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கல்வி அமைச்சு
Ministry of Education

2019

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ஆண்டறிக்கை

ANNUAL
REPORT



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அரசாங்க அச்சகக் கூட்டுத்தாபனம்
State Printing Corporation

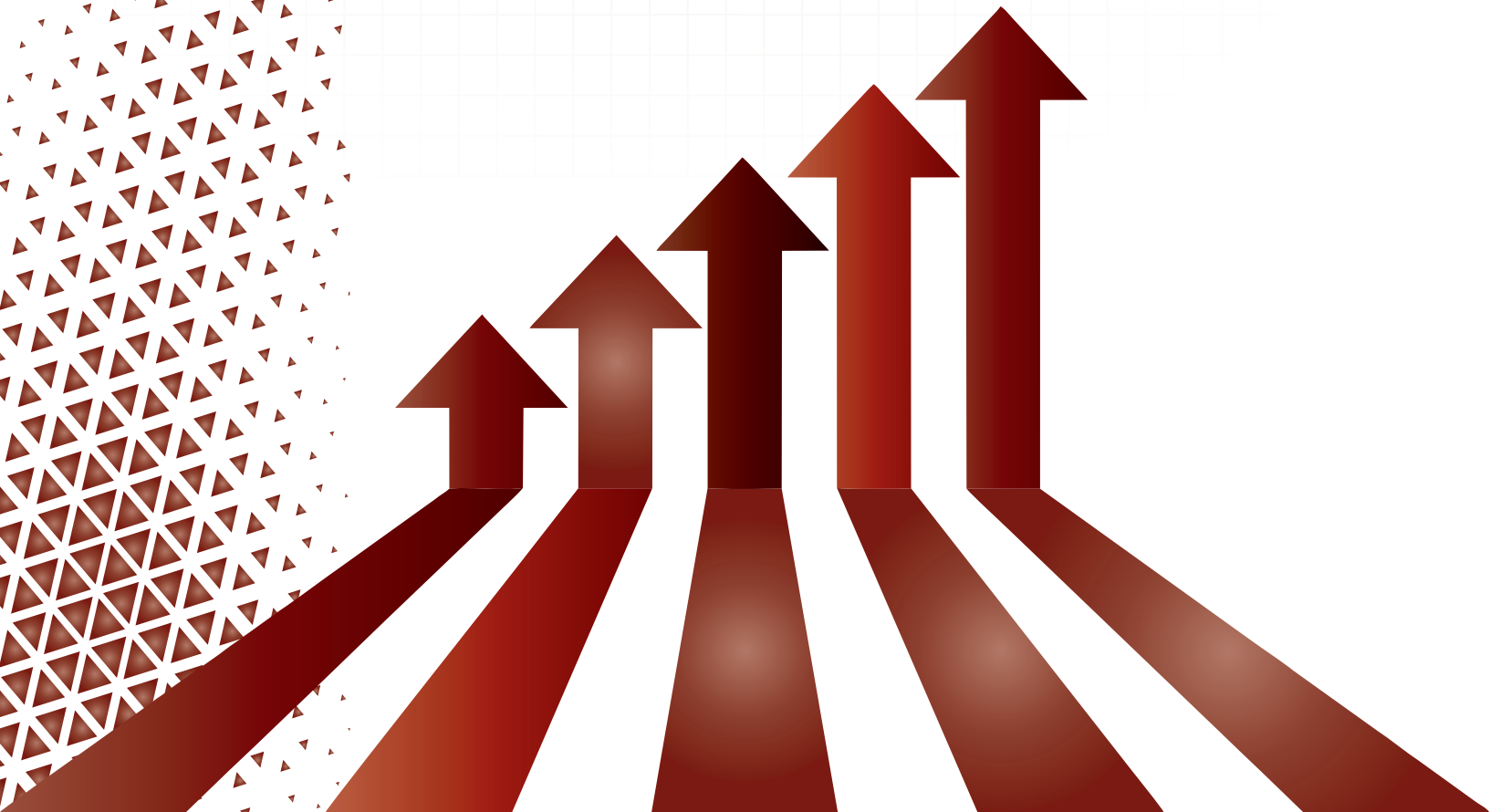


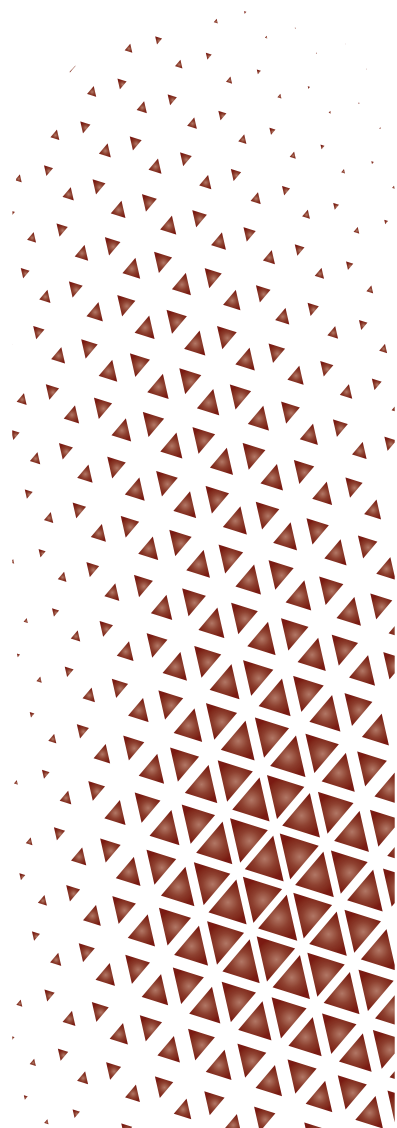
STATEMENT OF ACCOUNTS
AND
REPORT OF THE AUDITOR GENERAL

State Printing Corporation

2019 ANNUAL REPORT

For the 52nd year ended 31st December 2019
01st January - 31st December 2019





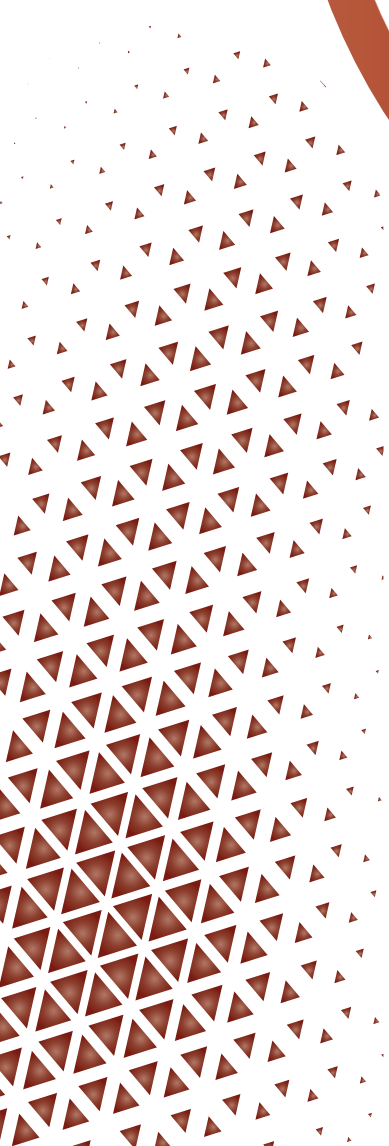


Vision

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

Mission

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





Panaluwa
Padukka

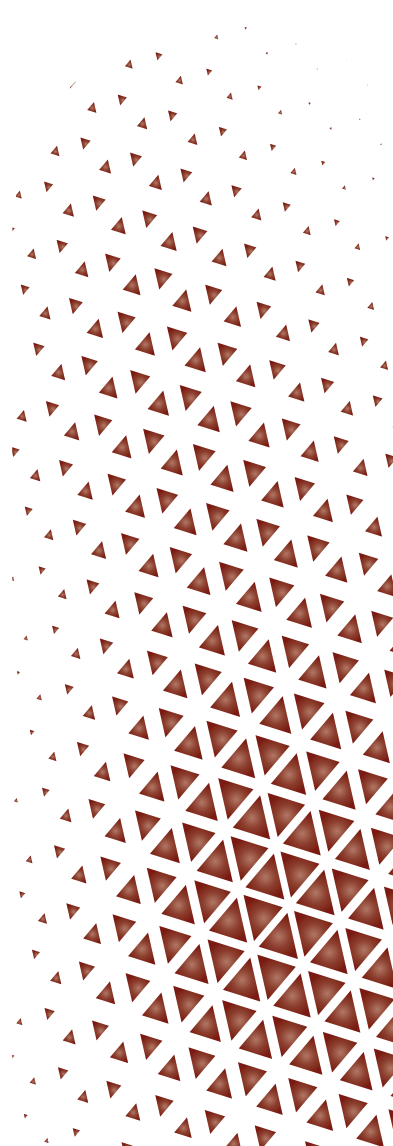
Honourable Minister of Education
Ministry of Education
Isurupaya
Battaramulla.

Honourable Sir,

In terms of Section 14 of the Finance Act No. 38 of 1971, I have the honour to forward herewith the following on behalf of the Board of Directors in respect of the year 01st January to 31st December 2019.

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

Yours faithfully,
Janaka Rathnakumara
Chairman
State Printing Corporation





Message from the Chairman

I consider it a privilege for me to enabling to make the State Printing Corporation a profit earning venture after four years, by spearheading the institute only for just a year of my career as the Chairman, and to provide a message to the Annual Report for the year 2019 of the State Printing Corporation.

The State Printing Corporation, established under Act No. 24 of 1968 has achieved the present growth within 53 years among several challenges.

When considering the loss of Rs.900 Mn. within five years from 2016 to 2019, I was posted as the Chairman on 01.01.2020 in such a grave situation.

While the plight had been as such, I am much pleased that I could make the institute a profit over Rs. 22 Mn. in the year 2020, and to make the State Printing Corporation march towards prosperity, according to the *Saubhagyaye Dakma* policy statement of President Gotabhaya Rajapaksa.

Further, the Corporation earned a record income of Rs. 1800 Mn. per year in the year 2020, for the first time in its history.

It is definite that this would be a turning point for the path of sustainable growth of the State Printing Corporation.

When transforming the Corporation a profit earning government venture and in achieving a historic gain in income, the vision of His Excellency, President Gotabhaya Rajapaksa and the benediction and cooperation extended by Hon. Prime Minister, Mahinda Rajapaksa and the advice and guidance of the Minister of Education, Prof. G. L. Peiris and the Secretary to the Ministry of Education, Prof. Kapila Perera had been a great assistance to me.

My utmost aim is to make the State Printing Corporation a profit earning venture within the next four years to come, by developing the human energy of its members, and to obtain international standard and to make our institute an eco-friendly venture by the use of electricity through renewable sources and to make our

venture a carbon-free one, which is included in my strategic plan for the next two years.

A main challenge before us is to become the leader of the printing industry and to provide the needs of the market. As the Chairman, I consider it a merit for me that I was able to create the background to face that challenge successfully by facing positively to those by enabling to obtain modern machinery ie. Suraksha printing machine, new textbook printing machine and a modern four colour printing machine and to establish ISO-9001-2015 and ISO-14051-2011 international standards within our Institution.

It is no doubt that it would be an investment towards the future progress of the Institute through a new scope to create new business development opportunities, stepping out of its field, introducing the Smart Outlet by installing digital printing machines, introducing SPC Digital Loyalty Card and a new App called SPC Digital.

It is remarkable that we could achieve a great height in last 1½ year period in efficiency and effectivity in producing school textbooks, and apart from printing lotteries, I am much pleased that it would be possible for us to harvest the benefits to the Institution by implementing a new factory for Suraksha printing and four colour printing by digital printing method according to the national and international requests and make this an opportunity to appeal the officials and all the workforce that should unite to work towards a future advancement of our Institution.

Janaka Rathnakumara
Chairman
State Printing Corporation





2019

Board of Directors

Chairman

Mr. H. Hewage (2019. 01. 25 - 2019. 03. 28)

Mr. R. M. M. Rathnayake (2019. 12. 04 - 20...)

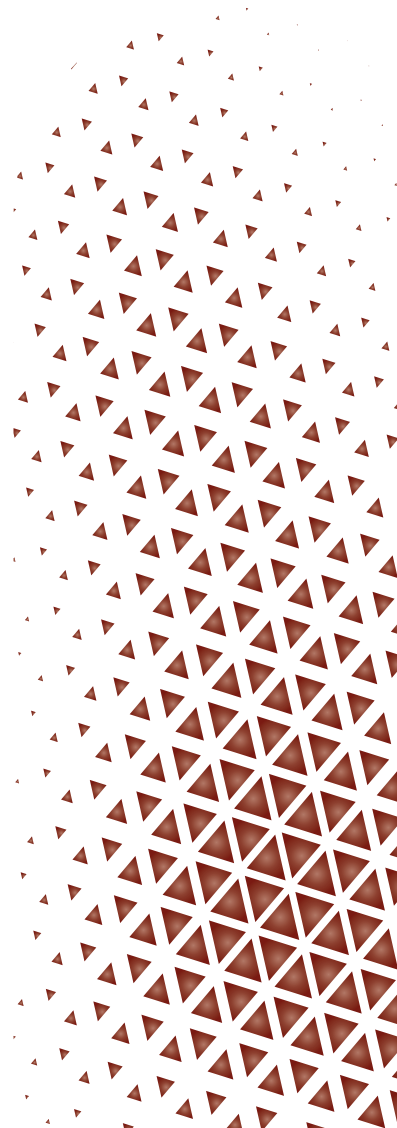
Mr. Binara Jayawardane (2019. 03. 29 - 2019. 12. 03)

Working Director

Mr. Mahinda Pushpakumara (2019. 02. 12 - 2019. 12. 03)

Directors

1. Mr. Kumudu Meegahage
2. Mr. Jayantha Wickramanayake
3. Mr. Wijitha Nandakumara
4. Mr. W. A. Wijayananda
5. Mr. Rohana Rathnayaka





2019

Executive Officers

General Manager

Mr. R. M. N. Monarawila

Finance Manager

Mr. N. D. Priyankara Kumara

Deputy General Manager

Mr. S. T. Karunaratne

Supplies Manager

Mr. E. V. K. Keerthiratne

Manager (Admin. & Human

Resources Development) (Act.)

Mr. K. P. T. N. Devapriya

Marketing Manager

Mr. M. T. J. Perera

Deputy Works Manager

Mr. D. M. M. B. Dissanayake

Deputy Works Manager

Mr. T. M. R. N. Tennekoon

Deputy Finance Manager

Mr. K. H. Thilakaratne

Manager (Stationery Factory)

Mr. L. T. Premasiri

Accountant

Mr. M. R. P. Jayawardena

Accountant

Mr. W. L. Deniyage

Internal Auditor

Mr. M. S. S. Mohotti

Asst. Manager Works (Estimates)

Mr. K. D. T. Chandrasiri

Asst. Manager Works (Security Printing)

Mr. M. A. Kothalawala

Asst. Manager Works (Process)

Mr. S. D. Kumarasinghe

Asst. Manager Works (Binding)

Mr. M. A. Shantha Kumara

Asst. Manager Works (Litho)

Mr. P. K. T. Mahinda

Asst. Manager (Sales)

Mr. H. R. Gunasekera

Asst. Manager (Security)

Mr. W. W. M. Arachchige

Asst. Manager (Admin. & HRD)

Mr. K. H. B. Sajeewa

Asst. Manager

(Legal/Secretary to the Board)

Mrs. A. L. R. Madhukani

Asst. Manager (Publication)

Mr. Madhuranga C. Nuwanpriya

Asst. Manager (Supplies)

Mr. U. Anil Jayakantha

Accountant

Mr. W. A. A. S. Jayasundara

Asst. Manager Works (Maintenance)

Mr. N. G. L. Chandimal





2019

STATE PRINTING CORPORATION

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the State Printing Corporation has pleasure in presenting its 51st Report covering the activities of the Corporation for the year ended 31st December 2019, in terms of Section 14 of the Finance Act No. 38 of 1971.

12 Board Meetings were held during the year under review.

01. Production

1.1 School Textbooks

1.1.1 Printing of School Textbooks

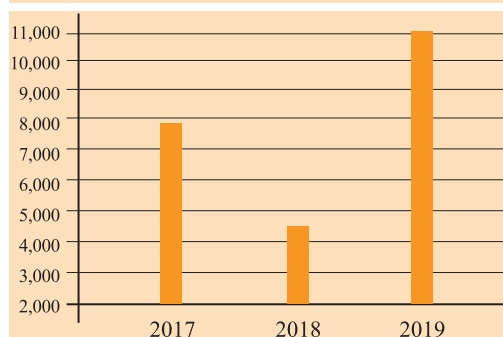
The Corporation which has been incorporated with the basic objective of printing of school textbooks, has diverted its activities to other production areas with the introduction of open economy. Accordingly, Corporation had to compete in tenders to obtain orders from Educational Publications Department. But the year under review too, Cabinet approval has been taken to award 11.012 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 1,090,416 million. Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2017 and 2018 are as follows:

School Textbooks	2017 ('000)	2018 ('000)	2019 ('000)
No. of copies	7,981	4,485	11,012
Income - Rs.	676,391	428,627	1,090,416

1.2 Other Printing Works

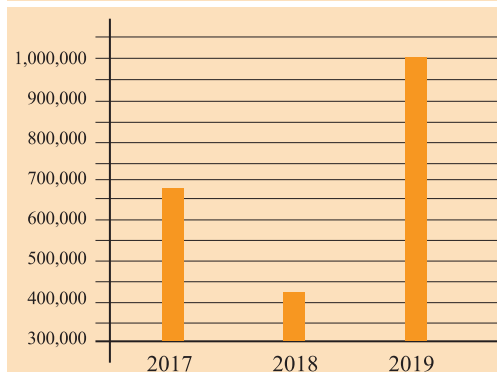
Security Printing Works (such as Lottery Tickets, 'Ridee Rekha' Certificates, Post Office Labels, Dollar Tickets, Airport Super Draw etc.), Dahampasal Books and other printing works of Govt. Institutions were carried out during the year under review. In addition to this printing of Diaries and Calendars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

School Textbooks



Total number of copies

School Textbooks



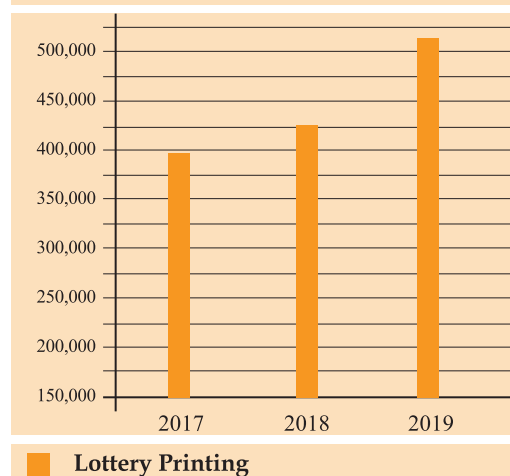
Income

1.2.1 Security Printing

Printing of 'Mahajana Sampatha' Lottery tickets for National Lotteries Board has been carried out for the last 44 years. It has been fulfilled in this year, as well. In addition to that, 'Power Lotto', 'Niroga' was also printed. 524.05 million Lottery tickets were printed in 2019, completing all the orders received. Accordingly, Rs. 293.720 million income was earned during the year under review. Income from Lottery printing and number of tickets are given below:

Lottery Printing	2017 ('000)	2018 ('000)	2019 ('000)
No. of copies	399,739	427,415	524,474
Income - Rs.	233,947	248,011	293,440

Security Printing



Security Printing



1.2.2. Special Printing Works

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

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

During the year under review the Corporation earned Rs. 183 million through other printing jobs.

1.3 Manufacturing of Exercise Books and Other Books

Production in 2019 in comparison to the year under review

Description	Quantity of manufacturing	Value Rs.
Exercise Books (80 pages)	5.267 million	150,720 million
CR Books (80 pages)	0.371 million	22,992 million
Manufacturing of other stationeries (unit)	0.128 million	13,313 million
Total	5.766 million	187,035 million

Production in the year under review and comparative figures for 2017 and 2018 are as follows:

Exercise Books & Other Stationery	2017 ('000)	2018 ('000)	2019 ('000)
No. of copies	10,785	7,220	5,766
Income - Rs.	279,680	238,333	187,035

During the time period from 08-07-2019 to 19-07-2020 (11 days) and from 16-09-2020 to 13-11-2020 (58 days) expected goals could not be reached because of writing paper for exercise books were not supplied properly.

Production target or 2019 : 12.12 million
(Rs.327 million)

02. Sales/Marketing

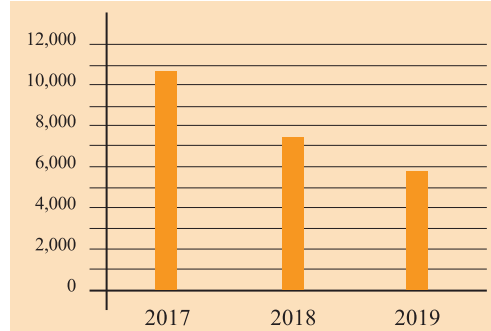
Year	2017 Rs.	2018 Rs.	2019 Rs.
Overall Revenue (Inclusive Taxes)	286,849,475.00	282,021,852.00	153,082,388.79

Sharp drop is resulted in the overall sales revenue in the year 2019.

Compared to 2017 reduction percentage of 1.89% for school exercise books revenue in 2018 has declined further to 45.71% in 2019. With the comparison of previous years Exercise book production has been reduced sharply in 2019 owing to shortage of raw materials supplied for production. This was the main reason to decrease revenue.

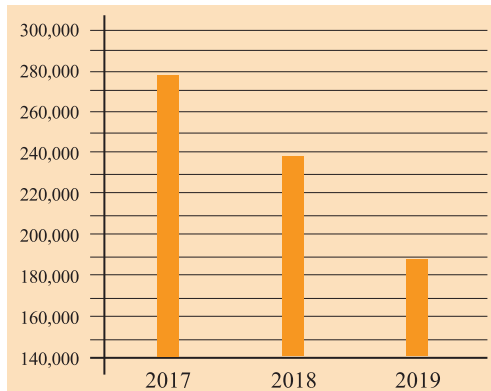
In addition to that the resale stationery Items which were purchased from the external resources were also could not purchased as expected had caused to low income in 2019.

Exercise Books and Other Stationery



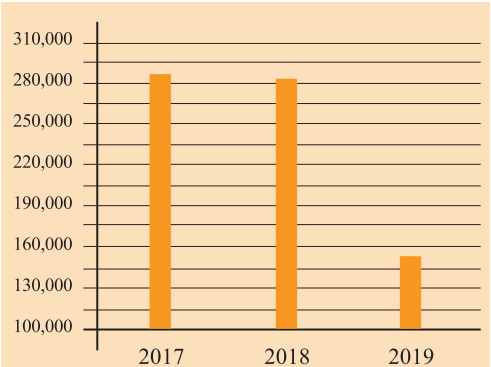
No. of Copies

Exercise Books and Other Stationery



Income - Rs.

Sales/Marketing



Total Sales Value (Rs.)

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

Publication Services

In the year 2019 shows a decline in publication revenue with compared to 2018. If the priority had been given to sale other publisher's publications in the previous year a decline showed year under review in this sector.

No publications have been published in this year by the Corporation.

No. of new published in 2019	00
Revenue in 2017 Exclusive Taxes	3.2 Million
Revenue in 2018 Exclusive Taxes	5.2 Million
Revenue in 2019 Exclusive Taxes	2.3 Million

03. Fixed Assets

The total cost of the fixed assets of the corporation as at the end of year 2019 was Rs.1,168,709,786. The net value of it was Rs.991,125,221. This status in comparison with 2018 was Rs.1,148,392,769 and Rs.1,039,094,309 respectively.

Fixed Assets	2017 Rs. ('000)	2018 Rs. ('000)	2019 Rs. ('000)
Value at the beginning of the cost	872,653	1,148,393	1,168,709
Net value at the end of the year	1,093,382	1,039,094	991,125

04. Tax Liability

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

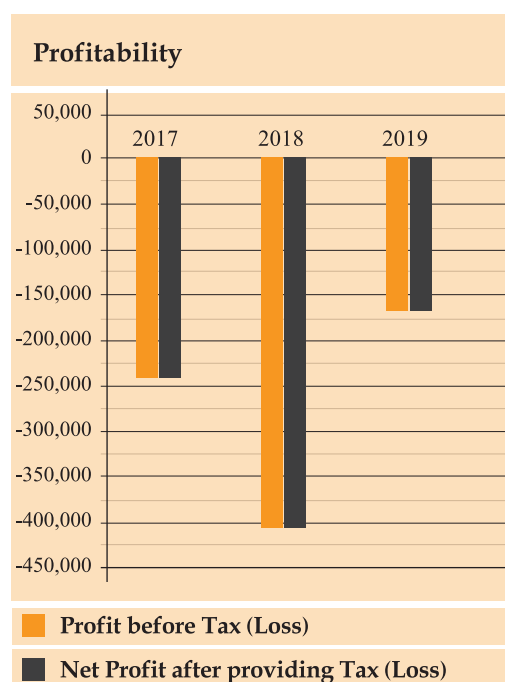
Tax Liability	2017 Rs. ('000)	2018 Rs. ('000)	2019 Rs. ('000)
Income tax	-	-	-
Dividend Tax	-	-	-
Total	-	-	-

05. Profit

The Corporation has incurred a pre - tax loss of Rs. 169,428,397/- in 2019 and a loss of Rs. 406,986,259 in 2019.

Profitability	2017 Rs. ('000)	2018 Rs. ('000)	2019 Rs. ('000)
Pre-tax profit	(243,094)	(406,985)	(169,428)
After the tax rebate	(243,094)	(406,985)	(169,428)

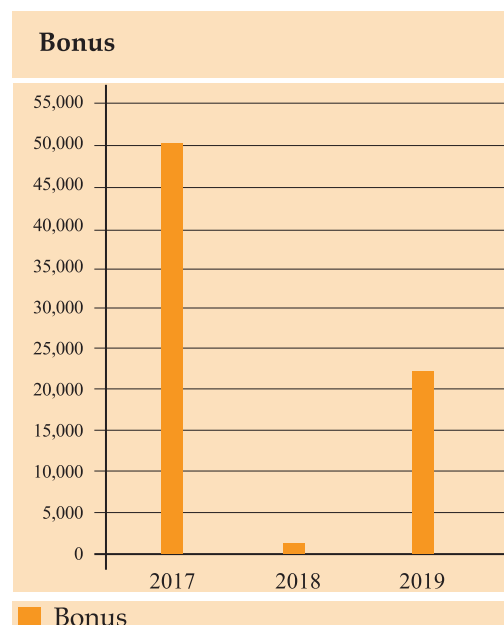
The profit and the tax liability reported in the 2018 annual report was amended as stated in the above when prepared accounts for the year 2019 again on par the observations mentioned in the Auditor General's report for the year 2018.



06. Bonus Allowance

In 2018 owing to loss of Rs. 409 million, corporation had not paid annual bonus equivalent to two months salary to employees as usual. Accordingly no bonus allowances could be paid to employees in 2018. However with compared to 2018 corporation was able to reduce loss condition from 409 million to 169 million in 2019 and earned rapid progress of revenue. Because of this corporation has paid Rs. 22 million as bonus allowances equivalent to one month salary of a employee for employees motivation.

Bonus	2017 ('000)	2018 ('000)	2019 ('000)
Rs.	50,191	1,408	22,097



07. Welfare

The under mentioned welfare services and facilities were maintained during this year as well on the basis of previous year. The cost for the Corporation for these welfare services and facilities was Rs.98 million.

	Welfare	2017 Rs.('000)	2018 Rs.('000)	2019 Rs.('000)
01.	Transport facilities for employees	11,012	10,879	8,503
02.	Incentives for employees	6,020	5,263	4,784
03.	Payment of health support benefits	10,612	10,046	9,431
04.	Miscellaneous welfare activities of employees	24,924	24,204	21,171
05.	Labour protection compensation	-	-	-
06.	Granting of gift voucher for stationery to all employees	1,685	1,703	1,378
07.	Bonus	50,191	1,408	22,097
08.	Rebate of employees housing loans	3,114	2,573	2,087
09.	Payment for unutilized leave	15,607	13,615	13,210
10.	Special Incentive	7,490	-	15,675
	Total	130,657	69,748	98,336

08. Staff

Number of employees of the corporation as at 2019.12.31

Number of Employees	2019
Office	139
Main Printing Section	314
Stationery factory	60
Security Section	42
Sales Outlets	44
Total	599

In 2019, no employee at officers level was recruited to the Corporation

Employees who left the Corporation in 2019

	Name/Post	Date
1.	Mr. R. M. N. Monarawila - General Manager	2019. 08. 22
02.	Mr. W. L. Deniyage - Accountant	2019. 10. 09
03.	Mr. N. D. Priyankara Kumara - Finance Manager	2019. 10. 10

Acknowledgement

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

Janaka Rathnakumara
Chairman



2019

STATE PRINTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

1. Corporate Information

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

2. Accounting Policies and Basis of Preparation

The statement of financial position, statement of comprehensive income, changes in fund and cash flows, together with accounting policies and notes have been prepared in accordance with **LKAS** and **SLFRS** and in compliance with finance Act No.38 of 1971.

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Going concern

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

2.4 Functional Currency

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

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

2.5 Comparative Information

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

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

3. Summary of Significant Accounting Policies

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

3.1 Property, Plant and Equipment

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

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

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

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

3.1.1 Depreciation

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

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

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

3.2 Inventories

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

3.3 Taxation

3.3.1 Income Tax

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

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

3.4 Cash & Cash Equivalents

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

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

4. Financial Instruments

Initial Recognition and Subsequent Measurement

4.1 Financial Assets

4.1.1 Trade Receivables

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

4.2 Financial Liabilities

4.2.1 Mortgage of Property

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

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

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

4.2.2 Capital commitments Contingent Liability

- All material capital commitments and contingent liabilities are considered and necessary adjustments or disclosures are made in these financial statements.
- There is a fundamental rights case in the Supreme Court filed by the Marketing Manager under the file No FR248/1
- Corporation has submitted Perform Bank Guarantees and Advance Payment Bonds to Dept of Educational Publication of Buddhist Affairs & NLB for printing and delivery of School Text Books, Dahampasal Books and Lotteries. The total amount of this Contingent Liability is Rs.130,695,700/-

Opened Import LC value as at 31.12.2019 were Rs. 67,889175/-

4.3.1 Reserves

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

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

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

4.3.2 Revaluation Reserve

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

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

5. Retirement Benefit Obligations

5.1 Gratuity

The Corporation is liable to pay Gratuity in terms of the payment of Gratuity Act No 12 of 1983 Payment of Gratuity was made without any arrears where as no separate fund has been built up equalant to the provision as at 31.12.2019

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

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

6. Statement of Comprehensive Income

6.1 Revenue Recognition

All Revenues are recognized on an accrual basis.

Interest income

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

6.2 Expenditure Recognition

Revenue Expenditure

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

Capital Expenditure

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


6.3 Borrowing costs

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


STATE PRINTING CORPORATION
Statement of Financial Position
As at 31st December - 2019

	Note No.	2019 Rs.	2018 Rs.
ASSETS			
Non - Current assets			
Property, Plant and Equipment	15	991,125,221	1,039,094,309
Deferred Tax	16	17,105,398	11,566,933
		1,008,230,619	1,050,661,242
Current Assets:			
Inventories	17	275,133,678	438,499,410
Trade Receivables	18	393,268,112	299,687,983
Other Receivables	19	28,942,689	46,143,558
Pre Payments		386,775	235,476
Cash & Cash Equivalents	20	31,459,352	34,940,656
Total Current Assets		729,190,607	819,507,084
Total Assets		1,737,421,226	1,870,168,326
EQUITY & LIABILITIES			
Issued Capital		15,000,000	15,000,000
Reserves		15,003,633	15,003,633
Retained Earnings		(648,559,112)	(446,833,123)
Add: Revaluation Profit		808,011,707	808,011,707
Total Equity		189,456,229	391,182,216
Non Current Liabilities			
Bank Loan - Long Term	21	136,642,139	174,000,236
Retirement Benifit oblication		191,707,011	215,155,555
Total non Current Liabilities		328,349,150	389,155,791
Current Liabilities			
Trade Payables	22	240,546,047	174,435,807
Other Payables	23	71,885,027	46,319,872
Interest Bearing Borrowings	24	840,717,598	770,860,679
Purchases Under Usance Loan		46,765,102	46,765,102
Bank Overdraft		19,702,073	51,448,858
Total Current Liabilities		1,219,615,847	1,089,830,319
Total Equity & Liabilities		1,737,421,226	1,870,168,327

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


.....
M.R.P Jayawardane
Accountant

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors and signed on their behalf. The accounting policies on pages 89 to 90 and notes on pages 94, 95 and 99 to 101 form an integral part of these financial statements.


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


.....
G. V. Nandakumar
Director

STATE PRINTING CORPORATION

Notes to the Financial Position As at 31st December - 2019

Note No.

	2019 Rs.	2018 Rs.
16. DEFERRED TAX		
As at beginning of the year	11,566,933	11,268,578
Amount Originated/(reversed)/T. Differences during the year	5,538,465	298,355
As at end of the year	17,105,398	11,566,933
17. INVENTORIES		
Raw materials	95,086,893	203,092,192
Consumable	9,408,053	10,278,420
Spare parts	36,733,611	37,367,250
Hardware	946,267	1,202,906
Finished goods	72,762,017	107,217,687
Work in progress	56,729,063	79,340,955
Good In Transit (S/P)	3,467,774	
	275,133,678	438,499,410
18. TRADE RECEIVABLES		
Trade debtors	434,984,532	326,778,134
Less - Provision for bad debt	(33,049,263)	(27,451,460)
Provision for EPD Quality Loss/Penalty	(9,028,466)	-
Other debtors	361,309	361,309
	393,268,112	299,687,983
19. OTHER RECEIVABLES		
Staff Loan and Advances (Note 19.1)	8,817,032	12,969,692
Deposits & Receivables (Note 19.2)	10,266,188	14,613,129
Sales Control Accounts (Note 19.3)	(4,673,971.09)	(2,157,001.08)
Bank Loan - Margin A/C -PB International	14,533,440	12,377,566
Tax Recoverable (Input VAT B/F)	-	8,340,172
	28,942,689	46,143,558
19.1 LOAN AND ADVANCES		
Distress Loans	5,332,274	9,788,758
Festival advance	2,204,000	2,378,000
Staff salary advances	-	6,000
Creditors advance A/C	1,280,758	796,934
	8,817,032	12,969,692
19.2 DEPOSITS & RECEIVABLES		
Deposits receivable	9,766,198	14,099,073
Add. other receivables	499,990	514,056
	10,266,188	14,613,129
19.3 SALES CONTROL ACCOUNT		
Sales Control Account	(4,673,971)	(2,157,001)
	(4,673,971)	(2,157,001)
20. CASH & CASH EQUIVALENTS		
Cash at Bank	30,841,763	27,553,571
Cash in Transit	530,716	1,893,709
Cash in Hand	86,873	58,950
	31,459,352	29,506,231

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

	2019 Rs.	2018 Rs.
Cash at Bank	30,841,763	32,987,997
Cash in Transit	530,716	1,893,709
Cash in Hand	86,873	58,950
	31,459,352	34,940,656
Bank Overdrafts	(19,702,073)	(51,448,858)
	11,757,279	(16,508,202)
21. BANK LOAN - LONG TERM		
Opening Balance (01.01.2019)	174,000,236	185,000,000
Loan Paid During the year	(37,358,097)	(10,999,764)
Balance as at end of the year	136,642,139	174,000,236
22. TRADE PAYABLES		
Trade Creditors	47,478,490	42,230,180
Other Creditors	1,805,999	1,510,615
Department of Inland Revenue	189,965,706	129,399,160
Sales Advance	16,194	16,194
Other Creditors (Debt Bal)	1,279,658	1,279,659
	240,546,047	174,435,807
23. OTHER PAYABLES		
Accrued Expenses	70,079,065	44,848,338
Deposit Payable	1,805,962	1,471,534
	71,885,027	46,319,872
24. INTEREST BEARING BORROWINGS		
Opening Balance as at 01.01.2019	770,860,679	697,050,043
New Loan	1,094,567,698	744,249,820
Loan Paid	(1,024,710,779)	(670,439,184)
Closing Balance as at 31.12.2019	840,717,598	770,860,679

STATE PRINTING CORPORATION

Statement of Cash Flows

For the Year Ended 31st December - 2019

	2019 Rs.	2018 Rs.
Cash Flows from Operating Activities	(169,428,397)	(406,985,154)
Net Profit / (Loss) before taxation		
Adjustment for:		
Depreciation on Fixed Assets	61,465,802	61,107,084
Profit of Non Current Assets (PPE)	-	-
Prior year Adjustments	(32,297,590)	-
Finance Expenses	149,163,926	110,486,874
Gratuity provision made during the year	6,545,373	47,483,284
Provision for EPD Late Charges & Quality Losses	9,028,466	-
Provision for Bad Debtors	5,597,804	3,466,949
Operating Profit before Working Capital Changes	30,075,384	(184,440,963)
Changes in items of Working Capital		
(Increase)/ Decrease in Inventories	163,365,732	(185,787,734)
(Increase)/ Decrease in Deffered Tax	(5,538,465)	(298,355)
(Increase)/ Decrease in Trade Receivables	(108,206,398)	221,696,364
(Increase)/ Decrease in Adv.Deposits & Other Rec.	17,049,570	1,165,252
Increase / (Decrease) in Current Liabilities	93,375,394	6,189,325
Cash generated from operations	190,121,217	(141,476,112)
Tax paid	(1,700,000)	(298,355)
Employee Retirement Benefit paid	(29,993,918)	(21,040,179)
Net Cash Flows / (Used in) from Operating Activities	158,427,299	(162,814,646)
Cash Flows From Investing Activities		
Proceeds from sales of PPE	-	-
Purchasing of PPE	(13,496,714)	(6,819,302)
Net cash flows from Investing Activities	(13,496,714)	(6,819,302)
Cash Flows from Financing Activities		
Proceeds received / paid for borrowings (Net Borrowings)	32,498,822	245,663,912
Interest Paid	(149,163,926)	(110,486,874)
Net cash flows from Financing Activities	(116,665,104)	135,177,038
Net Increase/(Decrease) in Cash & Cash Equivalents	28,265,481	(32,309,951)
Cash & Cash Equivalents at the beginning of the period	(16,508,202)	15,801,749
Cash & Cash Equivalents at the end of the period (Note 19)	11,757,279	(16,508,202)

STATE PRINTING CORPORATION

Statement of Changes in Equity For the year ended 31st December - 2019

	Issued Capital (Rs)	Capital Reserve (Rs)	General Reserve (Rs)	Development Reserve (Rs)	Revaluation Reserve (Rs)	Revenue Reserve (Rs)	Total (Rs)
Accounts 2018							
Balance as at 01st January 2018	15,000,000	102,491	1,000,000	13,901,142	808,012,812	(44,752,462)	793,263,982
Prior Year Adjustment						4,904,493	4,904,493
Profit/(Loss) for the year (after taxation)						(406,985,154)	(406,985,154)
Revaluation Reserve					(1,105)		(1,105)
Balance as at 31st December 2018	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(446,833,123)	391,182,216
Accounts 2019							
Balance as at 01st January 2019	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(446,833,123)	391,182,216
Prior Year Adjustment						(32,297,591)	(32,297,591)
Profit/(Loss) for the year (after taxation)						(169,428,397)	(169,428,397)
Revaluation Reserve							0
Balance as at 31st December 2019	15,000,000	102,491	1,000,000	13,901,142	808,011,707	(648,559,112)	189,456,228

STATE PRINTING CORPORATION
Comprehensive Income Statement
For the year ended 31st December - 2019

	Notes	2019 Rs.	2018 Rs.
Revenue	7	1,593,815,189	901,053,747
Cost of sales	8	(1,320,149,485)	(903,841,823)
Gross Surplus		273,665,704	(2,788,076)
Other operating income	9	20,065,417	17,870,270
Distribution expenses	10	(35,307,657)	(16,787,874)
Establishment and Administration expenses	11	(188,662,632)	(234,414,704)
Other operating expenses	12	(92,281,928)	(62,818,995)
Operating Profit		(22,521,097)	(298,939,379)
Finance Income		2,256,626	2,441,100
Finance Expenses	13	(149,163,926)	(110,486,874)
Surplus for the year before tax		(169,428,397)	(406,985,154)
Income Tax	14	-	-
Surplus for the year after tax		(169,428,397)	(406,985,154)

**Statements of Comprehensive Income for the Year Ended
31st December - 2019**

	2019 Rs.	2018 Rs.
Profit for the Year (After Tax)	(169,428,397)	(406,985,154)
Other Comprehensive Income	-	-
Revaluation Profit	-	(1,105)
Total Comprehensive Income for the Year	(169,428,397)	(406,986,259)

STATE PRINTING CORPORATION
Notes to the Financial Statements
For the year Ended 31st December - 2019

Note No.	2019 Rs.	2018 Rs.
07. REVENUE / TURNOVER		
Income from Stationery Factory	166,442,486	221,627,632
Income from Main Press		
Text Books	979,237,857	289,029,668
Job Works	157,645,499	360,241,485
NLB Lotteries	268,941,482	-
Publications	2,872,246	4,786,835
Income from Other Sales	18,675,619	25,368,128
	1,593,815,189	901,053,747
08. COST OF SALES		
Main Press		
Raw materials consumed	629,573,639	407,630,135
Direct labour	189,321,830	187,570,249
Direct factory expenses	43,412,565	36,149,507
Indirect factory expenses	88,242,585	91,829,708
Other expenses/Stock Adjustment	105,170,522	(74,060,062)
Late Charges, Qu. losses & Penalty EPD	69,264,953	38,262,345
Late Charges & Penalty NLB	8,481,350	10,181,000
Provision for Late Charges EPD	9,028,466	-
	1,142,495,910	697,562,880
Stationery factory		
Raw materials consumed	101,065,522	129,481,819
Direct labour	30,348,260	29,708,956
Direct factory expenses	2,391,960	3,277,672
Indirect factory expenses	8,927,598	8,710,140
Other expenses/Stock Adjustment	14,819,655	9,533,639
	157,552,995	180,712,225
Cost of Publication unit	5,336,363	4,237,183
Cost of Other Sales unit	14,764,217	21,329,535
Total cost of sales	1,320,149,485	903,841,823
09. OTHER OPERATING INCOME		
Factory Wastepaper & Sundry Items	19,010,602	17,463,220
Tender Deposit & Registrations	1,042,015	387,850
Income from Canteen	12,800	19,200
	20,065,417	17,870,270

10. DISTRIBUTION EXPENSES

	2019 Rs.	2018 Rs.
Nation Building Tax	15,450,486	7,364,166
Economic Service Charges	7,969,075	-
Up-Keep of motor vehicles	4,746,399	5,027,606
Advertisement	518,688	254,648
Sales Promotion	800,841	391,585
Under Provision for bad debts	5,597,804	3,466,949
Maint. of outlet	-	2,350
Fire Insurance - Sales Outlet	59,752	60,007
Sales Commission	60,009	-
Transport Charges for Finished Goods	4,258	10,750
Non Refundable Tender Deposits	100,345	209,813
	35,307,657	16,787,874

11. ESTABLISHMENT & ADMINISTRATION EXPENSES

Rent	3,451,975	3,482,711
Upkeep of land & Buildings	466,112	576,623
Electricity	133,656	178,561
Maintenance of office equipment	541,526	395,530
Depreciation - Office equipment	1,325,311	1,043,964
- Computer & Accessoris	1,928,133	1,921,470
- Motor cycles (+M/V)	64,375	64,375
Rates	94,575	41,487
Water Bills	51,566	67,813
Salaries & Wages	127,816,664	129,973,241
Overtime of staff	8,809,290	9,824,898
Employees' provident fund	16,067,361	16,507,035
Employees' trust fund	4,016,842	4,127,500
Incentive payments	1,949,750	2,115,250
Chairman's emolument	447,229	598,771
Working Director's emolument	416,116	569,869
Board Director's fees	388,450	453,500
Postage	232,264	255,824
Telephone	1,227,298	1,580,108
Printing & Stationery	2,479,384	1,972,015
Press Notices & Publication	1,001,025	504,385
Travelling & subsistence	1,210,284	1,191,440
News papers and periodicals	116,920	270,270
General office expenses	214,241	163,917
Audit Fee	443,573	500,000
Miscellaneous expenses	95,255	45,988
Legal & Consultancy	80,679	18,136
Entertainment	132,559	377,176
Gratuity Expenses	6,545,373	47,483,284
Staff Training	442,120	328,000
Audit & Management Committee Fees	129,000	38,250
Internet / Email	184,670	141,886
Procurement Committee Fees	600,000	2,190,000
Upkeep of Motor vehicle 25%	4,746,399	5,027,606

	2019 Rs.	2018 Rs.
Accommodation	-	48,430
Board meeting expenses	28,370	32,984
Membership fees	42,000	41,310
Donation	390,973	46,783
Computer Repair & Maintenance Charges	256,500	144,550
Registration Charges as a Supplier	94,815	69,768
	188,662,632	234,414,704
12. OTHER OPERATING EXPENSES		
Welfare to Staff	21,171,114	24,203,913
Employees Medical Scheme	9,430,899	10,046,219
Staff Transport	8,503,040	13,615,290
Bonus to Staff	22,097,071	1,408,369
Special Incentive Payment	15,675,000	-
Leave Encashment	13,210,825	10,879,168
Housing Loan Interest	2,087,229	2,573,035
Staff Awards	106,750	93,000
	92,281,928	62,818,995
13. FINANCE EXPENSES		
Bank Guarantee & Other bank charges	9,877,393	2,349,948
Bank Overdraft interest	6,142,227	5,347,406
Bank Loan Interest - Short Term	111,597,091	88,917,227
Bank Loan Interest - Long Term	21,547,216	13,872,293
	149,163,926	110,486,874
14. INCOME TAX		
Income tax provision for the year	-	-
	-	-

STATE PRINTING CORPORATION
Notes to the Financial Statements
As at 31st December - 2019

15. PROPERTY, PLANT AND EQUIPMENT

Description	Revaluations for the year 01.01.2018	Additions/Revaluations during the year	Disposals during the year	Cost/Revaluation As at 31.12.2018	Disposals during the year	Cost/Revaluations as at 01.01.2019	Additions during the year 2019	As at 31.12.2019
At Cost								
Land	378,500,000	-	-	378,500,000	-	378,500,000	-	378,500,000
Building	166,600,000	-	-	166,600,000	-	166,600,000	-	166,600,000
* Plant Machinery & Tools	530,127,704	5,229,372	-	535,357,077	-	535,357,077	10,609,349	545,966,426
Motor Vehicles & M/Cycles	55,563,000	-	-	55,563,000	-	55,563,000	-	55,563,000
**Office Equipments & Furniture	9,328,893	1,504,940	-	10,833,834	-	10,833,834	2,887,365	13,721,199
Computer & Accessories	5,700,220	84,990	-	5,785,210	-	5,785,210	-	5,785,210
Electronic Reinstallations	2,572,951	-	-	2,572,951	-	2,572,951	-	2,572,951
Total	1,148,392,769	6,819,302	-	1,155,212,072	-	1,155,212,072	13,496,714	1,168,708,786
Accumulated Depreciation								
Description	Revaluations/C for the Year 01.01.2018	Annual Depreciation 2018	Disposals during the year	Accumulated Depreciation 31.12.2018	Disposals during the year	Revaluations/ Cost 01.01.2019	Annual Depreciation 2019	Accumulated Depreciation 31.12.2019
Building	4,165,000	4,165,000	-	8,330,000	-	8,330,000	4,165,000	12,495,000
Plant Machinery & Tools	25,042,347	40,085,900	-	65,128,247	-	65,128,247	40,156,610	105,284,857
Motor Vehicles & M/Cycles	20,838,125	13,890,750	-	34,728,875	-	34,728,875	13,890,750	48,619,625
Office Equipments & Furniture	676,348	1,043,964	-	1,720,312	-	1,720,312	1,325,310	3,045,622
Computer & Accessories	1,715,910	1,921,470	-	3,637,380	-	3,637,380	1,928,132	5,565,512
Electronic Reinstallations	2,572,950	-	-	2,572,950	-	2,572,950	-	2,572,950
Total		61,107,084	-	116,117,763	-	116,117,763	61,465,802	177,583,565
Written Down Value				1,039,094,309				991,125,221

* / ** revalued under one category during the year



2019 REPORT OF AUDITOR GENERAL



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MED/D/SPC/1/19/154

August 2020

Chairman

State Printing Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirement of the State Printing Corporation for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No.19 of 2018.

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statement of the State Printing Corporation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provision of the National Audit Act No.19 of 2018 and Finance Act No. 38 of 1971 report to Parliament in pursuance of provisions in Articles 154 (6) of the Constitution will be tabled in due course.

My opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the corporation as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basics for Qualified Opinion

- Although such details as nature of reserves and the reason, to maintain them need to be disclosed as per paragraph 79 (b) of Sri Lanka Accounting standard 01, no such disclosures were made of capital reserves valued at Rs.102,491, General reserves Valued at Rs.1,100,000 and Development reserves valued Rs.13,901,142.
- Although a quantitative reconciliation needs to be prepared explaining the relationship between tax expenses (income) and accounting profit and relevant tax rates too should be disclosed as per paragraph 81 (C) of Sri Lanka Accounting Standard 12, no such disclosures were made in the financial statement.
- Although value of raw material purchases of main press and stationary factory according to records of costing section was Rs.614,714,346, it was stated as Rs.622,633,861 in the financial statements. Thus the production cost was overstated

by Rs.7,919,515. Further although according to cost estimates of main press and stationary factory the material consumption cost was stated as Rs.730,639,160 in the financial statements it was stated in the cost records as Rs.722,757,688 Thus the production cost was over stated by 7,881,472.

- (d) Value added tax totaling Rs.1,034,813 had been adjusted to the raw material purchase account thus increasing the value of the same by that amount.
- (e) The Local agent commission totaling Rs.4,788,039 due from raw material purchases had not been accounted for.
- (f) Detail information pertaining to the deferred tax amount totaling Rs.17,105,398 included in the statement of financial position under noncurrent assets had not been rendered to audit.
- (g) Accounting to the balance confirmation by the Government Printing Department, sum of Rs.8,324,416 was to be received as at 31 December 2019. However according to financial statements of State Printing Corporation only Rs.4, 012,020 was payable as at 31 December 2019. Therefore a difference of Rs.4, 312,396 was identified.
- (h) Sum of Rs.9,753,427 was to be received from the National Paper Company and sum of Rs.7,460,675 was to be paid to the same company at the end of the year under review. Further outstanding loan balances of Rs.7,989,976 and Rs.5,578,142 respectively exceeding 6 years were included in the above mentioned loan balances. However no action had been taken to settle those loan balances.

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

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

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

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

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

1.4. Auditor's responsibility in connection with audit of financial statement.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that the appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, If such discloses are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary for the following;

- Whether the organization, systems ,procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the corporation , and whether such systems , procedures, books , records and other documents are in effective operation;
 - Whether the Corporation complied with applicable written law or other general or special directions issues by the governing body of the corporation.
 - Whether the corporation has performed according to its powers, functions and duties;
- And
- Whether the resources of the corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Report on Other Legal and Regulatory Requirements.

National Audit Act, No.19 of 2018 includes specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No.19 of 2018.
- The financial Statement presented is consistent with the preceding year as per the requirement of section 6(1) (d) (iii)of the National Audit Act, No. 19 of 2018.

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

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No.19 of 2018.
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No.19 of 2018.

Reference to laws, rules, regulations and management decisions.

Nature of non-compliance

(a) Paragraph 4.2 of circular No PED 1/2015 dated 25 May 2015 of Public Enterprises Department.

As per the circular instruction 17 managers had to be provided with group transport. However managers were paid a total of Rs.3, 284,798 in the year under review by paying each manager Rs.17,500 monthly.

(b) Circular No PED 03/2018 Dated 07 December 2018 of Public Enterprises Department.

Although according to circular for payment of bonuses to staff of government owned companies and corporations only Rs.1, 716,000 was possible to be paid as bonuses, totaling Rs.22,097,071 was paid as bonuses.

- to state that the corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No.19 of 2018.
- to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No.19 of 2018.

3. Other audit observations.

- The corporation failed to recover sum of Rs.170,893,188 of trade debtors outstanding for more than 05 years. It represented 39 percent of total debtors as at 31 December of the year under review.
- Out of total income of Rs.1,593,815,189,78 percent of Rs.1,248,179,339 was obtained from printing school text books and lotteries which were Rs.979,237,857 and Rs.268,941,482 respectively. Therefore the corporation has not diversified its income source and depends on two sources of income.
- The Educational Publication Department had deducted Rs.69,317,151 from the amount payable to the corporation for printing school text books for the year 2020 due to the corporation's delay in printing and handing over the books. The delay was 02 to 70 days from the agreed days.
- 107 officer positions comprising of 05 middle level manager positions, 12 junior level manager positions, 12 assistant officers of which 08 officers in charge of sales outlets and 78 management assistants (technical) remain vacant during the year under review.



2019

STATE PRINTING CORPORATION

COMMENTS ON FINANCIAL STATEMENTS

1. Financial Statements

1.1 Qualified Opinion

More attention will be paid to the facts detailed in the section which forms the basis for the qualified opinion.

1.2 Basis for the Qualified Opinion

- (a) This reserve had been established from the inception of the Corporation, and the information in the final accounts is recorded under 4.3.1
- (b) The Corporation has not presented a comparative calculation of the tax revenue as there had been no reported tax revenue status for paying tax as well, because the revenue status for paying tax value had been zero, and the Corporation had earned a profitless state in the year under review as well as in the previous years.

© This is a difference that has occurred due to the accounting of the Corporation being done manually, and not due to any lapse in accounting. From the past, the Financial Statement of the Corporation in doing the costs of the purchase of raw materials had been based not only on the records of the Costing section, but on all the payments made for the purchase of raw materials, as well as the relevant and accrued payments if any; these were updated with the paying section of the Financial Section and reconciled with the account of the purchase of raw materials. These have been taken for consideration at the final accounts.

Since some of the smaller payments and fees relevant to international purchases, taken as accounts to the Costing section are identified after a lapse of considerable time, and even by that time the raw materials have been consumed and shown as consumable expenses, it has been a practical difficulty to update them, to identify them separately. Therefore, in the Financial Statement of the Corporation, the records of the purchase of raw material of the Costing section have not been only primarily made use of but based on the updated cost of the purchase of raw materials in the Costing section.

Since raw materials amounting to as much as 730 million rupees have been consumed by the Corporation, over the year at a number of situations, there have been occasions when some of the more trivial purchases and cost of fees have not been included in the purchases of the Costing section. It is because, the cost of purchasing the raw materials is produced by the Costing section based on the Cost sheet given to them by the Supply section. Sometimes it is seen that some of the costs such as transport fees of raw materials changes in tax, insurance fees, clerical fees, some charges in Bank fees, loading and unloading fees, container fees, and such like have been missed out. It is also observed that there are occasions when payments already made have been 'repaid'; an example is container fees. Since the Costing section in producing the final accounts for purchasing raw materials includes all payments and updates them,

including any accrued expenses if any the final accounts and correctly recorded. It is practically impossible for the Costing section to immediately produce what is missed out in such transactions related to international trade. (It is because several months have elapsed since the relevant expense had been incurred, and the raw materials purchased have been already consumed).

Since there is no computerized technique in the Corporation to calculate only the raw material consumption of the Corporation, the costs of the purchase of the raw materials is prepared manually by the Costing section. Even though the Costing section does the costing inclusive of all the expenses, a certain amount of expenses of the foreign purchases does get missed out as stated earlier. Yet because the Costing section calculates the value of the purchase of raw materials correctly, it is taken for the final accounts.

Thus, since the value of the cost of the raw materials is calculated less than the consumption by the Costing section, the value of the raw materials considered in the Costing section-(all the raw materials have been consumed) is less by an equal value of what is left out. Thereby the expense of the consumables too has been recorded less in the Costing records. But in the final account, the cost has been correctly reconciled. (It is seen that in the year under review, the value of the purchase of raw materials in the Accounting section is higher by Rs.7919,513.01 than that of the cost of the Costing section. That means they have been consumed. While the value of the raw materials has been shown less Rs.7,881,472-, that too has been correctly reconciled in the final Accounts. When the overall result is reconciled the value is Rs. 38,043/- That is 0.48% of the cost of the entire production of raw materials)

Even though such discrepancies between the ledger maintained by the Costing section for controlling stocks of raw material and the purchase ledger maintained by the Accounts section exist as compared with the bin card of the stores and is a practical fact, the main responsibility of action is the inclusion of the consumption of raw materials in the financial accounts.

Since the final stock of the Corporation is physically calculated (including the expenses -if any -that have not been included) and the cost is calculated to the net realizable value, there has been no effect on the profit as calculated, and the true value has been reconciled. Since the Corporation has not yet computerized its business activities, it has not been possible to make use of any other alternative. For these very reasons action has been taken to purchase the ERP computer system and put it into use. By now it is in the initial stages.

- (d) This is a payment related to the years 2018, 2019 regarding a debit note (No. 1900 43) and Letter of credit (LC). The total cash value is shown as Rs.37,738,580.10. Of these, the value of raw materials purchased for the year 2018 is Rs.29,812,160/= the balance of Rs.7,926,419.29 belongs to the year under review. But since the Tax invoice for the year 2019 had not been granted, and since it cannot be claimed from the Inland Revenue Department as Input tax-the entire sum has been taken as the cost of purchasing raw materials.

The commission received in purchasing raw materials has been included in the account of purchasing raw materials by oversight. Necessary action has been taken to rectify the matter.

- (f) We have not been able to forward it because it is a balance resulting with a balance

that has been brought forward from the previous years, and since the document calculating tax has not been updated and also since our knowledge of the matter is limited, action is being taken to update and the present it in time to come.

- (g) This difference is not due to a shortcoming in the Accounting section but is the cost of the work which has been done directly by the Production section for the Government Printing Department. Action will be taken to update the books and documents of the Accounting section, once this has been directed to the Board of Directors for rectification and covering approval obtained.
- (h) The National Paper Corporation has restarted production. But the loan balances that are over six (6) years cannot be immediately done. Yet according to standards assets cannot be set off against responsibilities and the balance is only shown in books.

2. Report on other legal and regulatory requirements

Reference to laws and regulations

According to the rules and regulations of Circular No PED 1/2015 of the Department of Public Enterprises the methodology that should be followed in the provision of transport to the middle level managers is as follows; they must be provided with group transport facilities making use of the vehicle pool to travel from home to office and vice versa up to a maximum of 100 KM. On the provision of transport facilities accordingly to 18 middle level managers of the Office section and the Works section of the Corporation, a problem has arisen. On 08.08.2016 a request has been forwarded to the 769th Director Board, indicating transport problems, problems in the state of the vehicles, and problems of cost that have to be borne, requesting a payment of some definite allowance for transport.

Even at present as there is no possibility of purchasing new vehicles for the transport of the officials of the Corporation, or of obtaining the services of hired services. Therefore, action has been taken to pay an allowance -for the use of one's own motor vehicle or, the use of any medium of transport. There has been no provision whatsoever under any condition for the officers to use the Corporation vehicles to report to work.

- b. The new Chairman of the Corporation has made arrangements to make a one-off payment of a month's pay as an honorarium with the agreement of the Ministry. (compatible with the expenses of the previous years) expecting greater performance from the workers consonant with their requests and expectations, primarily to motivate them. This has been done by the current Chairman with the primary objective of motivating all workers, so that the year's plans of production, targets of production, according to the diversifications of sales, and Sales targets can be systematically reached.

3. Other Audit Observations

- (a) The Corporation by now has launched a course of action to get the Business loan balance of Rs. 170,893,188 due over five years or more. Accordingly, the Business loan balance has come down to Rs.88,969,642.10 by 2020.03. 31.

Similarly, preparation, perusal, reinforcement and taking legal action with regard to files pertaining to 127 customers attached to the Sales point at Sangharaja Mawatha has been initiated. Legal action has been taken regarding the debtors of Sales point,

Gampaha; information has been received that the transactors relevant to Rajitha Pothhala Mudungoda and Mellie Industries, IGA Bandara of the Anuradhapura sales point and Yashi Enterprises have died. Future action therefore has become problematic. With the mediation of the Assistant Legal Manager, legal action has been initiated, consequently two of the debtors have started paying in instalments.

Further it has not been possible to obtain the minimal written evidence or facts for the period from 2001 to 2012 so that action can be taken to charge some of these debtors who have taken commercial loans.

- (b) The entire value obtained from the publishing of school texts and lottery tickets has been shown as Rs. 979,237,857, Rs. 268,941, 422, respectively - a total of RS. 1,248,179,339. Further although it has been informed that there had been no diversification of income sources, and the income has been based only on two income sources, in addition to those, the annual income of the Stationery section which is Rs. 187,034,772 has not been subject to this audit query. In addition, the commercial publications income of Rs. 182,290,747.36 has not been subject to this audit query. In addition, there had been an income of Rs. 20,959,304.79 from the publication of the Handbooks for the National Institution of Education.

© With the raw material for the publication of the school texts for the year 2020, not being received as expected in the stipulated period, it was not possible to reach the production targets, and there was a delay of 2 to 70 days.

- (d) As a result of the COVID-19 epidemic that prevailed from the first quarter of the year 2020, the vacancies could not be filled as planned. Further, recruitments took time, because of the Presidential election, and the General election. However, by 01. December, 2020, interviews were held and appointments made for the relevant posts. By the first three months of 2021 the arrangements for filling in the vacancies will be over.

ANNUAL REPORT

