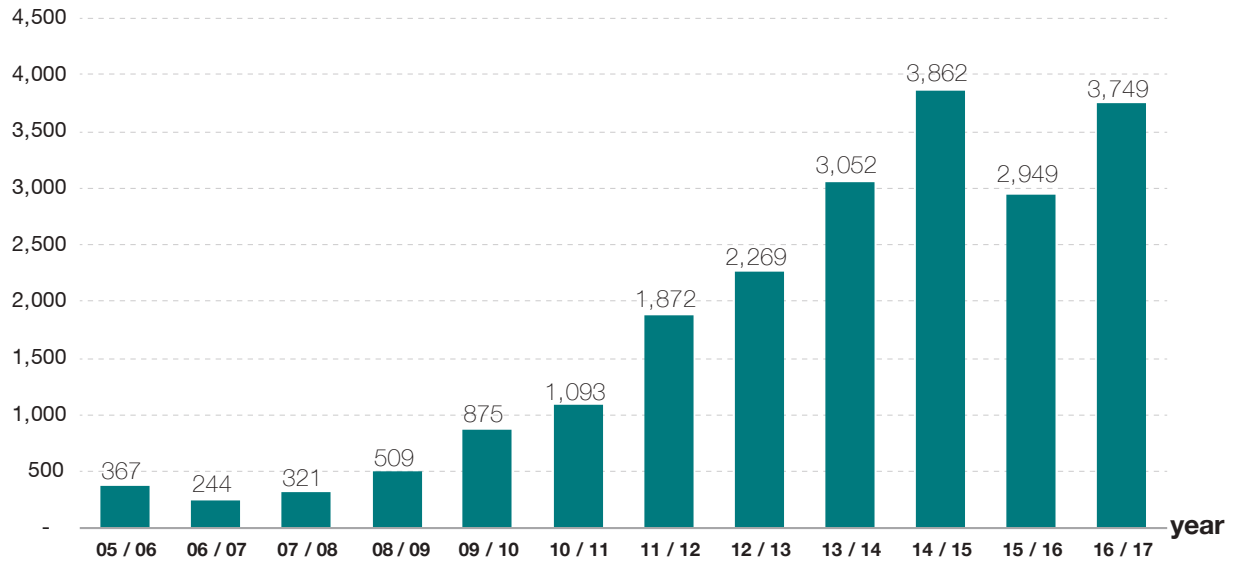
### Duty Free Shop

Facilitate the requirement of the diplomats and diplomatic missions

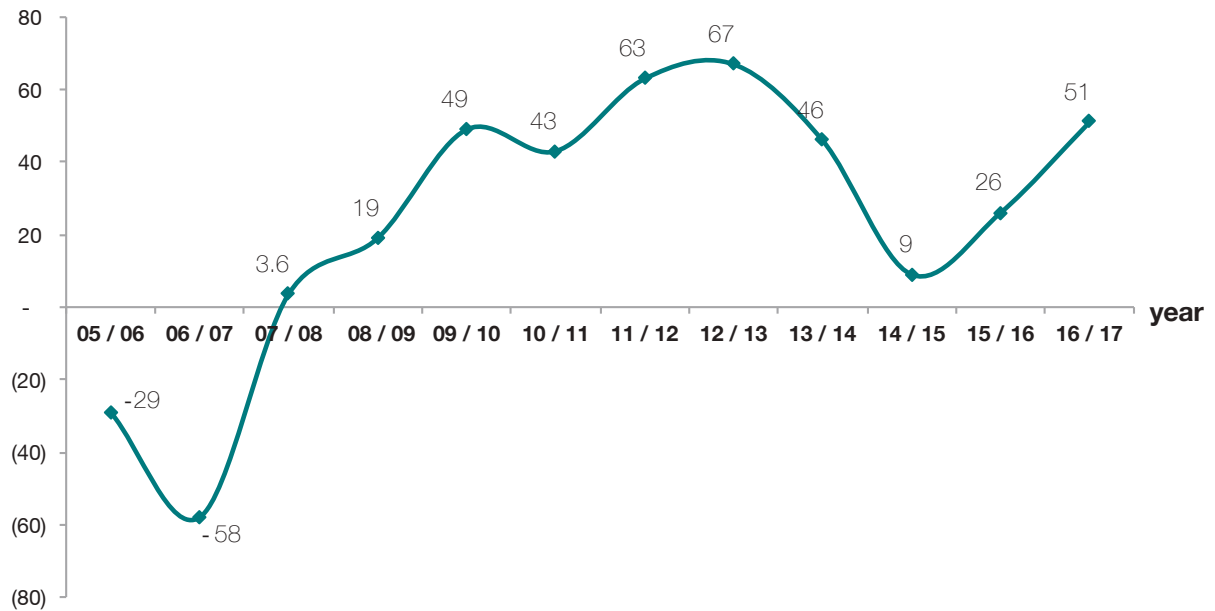
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## BUSINESS REVIEW

### Sales Growth (Rs. Mn)



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





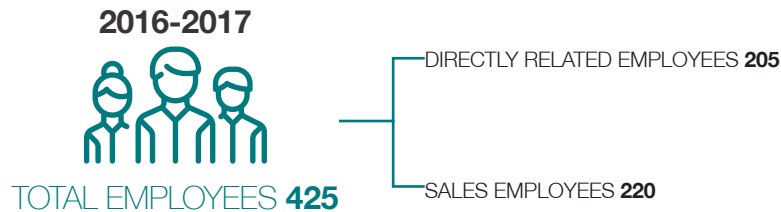
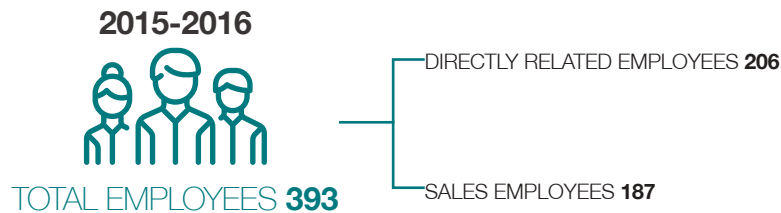
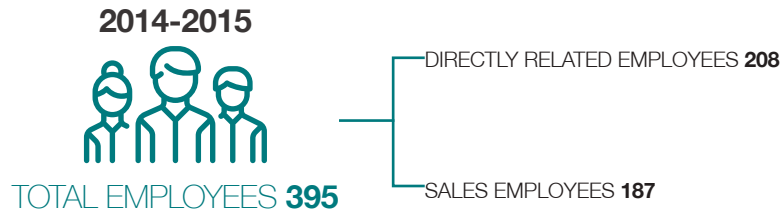
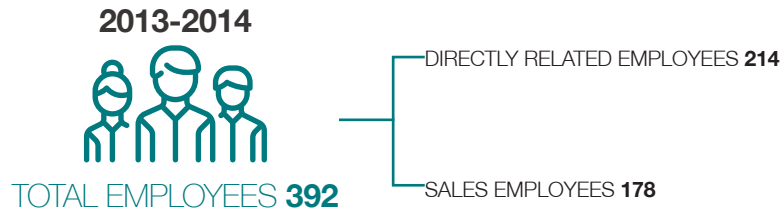
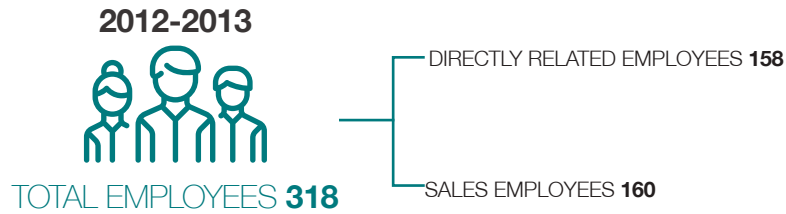
# ISLAND - WIDE BRANCH NETWORK



## EMPLOYMENT GENERATION

### 2012 - 2017

Numbers in Employment since 2012/2013 to 2016/2017



## E-SERVICE DELIVERY SYSTEM

### ERP Software Key Features

Enterprise Resource Planning (ERP) software provides a broad range of capabilities to support all critical back office functions with features for Inventory Management, Supply Chain Management, Human Resources, Financial Management, Customer Relationship Management and more. ERP software can improve core operations across an entire business.



### Benefits of ERP Software of STC

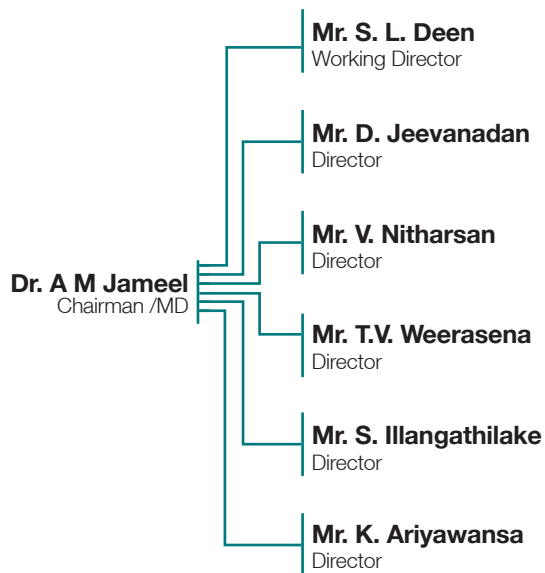
- ☐ Providing sales and operational planning with access to critical information automating business operations such as Invoicing, Purchase Orders within one system to improve forecasting accuracy and reduce inefficiencies.
- ☐ Avoidance of human errors and repetitive task.
- ☐ Effectively managing decision making at critical levels in the trading transactions.
- ☐ Increase access to valuable co-operate data that delivers a clear, global view of the business that drives continuing improvements statistics and establishes common performance metrics and measures to gain the health of the business.
- ☐ Support for streamline sourcing and procurement process which drive alignment to customer demands and also deliver a centralized buying model to reduce unauthorized and unnecessary expenses.
- ☐ It helps enhancing the customer satisfaction by providing the right feedback in time and also by facilitating the products and services within the specified time with great quality.
- ☐ Helps to utilize the resources optimally by conducting analysis and ensuring the resources are not wasted.
- ☐ Helps to streamline all the business functions into a unified system and facilitates easy and effective decision making.
- ☐ Ensures transparency within and outside organization, free flow of information and extremely effective reporting within the organization.
- ☐ Enterprise resource planning system ensures high data security and also enables the organization in scaling up the processes in the form of expansion.
- ☐ Helps the organization adapt to the changing business needs and technology.



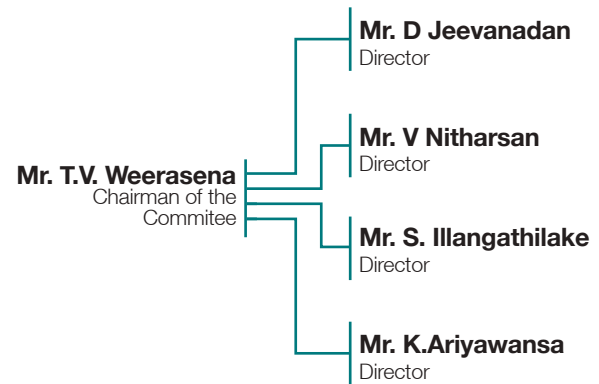
## CORPORATE GOVERNANCE

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

### Board members



### Audit Committee Members



### Availability of Business Managing Instruments



- 1) Corporate Plan 2011/12-2015/16
- 2) Annual Report 2015/16
- 3) STC Procurement Procedures
- 4) STC Action Plan
- 5) STC Product Profile
- 6) STC Profile
- 7) STC Credit Sales Policy

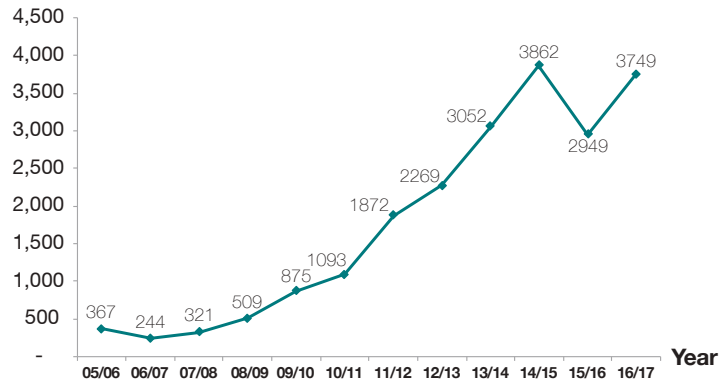
## FINANCIAL HIGHLIGHTS

	2016 / 2017 (Rs. 000 'S)	2015 / 2016 ( Rs. 000 'S)	Change (%)
<b>Operation</b>			
Turnover	3,748,665	2,948,592	27%
Earnings before interest & Tax	109,116	92,684	18%
Profit before Taxation	61,177	30,681	99%
Profit after Taxation	51,503	25,938	99%
<b>Balance Sheet</b>			
Non Current Assets	493,965	548,206	-10%
Current Assets	2,156,171	2,145,948	0%
Current Liabilities	1,763,470	1,825,173	-3%
Non-Current Liabilities	127,600	161,419	-21%
Stated Capital & Reserves	759,065	707,562	7%
<b>Cashflow</b>			
Net Cash generated from Operating Activities	92,053	275,898	-67%
Net Cash Used in Operating Activities	80,043	267,401	-70%
Net Cash generated from Investing Activities	28,340	13,617	108%
Net Cash generated from Financing Activities	(117,706)	(261,098)	-55%
<b>Per Share Data</b>			
Earnings per share	4	2.67	50%
Net Assets per Share	75.91	70.76	7%
<b>Key Ratios</b>			
Gross Profit Ratio	18%	19%	-1%
Net Profit Ratio	1%	1%	0%
Quick Ratio	0.76	0.83	-0.07
Current Ratio	1.22	1.18	0.05
Gearing Ratio	1.57	1.01	0.56
Return on Equity ( ROE )	0.07	0.04	0.03
Return on Assets ( ROA )	0.019	0.009	0.01

## GRAPHICAL VIEW OF FINANCIAL HIGHLIGHTS

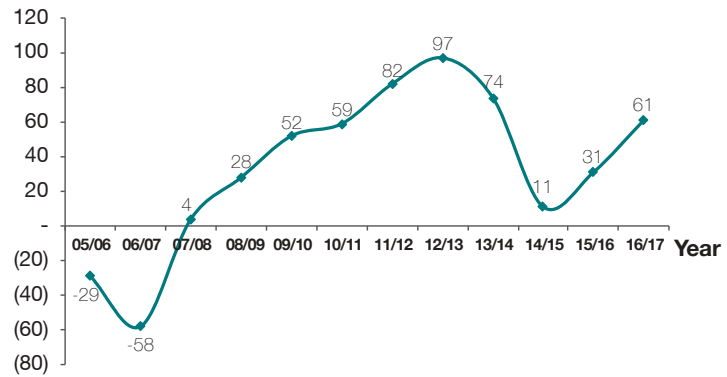
Year	Turnover (Rs.Mn)
05 / 06	367
06 / 07	244
07 / 08	321
08 / 09	509
09 / 10	875
10 / 11	1,093
11 / 12	1,872
12 / 13	2,269
13 / 14	3,052
14 / 15	3,862
15 / 16	2,949
16 / 17	3,749

Turnover (Rs.Mn)



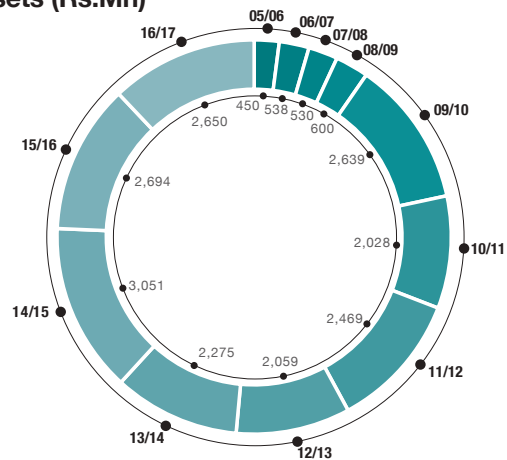
Year	Profit before Tax (Rs.Mn)
05 / 06	(29)
06 / 07	(58)
07 / 08	4
08 / 09	28
09 / 10	52
10 / 11	59
11 / 12	82
12 / 13	97
13 / 14	74
14 / 15	11
15 / 16	31
16 / 17	61

Profit before Tax (Rs.Mn)



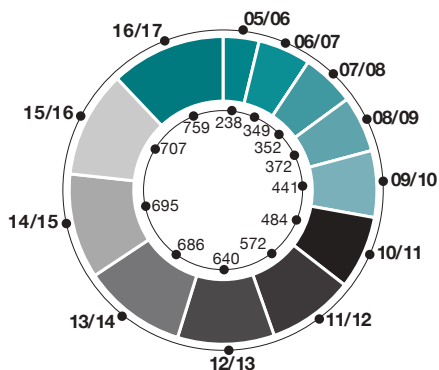
Year	Total Assets (Rs.Mn)
05 / 06	450
06 / 07	538
07 / 08	530
08 / 09	600
09 / 10	2,639
10 / 11	2,028
11 / 12	2,469
12 / 13	2,059
13 / 14	2,275
14 / 15	3,051
15 / 16	2,694
16 / 17	2,650

Total Assets (Rs.Mn)



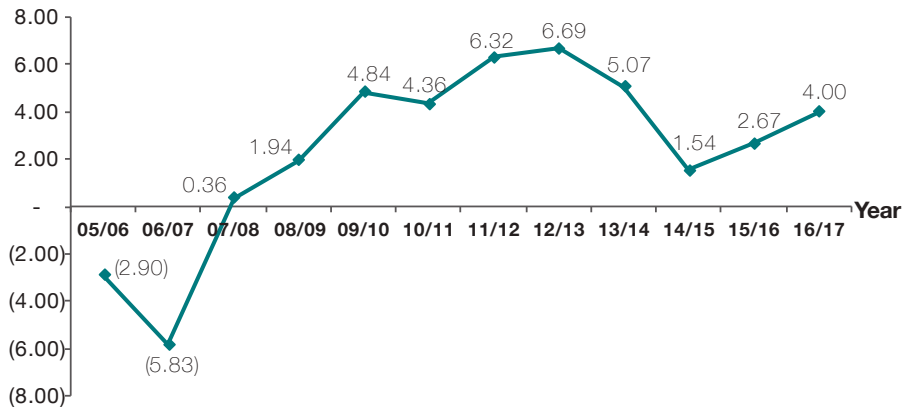
Year	Total Equity (Rs.Mn)
05 / 06	238
06 / 07	349
07 / 08	352
08 / 09	372
09 / 10	441
10 / 11	484
11 / 12	572
12 / 13	640
13 / 14	686
14 / 15	695
15 / 16	707
16 / 17	759

Total Equity (Rs.Mn)



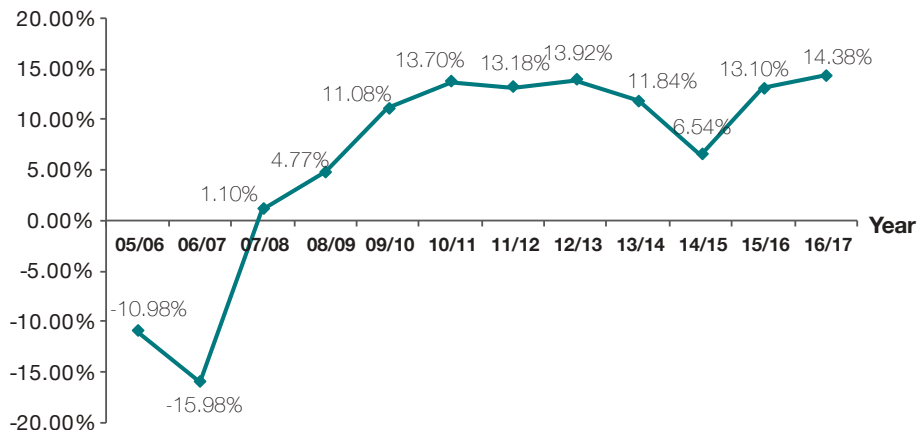
Year	EPS (Rs.)
05 / 06	(2.90)
06 / 07	(5.83)
07 / 08	0.36
08 / 09	1.94
09 / 10	4.84
10 / 11	4.36
11 / 12	6.32
12 / 13	6.69
13 / 14	5.07
14 / 15	1.54
15 / 16	2.67
16 / 17	4.00

Earning Per Share (Rs.)

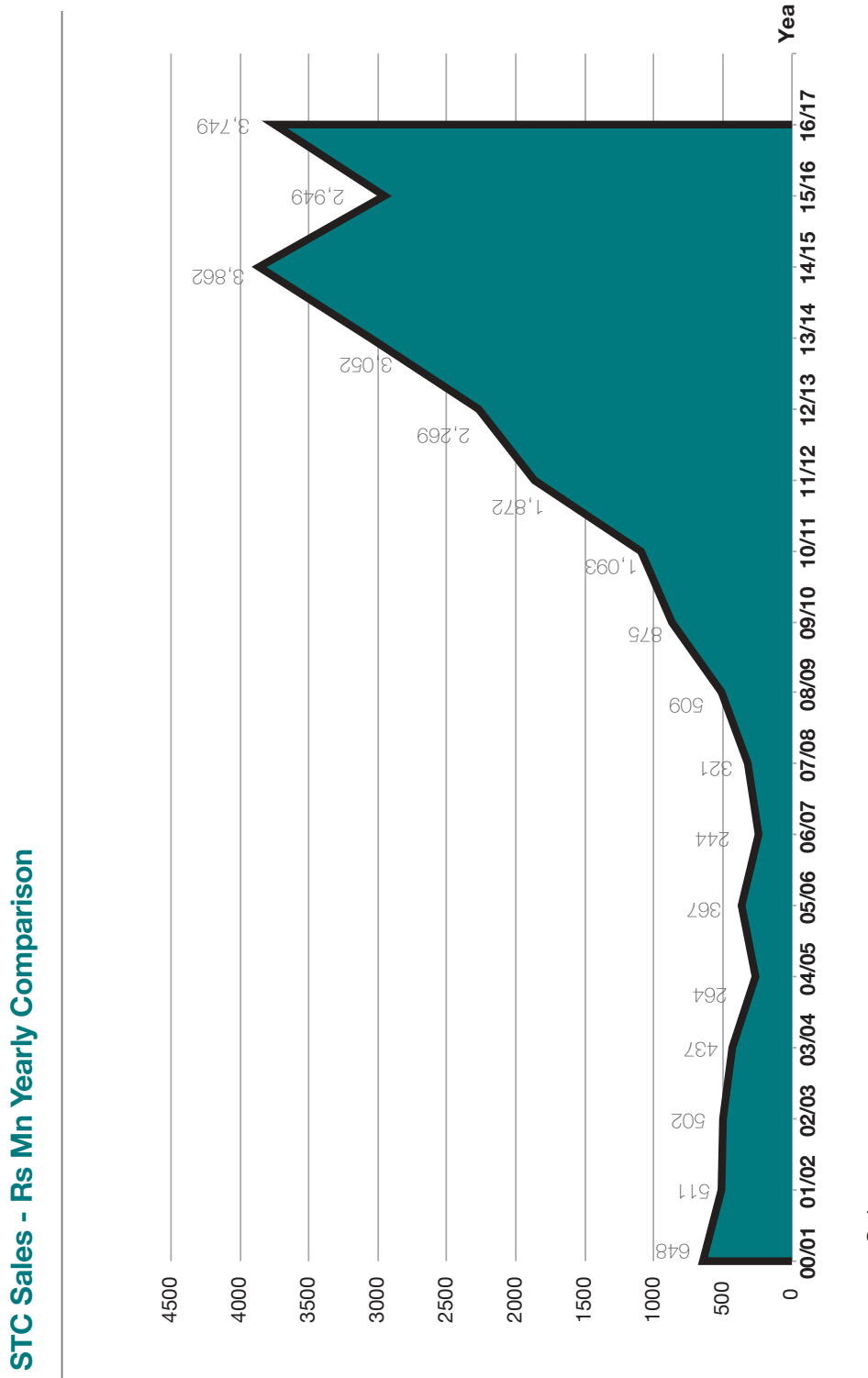


Year	ROCE (%)
05 / 06	-10.98%
06 / 07	-15.98%
07 / 08	1.10%
08 / 09	4.77%
09 / 10	11.08%
10 / 11	13.70%
11 / 12	13.18%
12 / 13	13.92%
13 / 14	11.84%
14 / 15	6.54%
15 / 16	13.10%
16 / 17	14.38%

Return On Capital Employed (%)

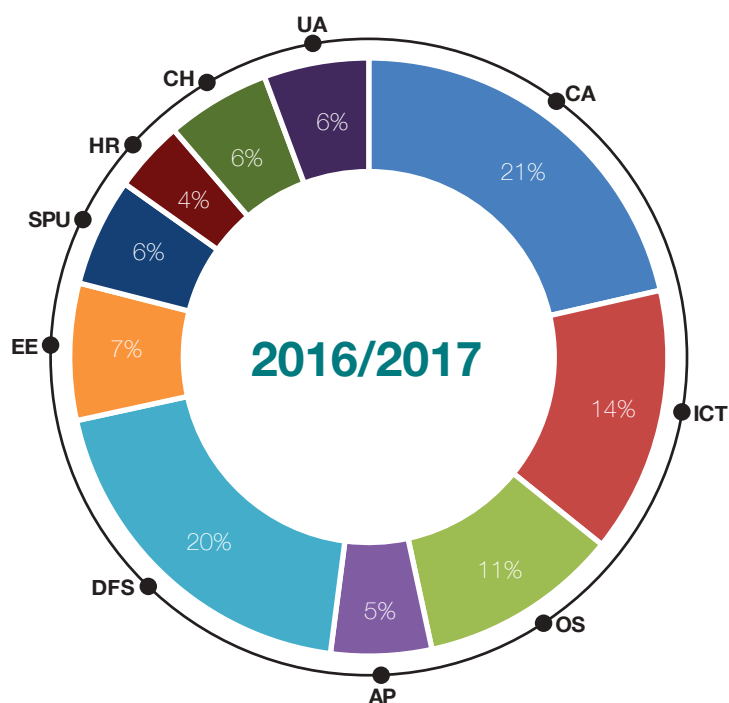


## REVENUE GRAPH 2000/2001 to 2016/2017



## DIVISIONAL PERFORMANCE OF STC 2016/2017

### REVENUE DRIVERS



Division	Revenue (Rs.)
Chemical & Allied	802,835,738
ICT Products	538,744,353
Office Suppliers	405,719,257
Automotive Products	203,975,820
Duty Free Shop	732,388,586
Electricals & Electronics	277,175,889
Special Project Unit	219,095,103
Household Products	145,476,571
Construction & Hardware	210,690,438
Unallocated ( Others )	212,563,499
	<b>3,748,665,253</b>



විගණකාධිපති දෙපාර්තමේන්තුව  
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL 'S DEPARTMENT**



මගේ අංකය  
எனது இல  
My No

TCM/E/STC/2016/17FA

ඔබේ අංකය  
உமது இல  
Your No

දිනය  
திகதி  
Date

19 th October 2017

To the Shareholders of the  
Sri Lanka State Trading (General) Corporation Ltd

**Report of the Auditor General on the Financial Statements of the Sri Lanka State Trading  
(General) Corporation Ltd for the year ended 31 March 2017**

The audit of the financial statements of Sri Lanka State Trading (General) Corporation Ltd ("The Company") for the year ended 31st March 2017 comprising the statement of financial position as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, 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. In carrying out this audit I was assisted by a firm of Chartered Accountants in public practice.

**Board's Responsibility for the Financial Statements**

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka State Trading (General) Corporation Ltd as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Other Matter**

The financial statements of the company for the year ended 31 March 2016 were audited by another firm of Chartered Accountants in public practice who expressed an unmodified opinion on those financial statements on 31 October 2016.

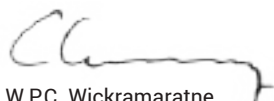
**Report on Other Legal and Regulatory Requirements**

As required by Section 163 (2) of the Companies Act No. 07 of 2007, I state the followings:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In my opinion:
  - I have obtained all, the information and explanations that were required for the audit and, as far as appears from my examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company, comply with the requirements of section 151 Of the companies Act, No. 07 of 2007.

**Report to Parliament**

My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be table  
In due course.

  
W.P.C. Wickramaratne  
Auditor General (Acting)

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	2016/2017 Rs. Cts	2015/2016 Rs. Cts
Revenue	03	3,748,665,254	2,948,592,334
Cost of Sales		(3,090,336,662)	(2,388,634,449)
<b>Gross Profit</b>		<b>658,328,592</b>	<b>559,957,885</b>
Other Operating Income / ( Expenses )	04	12,220,822	7,649,790
		<b>670,549,414</b>	<b>567,607,675</b>
Distribution Expenses	05	112,456,769	88,554,575
Administration Expenses	06	464,968,460	385,630,480
		<b>577,425,229</b>	<b>474,185,055</b>
<b>Earnings Before Interest &amp; Tax</b>		<b>93,124,185</b>	<b>93,422,620</b>
Net Finance Income / ( Expenses )	07	(47,938,698)	(62,002,058)
<b>Profit Before Taxation</b>		<b>45,185,487</b>	<b>31,420,562</b>
Income Tax Expense	08	(5,196,600)	(4,742,718)
<b>Net Profit For the Year</b>		<b>39,988,886</b>	<b>26,677,844</b>
<b>Other Comprehensive Income</b>			
Actuarial Gain / (Loss) on employee benefits		15,992,170	(739,455)
Deffered tax Charge		(4,477,808)	-
<b>Other Comprehensive Income - Net of Tax</b>		<b>11,514,362</b>	<b>(739,455)</b>
<b>Total Comprehensive Income for the Year - Net of Tax</b>		<b>51,503,249</b>	<b>25,938,389</b>
Basic Earnings per Share	09	4.00	2.67
Dividend Per Share		-	0.50



**STATEMENT OF FINANCIAL POSITION**

AS AT 31ST MARCH 2017

ASSETS	Notes	2016 / 2017		2015 / 2016	
		Rs.	Cts	Rs.	Cts
<b>ASSETS</b>					
Non-Current Assets					
Property, Plant & Equipment	10	475,084,106		530,246,053	
Investments in Shares	11		20		20
Loans Given to Employees	12A	7,729,096		6,146,873	
Easy Payment Loan Scheme	12B	2,712,937		4,823,475	
Net Deferred Tax Asset	18	8,438,473		6,989,688	
<b>Total Non Current Assets</b>		<b>493,964,631</b>		<b>548,206,110</b>	
<b>Current Assets</b>					
Inventories	13	813,863,775		622,150,159	
Trade & Other Receivables	14	903,544,453		663,405,062	
Loans Given to Employees - Current Maturity	12A	3,601,876		3,428,276	
Easy Payment Loan Scheme	12B	6,253,428		7,156,590	
Imported Rice Price Subsidy Receivable		-		450,594,190	
Short Term Investment in Fixed Deposits		407,447,815		380,122,597	
Cash & Cash Equivalents	15	21,459,321		19,091,474	
		2,156,170,669		2,145,948,348	
<b>Total Assets</b>		<b>2,650,135,297</b>		<b>2,694,154,458</b>	
<b>EQUITY &amp; LIABILITIES</b>					
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		(3,349,743)		(14,864,106)	
Retained Earnings		375,699,364		335,710,478	
<b>Total Equity</b>		<b>759,065,500</b>		<b>707,562,254</b>	
<b>Non-Current Liabilities</b>					
Interest Bearing Liabilities - Lease	16	4,991,716		6,620,436	
Interest Bearing Liabilities - Loans	19	98,390,380		115,055,550	
Retirement Benefit Obligations	17	24,217,549		39,743,461	
		127,599,645		161,419,446	
<b>Current Liabilities</b>					
Income Tax Payable		9,123,171		4,092,791	
Short Term Borrowings	19	752,143,787		720,062,212	
Interest Bearing Liabilities	16	5,715,692		10,720,491	
Trade & Other Payables	20	666,304,515		771,806,241	
Bank Overdrafts	21	330,182,987		318,491,023	
		1,763,470,151		1,825,172,758	
<b>Total Equity &amp; Liabilities</b>		<b>2,650,135,297</b>		<b>2,694,154,457</b>	

The Accounting Policies and Explanatory Notes 7 through 30 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  
14 September 2017  
Colombo



Director



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2017

	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 2015	100,000,000		241,108,234		45,607,646		(14,124,651)		322,374,838		694,966,067	
Prior Year Adjustment	-		-		-		-		(8,342,204)		(8,342,204)	
Net Profit / (Loss) for the year	-		-		-		-		26,677,844		26,677,844	
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-		-		-		(739,455)		-		(739,455)	
Proposed Dividend ( Gross )	-		-		-		-		(5,000,000)		(5,000,000)	
<b>Balance as at 31st March 2016</b>	<b>100,000,000</b>		<b>241,108,234</b>		<b>45,607,646</b>		<b>(14,864,106)</b>		<b>335,710,478</b>		<b>707,562,254</b>	
Balance as at 01st April 2016	100,000,000		241,108,234		45,607,646		(14,864,106)		335,710,478		707,562,254	
Net Profit / (Loss) for the year	-		-		-		-		39,988,886		39,988,886	
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-		-		-		11,514,362		-		11,514,362	
<b>Balance as at 31st March 2017</b>	<b>100,000,000</b>		<b>241,108,234</b>		<b>45,607,646</b>		<b>(3,349,743)</b>		<b>375,699,364</b>		<b>759,065,500</b>	

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST MARCH 2017

	2016 / 2017 Rs. Cts.	2015/2016 Rs. Cts.
<b>Cash Flow from Operating Activities</b>		
Net Profit Before Taxation	45,185,487	31,420,562
<b>Adjustments for</b>		
Lease Interest	2,565,776	4,112,509
Depreciation / Amortization	49,330,926	60,255,399
Interest Income	(52,025,742)	(29,703,530)
Trust Receipt Loan & Overdraft Interest	99,964,440	88,742,969
Disposal Profit / ( Loss ) of PPE	19,833,225	(40,498)
Stocks & Debts Written Off	(6,932,572)	418,937
Prior Year Adjustment	-	(8,342,204)
Provision for Retirement Benefit Obligations	6,383,794	4,526,614
<b>Operating Profit Before Working Capital Changes</b>	<b>171,361,705</b>	<b>151,390,756</b>
(Increase) / Decrease in Inventories	(191,713,616)	270,036,394
(Increase) / Decrease in Trade Debtors	(235,663,682)	118,718,817
(Increase) / Decrease in Imported Rice Price Subsidy Receivable	450,594,190	(53,968,243)
(Increase) / Decrease in Easy Payment Loan Scheme	3,013,700	(1,270,901)
Increase / (Decrease) in Trade & Other Payables	(105,539,259)	(209,008,601)
<b>Cash Generated From Operations</b>	<b>92,053,037</b>	<b>275,898,221</b>
WHT Paid	(4,473,607)	(2,862,336)
Income Tax Paid	(1,619,206)	(5,634,880)
Gratuity Paid	(5,917,536)	-
<b>Net Cash Used in Operating Activities</b>	<b>80,042,688</b>	<b>267,401,005</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant & Equipment	(17,475,150)	(15,592,969)
Disposal Proceed Received	1,078,700	526,000
Interest Received from Short Term Investments	44,736,066	28,683,798
<b>Net Cash from Investing Activities</b>	<b>28,339,616</b>	<b>13,616,829</b>
<b>Cash Flows from Financing Activities</b>		
Investments in Fixed Deposits	(27,325,218)	(21,348,696)
Net Loan Repayments & Proceeds	15,416,406	(135,031,209)
Trust Receipt Loan & Overdraft Interest Paid	(96,512,051)	(88,742,969)
Lease Rentals Paid	(9,285,556)	(10,975,407)
Dividends Paid	-	(5,000,000)
<b>Net Cash from Financing Activities</b>	<b>(117,706,419)</b>	<b>(261,098,281)</b>
Net Increase / (Decrease) in Cash & Cash Equivalents	(9,324,115)	19,919,549
Cash & Cash Equivalents at the beginning of the year	(299,399,551)	(319,319,100)
Cash & Cash Equivalents at the End of the year - (Note A)	(308,723,666)	(299,399,551)

	As at 31.03.2017 Rs. Cts.	As at 31.03.2016 Rs. Cts.
<b>Note A - Analysis of Cash &amp; Cash Equivalents</b>		
<b>Cash at Bank</b>		
BOC (A/C No 8859546)	270,658	386,371
Sampath Bank (A/C No 000930000337)	1,336,457	65,916
Sampath Bank DFS ( A/C No 002930006974)	(23,041,483)	(9,538,856)
BOC (A/C No 1060)	20,347	20,597
NDB Call A/C (A/C No. - 106340003864 )	4,207,040	3,063,015
People's Bank Kurunegala	80,975	(168,048)
People's Bank Matara	977,219	1,066,692
People's Bank Kalmunai	967,159	-
<b>Cash in Hand</b>		
Petty Cash Imprest	575,537	413,063
Cash in Hand	12,644,243	13,772,453
<b>Bank Overdrafts</b>		
People's Bank (A/C No - 004100120210918)	(299,836,278)	(307,390,918)
People's Bank Kandy	379,686	303,367
NDB (A/C - 106340003864)	(7,305,226)	(1,393,201)
	<b>(308,723,666)</b>	<b>(299,399,550)</b>

The Accounting Policies and Explanatory Notes 7 through 30 form an integral part of these Financial Statements.  
(Figures in brackets indicate deductions.)

# NOTES TO THE FINANCIAL STATEMENTS - 2016/2017

## 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 2017 was 425. ( 2015/16 – 393 )

## 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.

The Financial statements were authorised for issue by the Board of Directors on 14 September 2017 .

#### 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 recognised in the financial statements is included in notes;

Note 18 – 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

*NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)*

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 thereafter although Sri Lanka Accounting Standards required to do so since positive benefit of revaluing Land and Building may not be materialized 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 recognised 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 derecognised.

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%
Computers.....	33.33%
Leasehold Building....	Over the lease period

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.

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

**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 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**

- 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.
- II The amount of inventories recognized as cost of sales in the Profit and loss during the year is Rs 3,090,336,662
- III The following inventory values have been mortgaged to financial institutions as for credit facilities , provided.

Name of Bank	Mortgage Amount (Rs.)
People's Bank	103,000,000
Sampath Bank	150,000,000
National Development Bank	154,000,000

**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**



*NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)*

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.

**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 amortised cost; any difference between the proceeds (net of transaction costs)

and the redemption value is recognised 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 capitalised 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 recognised 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 realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted 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 amounts to a sum of Rs 210,780,603/=. 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).

**NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)****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 18.

**(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.

**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 recognised

**(a) Sale of goods**

Revenue from the sale of goods is recognised 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 an accrual 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 recognised 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 the business or for the purpose of increasing capacity of the 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 capitalised 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 recognised 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 recognised on financial assets, borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised 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



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*NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)*

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 24 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 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 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 marking accounting estimates that are reasonable in the circumstances.

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

**NOTE 03 - REVENUE**

	<b>2016 / 2017</b>	<b>2015/2016</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
Gross Sales	3,749,906,151	2,953,320,441
Less : Sales Returns	(1,240,897)	(4,728,107)
<b>Net Sales (Note 03.01)</b>	<b>3,748,665,254</b>	<b>2,948,592,334</b>

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

	<b>2016 / 2017</b>	<b>2015/2016</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
Chemical & Allied	802,835,738	684,409,277
ICT Products	538,744,353	291,718,746
Office Suppliers	405,719,257	323,132,412
Automotive Products	203,975,820	199,908,372
Duty Free Shop	732,388,586	467,062,407
Electricals & Electronics	277,175,889	236,212,463
Special Project Unit	219,095,103	225,483,961
Household Products	145,476,571	90,283,656
Construction & Hardware	210,690,438	169,940,840
Unallocated ( Others )	212,563,499	260,440,200
	<b>3,748,665,254</b>	<b>2,948,592,334</b>

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

	<b>2016 / 2017</b>	<b>2015/2016</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
Chemical & Allied	220,726,926	210,625,487
ICT Products	42,454,884	26,653,088
Office Suppliers	45,406,031	37,219,471
Automotive Products	16,606,886	16,556,514
Duty Free Shop	220,447,652	152,948,254
Electricals & Electronics	34,872,222	34,712,629
Special Project Unit	15,226,951	20,097,423
Household Products	16,659,230	14,114,096
Construction & Hardware	20,511,987	14,958,261
Unallocated ( Others )	25,415,822	33,346,900
	<b>658,328,591</b>	<b>561,232,123</b>

**NOTE 04 - OTHER OPERATING INCOMES / ( EXPENSE )**

	<b>2016 / 2017</b>	<b>2015/2016</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
Gain / ( Loss ) on Exchange	(40,260)	139,665
Miscellaneous Income ( Note 04.01 )	158,392	323,165
S L Army - Commission	12,931,110	4,673,462
Income of Registration of Suppliers	927,000	-
Earned Income & Other Income - Loan / Hire Purchases	2,062,646	2,391,619
Documentation Income - Loan /Hire Purchases	139,350	81,381
Sale of Fixed Assets Loss - Abayarama Office	(3,962,375)	-
Sale of Fixed Assets	4,960.00	40,498
	<b>12,220,822</b>	<b>7,649,790</b>

NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

<b>( Note 04.01 ) - Miscellaneous Income</b>	<b>2016 / 2017</b>		<b>2015/2016</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
Sale of Damages Items	123,295		31,838	
Testing Charges	33,300		291,327	
Others	1,797		-	
	<b>158,392</b>		<b>323,165</b>	

<b>NOTE 05 - DISTRIBUTION EXPENSES</b>	<b>2016 / 2017</b>		<b>2015/2016</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
Sales Incentives	17,656,994		4,685,324	
Sample Expenses	1,982,325		1,681,532	
Tender Forms	1,747,986		596,943	
Expenses of Registration of Suppliers	2,646,539		2,409,769	
Stores & Showroom Rent	17,853,296		24,794,381	
Abayarama Rent A/C ( Narahenpita Office )	2,064,500		6,780,000	
Sales Outlet Expenses	-		4,531	
Lorry Hire /Transport	2,014,096		1,067,728	
Servicing Charges	2,391,141		1,697,278	
Reimbursement of Sales Expenses	10,854,476		12,319,624	
Reimbursement of Debt Collection Expenses	1,038,361		1,033,634	
Trade Fair Expenses	498,510		687,884	
License Fees - Selling	622,113		577,914	
Overseas Travelling	2,702,456		71,800	
Trade Promotional Expenses	2,617,810		409,697	
Advertising	4,710,911		3,026,526	
Gift Vouchers	224,500		17,000	
Loading & Unloading Expenses	108,687		697,524	
Disallowed VAT	2,371,896		2,044,347	
Nation Building Tax	28,170,680		23,316,652	
Bad & Doubtful Debts	123,799		76,915	
Stocks / Others Written Off	-		342,022	
Sales Promotion to Co-Operate Customers	2,999,322		215,551	
Impairment loss of Debtors	7,056,371		-	
	<b>112,456,769</b>		<b>88,554,575</b>	

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

NOTE 06 - ADMINISTRATIVE EXPENSES	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Salaries	96,463,822		70,258,686	
EPF	21,120,947		18,353,153	
ETF	4,217,228		3,494,880	
Overtime & Special Allowances	29,756,970		26,103,476	
New Year Festival Allowances	13,379,789		12,127,298	
Contract & Casual Employee Salaries	69,728,038		71,032,342	
Staff Benefits Cost	433,523		434,518	
Staff Welfare	6,591,904		4,995,117	
Staff Medical Expenses	1,706,031		1,900,946	
Staff Vehicle & Fuel Allowance	11,482,557		11,908,952	
Family Welfare Assistance	2,513,000		2,373,000	
Uniforms	1,356,163		261,405	
Labour Charges	2,911,677		3,642,647	
Leave Encashments	4,699,592		4,371,017	
Gratuity Provision	6,383,794		4,526,615	
Travelling & Subsistence	3,990,494		3,012,922	
Audit Fees	226,860		148,900	
Professional & Consultancy Fees	540,000		220,842	
Legal Fees	248,308		28,716	
Secretarial & Other Expenses	339,534		55,739	
Directors Salaries	1,740,000		1,487,625	
Directors Fees	374,000		108,860	
Board Meeting Expenses	23,970		98,870	
Insurance - General	1,660,645		977,897	
Rates & Taxes	3,198,813		5,329,132	
License Fees	635,758		396,352	
Telephone Charges	12,772,626		10,960,211	
Electricity	14,447,674		12,839,086	
Postage	1,169,637		1,025,403	
Water	1,879,067		1,710,724	
News Papers & Periodicals	146,495		212,637	
Printing & Stationery	10,147,877		10,256,617	
Maintenance - Building	749,437		533,639	
Maintenance - Office Equipment	8,093,459		6,000,600	
Maintenance - Stores Equipment	9,761,565		2,811,112	
Maintenance - Show Rooms	22,675,499		6,692,972	
Maintenance - Motor Vehicles	4,586,752		3,896,399	
Motor Vehicle Registration & Insurance	237,401		1,102,972	
Fuel & Lubricant	5,790,845		3,890,692	
Computer Management Fees	62,883		60,588	
Computer Maintenance	1,839,485		222,064	
Depreciation - Building	1,782,417		3,839,219	
Depreciation - Motor Vehicle	8,286,758		7,865,798	
Depreciation - Plant & Equipment	7,599,451		13,362,811	
Depreciation - Furniture	6,451,458		6,914,390	
Depreciation - Tools & Equipments	223,455		115,730	
Depreciation of Office/Showroom construction on Leasehold Premises	24,987,386		28,157,451	
Impairment Loss of Abayarama office under Lease hold Buiding category.	10,630,782		-	
Impairment Loss of Gigabite Netwok,Partition & Water Tank of Abayarama office under Computer & Fittings category	5,245,028		-	
Hire of Vehicles	4,263,605		3,710,305	
Bank Charges	12,024,785		9,270,925	
Staff Training & Development Expenses	1,393,542		253,648	
Surcharges	36,504		315,413	
Parking Expenses	1,959,168		1,959,168	
	<b>464,968,460</b>		<b>385,630,480</b>	

NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

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

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
<b>Interest Income</b>				
Interest Income on Short Term Deposits	50,967,599		29,703,530	
Interest on Staff Loans	624,620		715,372	
Un - winding of Pre-Paid Staff Benefits	433,523		434,518	
	<b>52,025,742</b>		<b>30,853,420</b>	
<b>Interest Expense</b>				
Overdraft Interest	31,426,878		25,388,572	
Trust Receipt Loan Interest	65,971,787		63,354,397	
Lease Interest	2,565,776		4,112,509	
	<b>99,964,440</b>		<b>92,855,478</b>	
	<b>(47,938,698)</b>		<b>(62,002,058)</b>	

**NOTE 08 - INCOME TAX EXPENSE**

	Note	2016 / 2017		2015/2016	
		Rs.	Cts.	Rs.	Cts.
Income Tax on Profits for the year - 2016/2017	08.01	11,123,192		7,953,128	
Deferred Tax Expense	08.02	(5,926,592)		(3,210,410)	
		<b>5,196,600</b>		<b>4,742,718</b>	

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

**For the year ended 31st March**

	2017		2016	
	Rs.	Cts.	Rs.	Cts.
Accounting Profit Before Taxation	45,185,487		31,420,562	
Income From Other Sources	(51,592,219)		(30,418,902)	
Aggregate Disallowable Items	72,561,500		69,926,068	
Aggregate Allowable Items	(53,282,273)		(57,648,121)	
<b>Adjusted Business Profit</b>	<b>12,872,495</b>		<b>13,279,607</b>	
Total Statutory Income	61,116,444		43,698,508	
Utilisation of carry forward tax losses	(21,390,755)		(15,294,478)	
Taxable Income	39,725,689		28,404,030	
<b>Income Tax on Profits for the year @ 28%</b>	<b>11,123,193</b>		<b>7,953,128</b>	

The unutilised tax loss carried forward as at the reporting date amounted to Rs.210,780,603/- (2015/16 -Rs 232,171,358/-).

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

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

	2017		2016	
	Rs.	Cts.	Rs.	Cts.
Accelerated depreciation for tax purpose	(3,820,256)		(1,735,910)	
Employee Benefit Liability	(130,552)		(1,474,500)	
Provision for bad & doubt ful debts	(1,975,784)		-	
	<b>(5,926,592)</b>		<b>(3,210,410)</b>	

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*NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)***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.

	<b>2016 / 2017</b>		<b>2015/2016</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
Net profit attributable to shareholders - (Rs.)	39,988,886.44		26,677,844.08	
Weighted average number of ordinary shares in issue	10,000,000.00		10,000,000.00	
Basic earnings per share (Rs.)		4.00		2.67

**Diluted Earnings per Share**

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st March 2017.

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

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## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

## NOTE 10 - PROPERTY, PLANT &amp; EQUIPMENT

Cost / Revaluation	Freehold Land		Freehold Building		Expenditure incurred on Leasehold Building		Motor Vehicles		Office Equipments		Computers Equipments		Tools & Equipments		Furniture & Fittings		Total	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
As at 01st April 2016	226,240,000	-	51,189,589	-	250,426,214	83,153,955	11,721,840	47,921,845	1,157,297	69,143,904	740,954,644	-	-	-	-	-	-	-
Additions	-	-	-	-	430,962	2,882,920	4,761,219	3,708,557	1,097,155	4,594,337	17,475,150	-	-	-	-	-	-	-
Transfer In / Out	-	-	-	-	-	-	2,077,407	(2,922,192)	-	844,785	-	-	-	-	-	-	-	-
Cost of impaired Computer Category & Fittings category Assets at Abeyarama STC Office	-	-	-	-	-	-	-	(2,593,374)	-	(3,906,791)	(6,500,166)	-	-	-	-	-	-	-
Cost of impaired Lease hold building category Assets at Abeyarama STC Office	-	-	-	-	(16,281,285)	-	-	-	-	-	(16,281,285)	-	-	-	-	-	-	-
Cost of Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	(5,636,650)	(5,636,650)	-	-	-	-	-	-	-
<b>As at 31st March 2017</b>	<b>226,240,000</b>	<b>-</b>	<b>51,189,589</b>	<b>-</b>	<b>234,575,891</b>	<b>86,036,875</b>	<b>18,560,466</b>	<b>46,114,836</b>	<b>2,254,452</b>	<b>65,039,584</b>	<b>730,011,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation / Impairment</b>																		
As at 01st April 2016	-	-	44,248,260	-	39,532,141	70,704,975	3,513,793	36,119,955	329,591	16,259,885	210,708,590	-	-	-	-	-	-	-
Depreciation Charge for the year	-	-	1,782,417	-	24,987,386	8,286,758	1,817,447	5,782,005	223,455	6,451,458	49,330,926	-	-	-	-	-	-	-
Cum. Depreciation of impaired Assets at -Abayarama Office under Computer & Fittings Category	-	-	-	-	-	-	-	(864,458)	-	(390,679)	(1,255,137)	-	-	-	-	-	-	-
Cum. Depreciation of impaired Assets at -Abayarama Office under building Category	-	-	-	-	(3,256,257)	-	-	-	-	-	(3,256,257)	-	-	-	-	-	-	-
Cum. Depreciation of Disposals of Fixed Assets	-	-	-	-	-	-	-	-	-	(600,535)	(600,535)	-	-	-	-	-	-	-
<b>As at 31st March 2017</b>	<b>-</b>	<b>-</b>	<b>46,030,667</b>	<b>-</b>	<b>61,263,270</b>	<b>78,991,733</b>	<b>5,331,240</b>	<b>41,037,501</b>	<b>553,046</b>	<b>21,720,129</b>	<b>254,927,587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Carrying Value as at 01st April 2016	226,240,000	-	6,941,339	-	210,894,073	12,448,979	8,208,047	11,801,890	827,706	52,884,019	530,246,053	-	-	-	-	-	-	-
<b>Carrying Value as at 31st March 2017</b>	<b>226,240,000</b>	<b>-</b>	<b>5,158,922</b>	<b>-</b>	<b>173,312,621</b>	<b>7,045,142</b>	<b>13,229,226</b>	<b>5,077,335</b>	<b>1,701,406</b>	<b>43,319,455</b>	<b>475,084,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note : Impairment of Fixed Assets at Abeyarama STC Office.

Management of STC obtained a lease premises to have STC office at Abeyarama Temple, Narathenpita, Colombo 5 on 1st November 2013. Necessary construction of flooring, Partitions, Electrical wiring / Lighting, Network cabling, Air Conditioners installations, Cladding, construction of Wash room and water tank etc were done by STC. This capital nature of items shown building category was a sum of Rs 16,281,285.03 and Computer & Fittings category represents a sum of Rs 6,500,165.70. The office was started occupying only in end November 2015. Therefore as per depreciation policy, depreciation has been accounted for the year 2015/16 for a value of Rs 3,256,257.01 and a sum of Rs 1,255,137.28 under respective two categories. Lease agreement was terminated by the lessor and STC had to leave the premises in August 2016. Negotiations with the Abeyarama Temple, it was agreed to set off rental payable sum of Rs 2,394,246.40 for the construction cost that STC incurred. STC lost the right to use these capitalised assets and discontinued the flow of economic benefits to STC. Since these assets were not in removable nature and some removed dismantled items did not have salable value. Therefore the impairment loss is Rs 10,630,781.62 under lease hold building category charged to the Profit & Loss under note 6 of Administrative expenses. ( 16,281,285.03-3,256,257.01-2,394,246.40) Impairment loss in the Computer & Fittings category was Rs 5,245,028.42 ( Rs 6,500,165.70 - 1,255,137.28 ) and this too had been charged to P&L under note 6 of Administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

## NOTE 11 - INVESTMENTS IN SHARES

	2016 / 2017		31.03.2016	
	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	
	<b>20.00</b>		<b>20.00</b>	

## NOTE 12A - LOANS GIVEN TO EMPLOYEES

	Note	2016 / 2017		2015/2016	
		Rs.	Cts.	Rs.	Cts.
<b>Non - Current</b>					
Loans given to employees	12.1	7,234,995		5,787,365	
Pre paid Staff Benefits	12.2	494,101		359,508	
		<b>7,729,096</b>		<b>6,146,873</b>	
<b>Current</b>					
Loans given to employees	12.1	3,199,879		3,088,761	
Pre paid Staff Benefits	12.2	401,997		339,515	
		3,601,876		3,428,276	
		<b>11,330,972</b>		<b>9,575,149</b>	

## NOTE 12.1 - LOANS GIVEN TO EMPLOYEES

Balance at the beginning of the year		9,575,149		10,507,148	
Loans granted		6,421,378		3,437,350	
Loans recovered		(4,665,556)		(4,369,349)	
		<b>11,330,971</b>		<b>9,575,149</b>	
Transfer to prepaid staff benefit		(896,097)		(699,022)	
<b>Balance at the end of the year</b>		<b>10,434,874</b>		<b>8,876,127</b>	
Non Current		7,234,995		5,787,365	
Current		3,199,879		3,088,761	
		<b>10,434,874</b>		<b>8,876,126</b>	

## NOTE 12.2 - PREPAID STAFF BENEFITS

Balance at the beginning of the year		699,023		762,567	
Additions during the year		630,597		370,974	
Amortization		(433,523)		(434,518)	
<b>Balance at the end of the year</b>		<b>896,097</b>		<b>699,023</b>	
Non Current		494,101		359,508	
Current		401,996		339,515	
		<b>896,097</b>		<b>699,023</b>	

The Company provides a 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 is recognised as pre paid staff benefits. These loans have been subsequently measured at amortised cost.

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



NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

**NOTE 12 B - EASY PAYMENT LOAN SCHEME**

	Note	2016 / 2017		2015/2016	
		Rs.	Cts.	Rs.	Cts.
<b>Non - Current</b>					
Gross Investment	12.3	3,019,848		5,298,363	
Less : Unearned Finance Income	12.4	(306,911)		(474,888)	
		<b>2,712,937</b>		<b>4,823,475</b>	
<b>Current</b>					
Gross Investment	12.3	7,268,050		8,792,446	
Less : Unearned Finance Income	12.4	(1,014,624)		(1,635,856)	
		<b>6,253,428</b>		<b>7,156,590</b>	
		<b>8,966,365</b>		<b>11,980,065</b>	

**NOTE 12.3 - Gross Investment**

Balance at the beginning of the year		14,090,809		10,709,163	
Gross Investment during the year		9,813,590		8,218,661	
Less : Rentals Received		(14,938,034)		(6,947,757)	
		8,966,365		11,980,067	
Add : Unearned Finance income		1,321,535		2,110,742	
<b>Balance at the end of the year</b>		<b>10,287,900</b>		<b>14,090,809</b>	
Non - Current		3,019,848		5,298,363	
Current		7,268,050		8,792,446	
		<b>10,287,898</b>		<b>14,090,809</b>	

**NOTE 12.4 - Unearned Finance Income**

Balance at the end of the year		2,110,744		2,945,054	
Additions during the year		964,528		1,557,309	
Less : Interest income for the year		(1,753,736)		(2,391,619)	
<b>Balance at the end of the year</b>		<b>1,321,536</b>		<b>2,110,744</b>	
Non - Current		306,912		474,888	
Current		1,014,624		1,635,856	
		<b>1,321,536</b>		<b>2,110,744</b>	

**NOTE 13 - INVENTORIES**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Closing Inventory	773,989,275		582,071,378	
Goods in Transits	42,534,061		42,738,342	
Provision for Damage & Slow Moving Stock	(2,659,561)		(2,659,561)	
	<b>813,863,775</b>		<b>622,150,159</b>	

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

**NOTE 14 - TRADE & OTHER RECEIVABLES**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Trade Debtors	675,300,544		481,539,784	
Impairment of debtors	(11,417,158)		(4,360,787)	
	<b>663,883,386</b>		<b>477,178,997</b>	
Festival Advance	2,600,500		975,500	
Electricity Deposits	140,000		140,000	
Security Deposits - NSB	1,036,965		998,980	
Rent Deposits	19,733,185		22,229,025	
Sundry Deposits	506,500		506,500	
Sundry Debtors	165,781		8,865	
Port Authority - PVQ	50,000		50,000	
Bid Bond Ac.	11,600		-	
Prepayments	15,984,829		8,973,901	
Advance to Staff on Petty Cash	37,750		9,000	
L/Guaranty Margin - People's Bank	600,000		600,000	
VAT Receivables	1,370,011		2,854,734	
Interest Receivable	20,117,608		13,886,075	
Suspended VAT A/C	699,386		234,470	
Ministry of Education	7,784,039		7,784,039	
Advance on Sundry Expenses	880,615		662,208	
Advance on Services	2,860,869		2,023,170	
Advance on Other Payments	4,517,081		4,517,081	
Tender & Other Deposits	122,500		169,000	
Rent Advance Payment - Year 01	30,000		-	
Build up Margin A/C	150,613,803		116,920,586	
WHT on Interest	4,473,607		-	
Shipping Guaranty Margin - People's Bank	1,832,576		392,392	
Control A/C of Gift Vouchers	4,250		-	
Staff Debtors - Salary Advance	201,420		441,270	
David Pieris Mortor Co.Ltd	1,074,440		1,074,440	
Loan / Hire purchases Rent & Insurance Receivable	2,211,754		774,829	
	<b>903,544,453</b>		<b>663,405,062</b>	

**NOTE 15 - CASH HAND CASH EQUIVALENTS**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
<b>Cash at Bank</b>				
BOC (A/C No 8859546)	270,658		386,371	
Sampath Bank (A/C No 000930000337)	1,336,457		65,916	
BOC (A/C No 1060)	20,347		20,597	
NDB (A/C - 106340003864)	4,207,040		3,063,015	
People's Bank - Kurunegala	80,975		-	
People's Bank - Kandy	379,686		303,367	
People's Bank - Matara	977,219		1,066,692	
People's Bank - Kalmunai	967,159		-	
Petty Cash Imprest	575,537		413,063	
Cash in Hand	12,644,243		13,772,453	
	<b>21,459,321</b>		<b>19,091,474</b>	

NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

**NOTE 16 - INTEREST BEARING LIABILITIES - LEASES**

	Isuzu Crew Cabs LK - 0018 LK - 0024		Avanza Wagon KU - 7071 KU - 7072		Nissan Jeep WPKX 9352		ALTO Car KY 6145 KY 6148		Total	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Balance as at 01st April 2016	436,883		5,299,437		12,819,888		3,279,983		21,836,191	
Less : Rentals Paid	(436,883)		(3,535,370)		(4,275,953)		(1,037,350)		(9,285,556)	
<b>Balance as at 31st March 2017</b>	-		<b>1,764,067</b>		<b>8,543,935</b>		<b>2,242,633</b>		<b>12,550,635</b>	

**Interest in Suspense**

Balance as at 01st April 2016	9,762	883,308	2,980,453	621,741	4,495,264
Less : Charge to P & L	(9,762)	(766,276)	(1,561,414)	(314,585)	(2,652,037)
<b>Balance as at 31st March 2017</b>	-	<b>117,032</b>	<b>1,419,039</b>	<b>307,156</b>	<b>1,843,227</b>

**Interest Bearing Liabilities - Non Current**

Balance as at 31st March 2017	-	-	3,880,004	1,111,712	4,991,716
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**Interest Bearing Liabilities - Current**

<b>Balance as at 31st March 2017</b>	-	<b>1,647,035</b>	<b>3,244,892</b>	<b>823,765</b>	<b>5,715,692</b>
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**NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS**

	2016 / 2017		31.03.2016	
	Rs.	Cts.	Rs.	Cts.
Balance at the beginning of the year	39,743,461		34,477,390	
Provision made during the year	(9,608,376)		5,266,070	
Payments made during the year	(5,917,536)		-	
<b>Balance at the end of the year</b>	<b>24,217,549</b>		<b>39,743,461</b>	

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.

	2016 / 2017		31.03.2016	
	Rs.		Rs.	
Interest Cost	4,821,187		2,413,417	
Current Service Costs	1,562,607		2,113,197	
Total included in the staff cost	6,383,794		4,526,614	
Net Actuarial (Gain)/Loss recognized immediately	(15,992,170)		739,456	
<b>Total recognized in the comprehensive income</b>	<b>(9,608,376)</b>		<b>5,266,070</b>	

The Key Assumptions used by the management include the following

Financial Assumptions	31.03.2017	31.03.2016
Rate of Interest	13%	7%
Rate of Increase of Salaries	1%	2%
Staff Turnover Factor	3%	3%
Retiring Age (Years)	60	60

The Company will continue as a going concern.

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

**NOTE 18 - NET DEFERRED TAX LIABILITY ( ASSET )**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Balance at the beginning of the year	(6,989,688)		(3,779,279)	
Provision / ( Reversal ) for the Year through P & L	(5,926,592)		(3,210,410)	
Provision / ( Reversal ) for the Year through Other Comprehensive Income	4,477,808		-	
<b>Balance at the end of the year</b>	<b>(8,438,473)</b>		<b>(6,989,689)</b>	

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:

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Provision for slow moving stocks	(744,677)		(744,677)	
Provision for bad & doubt ful debts	(3,196,804)		(1,221,020)	
Employee Benefit Liability	(6,780,914)		(11,128,169)	
Accelerated depreciation for tax purpose	2,283,922		6,104,178	
	<b>(8,438,473)</b>		<b>(6,989,688)</b>	

**NOTE 19 - INTEREST BEARING BORROWINGS - LOANS**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
<b>Non current Liabilities</b>				
T.R. Loans - Peoples' Bank	63,806,000.00		79,430,000.00	
T.R. Loans - Sampath Bank -Lease	34,584,380.00		35,625,550.00	
	<b>98,390,380.00</b>		<b>115,055,550.00</b>	
<b>Current Liabilities</b>				
T.R. Loans - Peoples' Bank	381,835,533.83		42,371,684.17	
T.R. Loans - Sampath Bank	366,343,853.42		217,877,063.60	
T.R. Loans - NDB Bank	3,964,400.00		-	
T.R. Loans - BOC - 1060 / 8859546	-		459,813,463.92	
	<b>752,143,787.25</b>		<b>720,062,211.69</b>	
<b>Total Loan liability</b>	<b>850,534,167.25</b>		<b>835,117,763</b>	

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

**NOTE 20 - TRADE OTHER PAYABLES**

	2016 / 2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Trade Creditors	489,020,178		423,954,547	
Foreign Import Liability	97,473,145		86,759,547	
Import Rice Interest	-		174,955,874	
NBT	2,709,814		2,509,947	
Accrued Expenses	49,610,322		32,922,953	
Dividend Payable	-		5,000,000	
VAT	11,131,575		16,215,677	
Other Creditors - Sundry	511,777		150,344	
Audit Fees	226,960		149,000	
Security Deposit - NSB	1,036,965		998,980	
EPF	3,439,185		2,505,345	
ETF	413,555		298,395	
Staff Creditors - Re Banked Salaries etc.	796,485		684,872	
Salary Deductions	501,184		383,236	
Salary Deductions - Staff & Others	101,529			
Staff Recreation Fund	488,105		488,105	
ABC Trade & Investment	1,041,629		1,703,454	
Sala Enterprises	127,055		127,055	
Abans (Pvt ) Ltd	1,920,661		1,920,661	
Scrap Battery Control A/C	9,350		401,220	
Etisalat Credit Card Proceed	748,683		748,683	
Free Issues Contro A/C	829,163		585,862	
Stamp Recoveries	30,075		21,800	
Loan / Hire Purchases Advance	354,816		266,648	
Stamp Duty Payable - Hire Purchases	3,540		8,210	
Creditor for Lease Equipment	344,247		660,899	
Money Received from Credit Card Customers	-		830,398	
Money Received for Year End Sales Promotional Exp.	1,690,656		-	
Repair Charges Fund Account	246,860		-	
Insurance Payable for Hire Purchases	56,098		11,332	
Stafford Mortor (Pvt) Ltd	28,000		28,000	
Retention	1,181,093		955,197	
Retention on Service Contracts	175,810		-	
Scienter Technologies ( Pvt ) Ltd	56,000		-	
Abayarama Rent Payable A/C ( Narahenpita Office )	-		15,560,000	
	<b>666,304,515</b>		<b>771,806,241</b>	

## NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)

**NOTE 21 - BANK OVERDRAFTS**

	2016 / 2017		2015 / 2016	
	Rs.	Cts.	Rs.	Cts.
People's Bank - (A/ C No 004100120210918)	299,836,278		307,390,918	
People's Bank - Kurunegala		-		168,048
Sampath Bank - DFS ( A/C No 002930006974)	23,041,483		9,538,856	
NDB - (A/C - 101000160408)	7,305,226		1,393,201	
	<b>330,182,987</b>		<b>318,491,023</b>	

**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) Compensation paid to Key Management Personnel**

	2016 / 2017		2015 / 2016	
	Rs.	Cts.	Rs.	Cts.
Short Term Employment Benefits	10,967,004		13,302,259	
Long Term Employee Benefits		-		

**(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd..)

## NOTE 23 - CAPITAL COMMITMENTS

There were no contracted capital expenditure approved by the Board of Directors as at the 31st March 2017.

## NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements.

## NOTE 25 - COMPARATIVE INFORMATION

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

## NOTE 26 - 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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows,

Loans and Receivables	2016/2017		2015/2016	
	Rs.	Cts.	Rs.	Cts.
Loans Given to Employees	11,330,972		9,575,149	
Easy Payment Loan Scheme	8,966,365		11,980,065	
Imported Rice Price Subsidy Receivable		-	450,594,190	
Short Term Investment in Fixed Deposits	407,447,815		380,122,597	
Trade & Other Receivables	903,544,453		663,405,062	
Cash and Cash Equivalents	21,459,321		19,091,474	
	<b>1,352,748,926</b>		<b>1,534,768,537</b>	

*NOTES TO THE FINANCIAL STATEMENTS - 2016/2017 (Contd...)***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.

The carrying amount of financial assets represents the maximum exposure to liquidity risk at the reporting date was as follows,

<b>Non-derivative financial liabilities</b>	<b>2016 / 2017</b>		<b>2015/2016</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
Interest Bearing Liabilities- Lease	10,707,408		17,340,927	
Income Tax Payable	9,123,171		4,092,791	
Interest Bearing Liabilities- Loans	850,534,167		835,117,763	
Trade and Other payables	666,304,515		771,806,241	
Bank Overdraft	330,182,987		318,491,023	
	<b>1,866,852,248</b>		<b>1,946,848,745</b>	

**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.