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கல்வி அமைச்சு
Ministry of Education

2018

වාර්ෂික වාර්තාව
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

2018

ANNUAL
REPORT

For the 51st year ended 31st December 2018
01st January - 31st December 2018

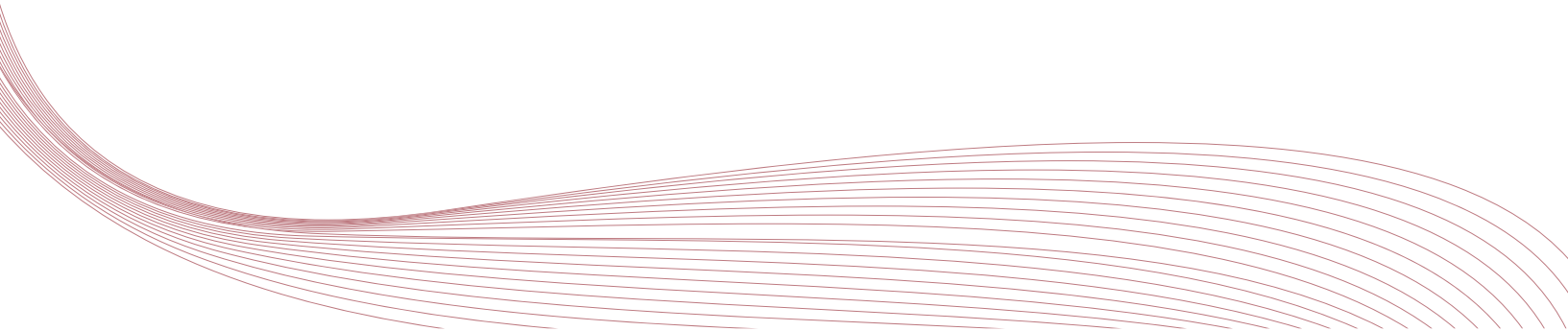


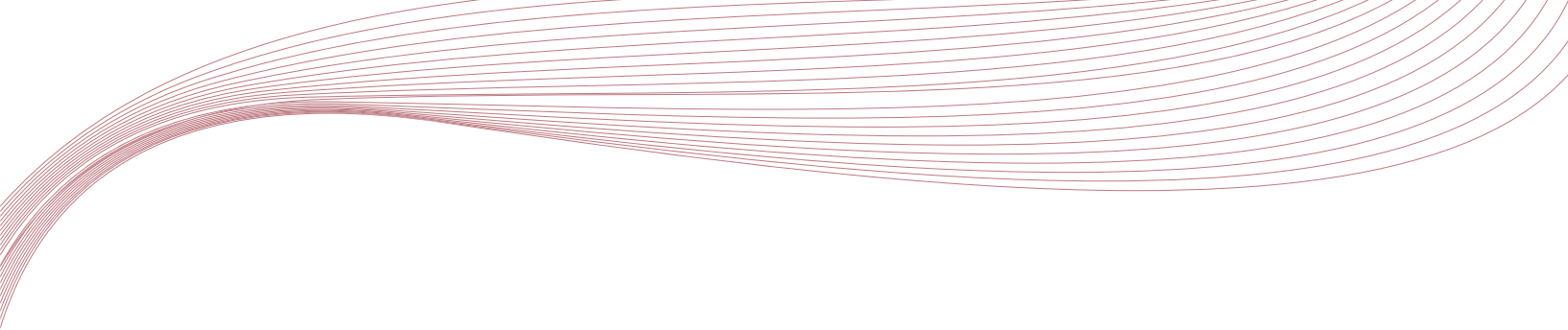
Vision

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

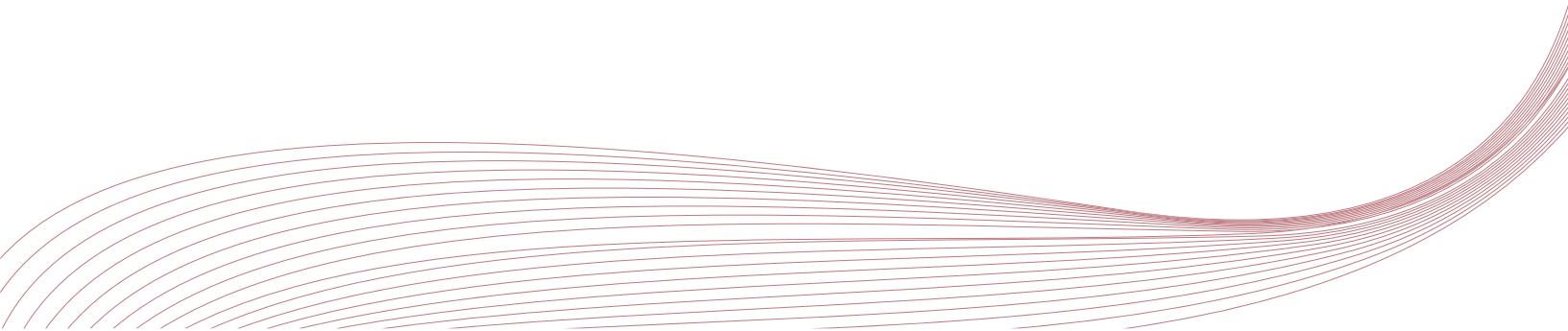
Honourable Minister of Education
Ministry of Education
Isurupaya
Battaramulla.

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 2018.

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





Chairman's Message

I consider it as a privilege as the New chairman of the State Printing Corporation to issue a message to the annual report for last year.

It gives me a great pleasure as a new person to the Corporation to be with all of you as long term members to be a part of the continuous existence of the State Printing Corporation in the state printing sector established in 1968, set up under the Act No. 24 of 1968.

The State Printing Corporation, coming under the purview of the Education Ministry of the Democratic Socialist Republic of Sri Lanka, by printing text books for school children in the country, exercise books under the direct trade mark, government's official documents and stationery and undertaking other security printing assignments, contributes a valuable service for the nation.

One of the great objectives of His Excellency The President Gotabaya Rajapaksa is to make loss making state ventures into profit making ventures again. My foremost determination is to achieve that objective with the blessing of the Hon. Prime Minister Mahinda Rajapaksa, under the guidance and instructions and cooperation of the Hon. Education Minister Dullas Alahapperuma and under the supervision of the Hon. State Minister of Education Ranjith Siyambalapitiya.

I have very clearly understood the need, the importance and the value of promoting human productivity of the staff of the Corporation, creating an environment friendly background focusing on modern green concept. I have also understood during the short period I have been functioning as the Chairman of the Corporation, that it is compulsory to apply the information technology subject which is a major aspect in the modern business world, in activities of the

Corporation, and to make the institution a affable and a much efficient work place to you all and by utilizing the advancing industrial technology to the corporation in a suitable way.

Therefore, my prime objective is to improve the financial strength of the corporation while training the human resources and making a fair profit to ensure the existence of the corporation. Accordingly I as the chairman of the corporation, undertake the responsibility of achieving the targets, overcoming the challenges and achieving successfully the aims that we projected and the enhancement of the welfare of the members of the staff. At the same time I also would like to draw your attention to the obligations and responsibility of you all, as members of the staff.

My first and sole determination is to make this institution the leader in the printing sector in Sri Lanka and pass on the credit, dignity and prestige that drives from these achievements to all of you while taking the positive views, suggestions and concepts being forwarded by the entire membership of the staff aiming at sustainable development into consideration and implementing them in a mix of three great concepts of economic, environment and social development

Let us join together, work hard and be happy

Janaka Rathnakumara
Chairman
State Printing Corporation



2018

Board of Directors

Chairman

Mr. S. Aloka Bandara (2017. 12. 18 - 2018. 05. 24)

Mr. S. A. Binara Jayawardana (2018. 05.24 - 2018. 10. 26)

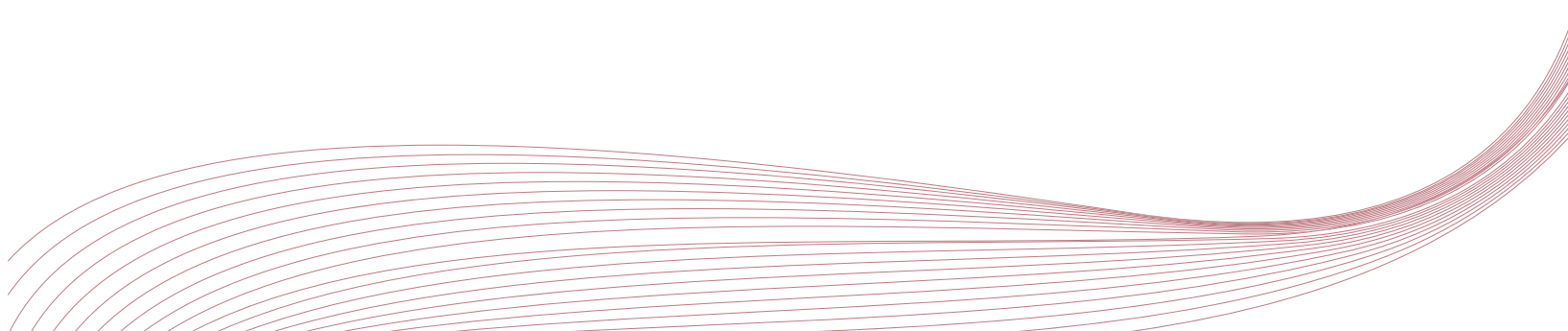
Working Director

Mr. Bandula Dias (2017. 06. 29 - 2018. 03. 19)

Mr. P. M. Piyadasa (2018. 03. 19 - 2018. 05. 21)

Mr. Mahinda Pushpakumara (2018. 05. 21 - 2018. 10.26)

Directors

1. Mrs. E. M. Nalika Edirisinghe
 2. Mr. Naheel Hapuarachchi
 3. Mr. G. M. Niel Gunadasa
 4. Mr. Rohana Rathnayake
 5. Mr. J. R. C. Jayathilake
 6. Mrs. M. M. P. K. Meegahakotuwa
 7. Mrs. Padmini Nalika
 8. Mr. W. A. Wijayananda
- 

2018

Executive Officers

General Manager

Mr. R. M. N. Monarawila

Finance Manager

Mr. N. D. Priyankara Kumara

Works Manager

Mr. S. T. Karunaratne

Supplies Manager

Mr. E. V. K. Keerthiratne

**Manager (Admin. & Human
Resources Development)**

Mr. R. M. U. D. Bandara

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



2018

STATE PRINTING CORPORATION

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the State Printing Corporation has pleasure in presenting its 50th Report covering the activities of the Corporation for the year ended 31st December 2018, in terms of Section 14 of the Finance Act No. 38 of 1971.

11 Board Meetings were held during the year under review.

01. Production

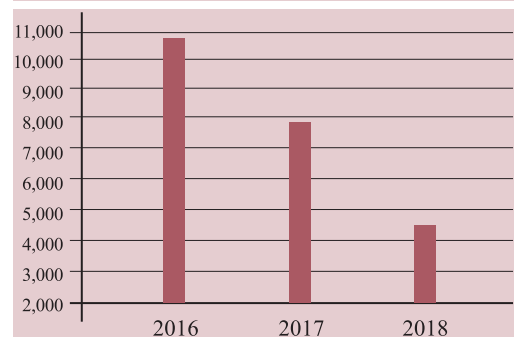
1.1 School Textbooks

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 4.485 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 428,627 million. Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2016 and 2017 are as follows:

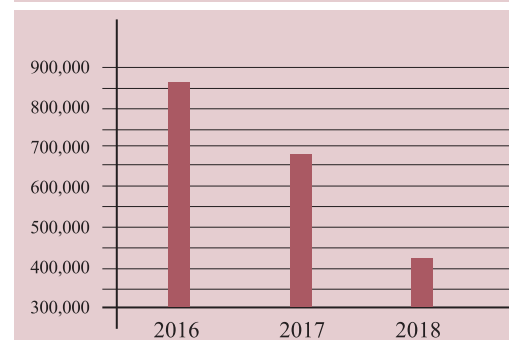
School Textbooks	2016 (‘000)	2017 (‘000)	2018 (‘000)
No. of copies	10,984	7,981	4,485
Income - Rs.	855,865	676,391	428,627

School Textbooks



Total number of copies

School Textbooks



Income

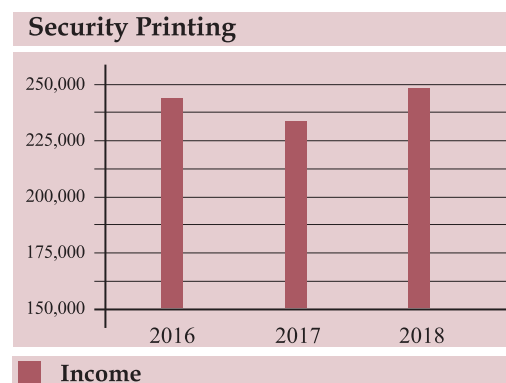
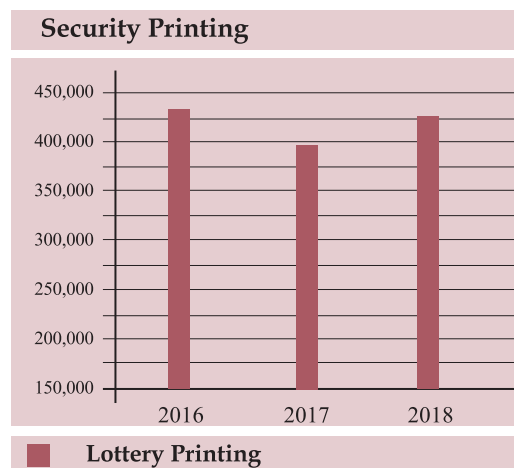
1.2 Other Printing Works

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:

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. 428 million Lottery tickets were printed in 2018, completing all the orders received. Accordingly, Rs. 249 million income was earned during the year under review. Income from Lottery printing and number of tickets are given below:

Lottery Printing	2016 ('000)	2017 ('000)	2018 ('000)
No. of copies	428,902	399,739	427,415
Income - Rs.	245,060	233,947	248,011



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. 154 million through other printing jobs.

1.3 Manufacturing of Exercise Books and Other Books

Production in 2018 in comparison to the year under review

Description	Quantity of manufacturing	Value Rs.
Exercise Books (80 pages)	5.769 million	143,021 million
CR Books (80 pages)	0.877 million	46,013 million
Manufacturing of other stationeries (unit)	0.574 million	49,299 million
Total	7.220 million	238,333 million

Production in the year under review and comparative figures for 2016 and 2017 are as follows:

Exercise Books & Other Stationery	2016 ('000)	2017 ('000)	2018 ('000)
No. of copies	9,869	10,785	7,220
Income - Rs.	233,973	279,680	238,333

In 2018, planned targets were not met as writing paper stocks were not received for the period of September -December.

Production target or 2018 : 12.12 million
(Rs.327 million)

02. Sales/Marketing

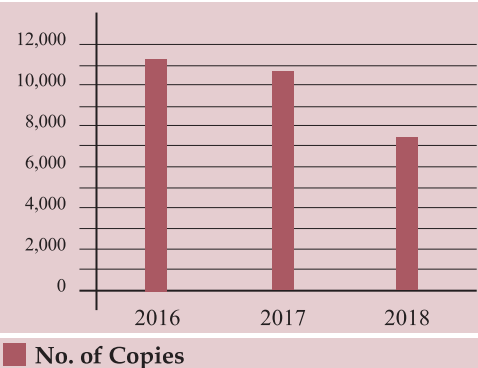
Year	2016 Rs.	2017 Rs.	2018 Rs.
Overall Revenue (Inclusive Taxes)	297,745,747.00	286,849,475.00	282,021,852.00

There was a slight decline in Overall sales income in 2018

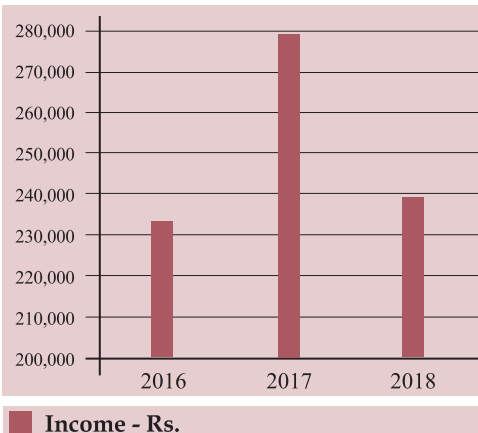
The percentage in decrease in the income from exercise books in 2018 has come down to 1.39 whilst that percentage was reported as at 3.7 in 2017 in comparison with 2016 . The principal reason for the decline in the income in 2018 was the decrease in the production due to the shortage in the supply of raw material required for the production of exercise books.

The other contributory factor for the decline in the expected income in 2018 was the inability in supplying of stationery items that are purchased by outside institutions for sale, as projected .

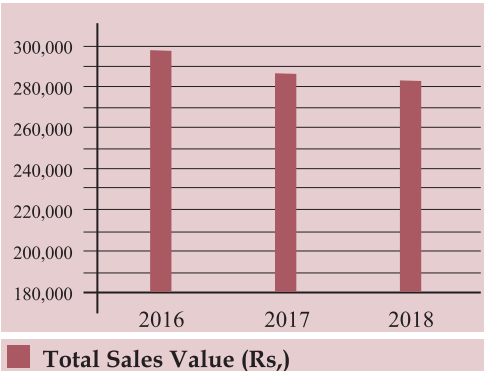
Exercise Books and Other Stationery



Exercise Books and Other Stationery



Sales/Marketing



There was a possibility of increasing the revenue of the Corporation by 20-25 percent in the year under review, provided if the projected targets in respect of production in the Corporation and the supplying of stationery items that are purchased by outside institutions for sale were fully completed.

Publication services

The requirement of a Manager for publications and an assistant for the Publication Division has been fulfilled. An Education book Publishing project has been introduced in view of increasing the revenue in the Publication Division. In parallel to this project, a project to publish novels and children's story books was also operative.

In this field, an increase in income of Rs. 1,997,634.80 in sales than that of in the previous year, is reported during the year under review.

The corporation has to focus on a strategy to increase the income above the present level in future.

No. of new published in 2018	13
No. of copies printed	21,285
Revenue in 2017 Exclusive Taxes	Rs. 3,202,535.00
Revenue in 2018 Exclusive Taxes	Rs. 5,200,169.80

03. Fixed Assets

The total cost of the fixed assets of the corporation as at the end of year 2018 was Rs. 1155,212,071. The net value of it was Rs. 1,039,094,309. This status in comparison with 2017 was Rs. 1,148,392,769 and Rs. 1,093,382,090 respectively.

Fixed Assets	2016 Rs. ('000)	2017 Rs. ('000)	2018 Rs. ('000)
Value at the beginning of the cost	397,198	872,653	1,148,393
Net value at the end of the year	147,377	1,093,382	1,039,094

04. Tax Liability

According to final accounts of the corporation for the year 2018 no financial provision had been made as income tax and dividend tax for the assessment years of 2017/2018.

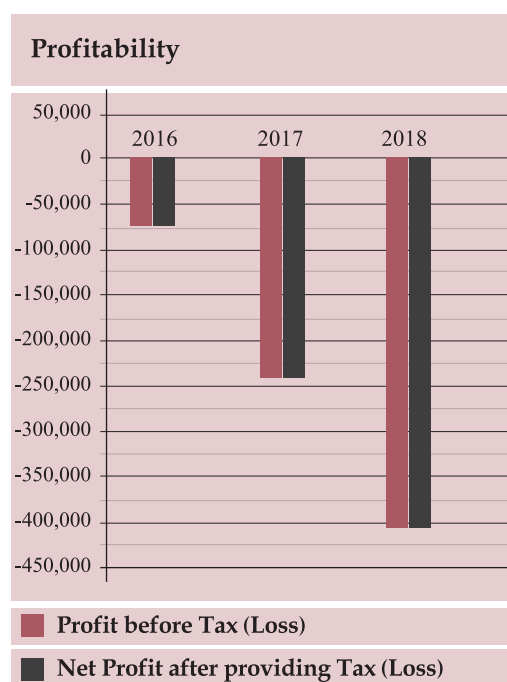
Tax Liability	2016 Rs. ('000)	2017 Rs. ('000)	2018 Rs. ('000)
Income tax	324	-	-
Dividend Tax	-	-	-
Total	324	-	-

05. Profit

The Corporation has incurred a pre-tax loss of Rs. 406,985,154/- in 2018 and a loss of Rs. 243,094,833 in 2017.

Profitability	2016 Rs. ('000)	2017 Rs. ('000)	2018 Rs. ('000)
Pre-tax profit	(74,650)	(243,094)	(406,985)
After the tax rebate	(74,974)	(243,094)	(406,985)

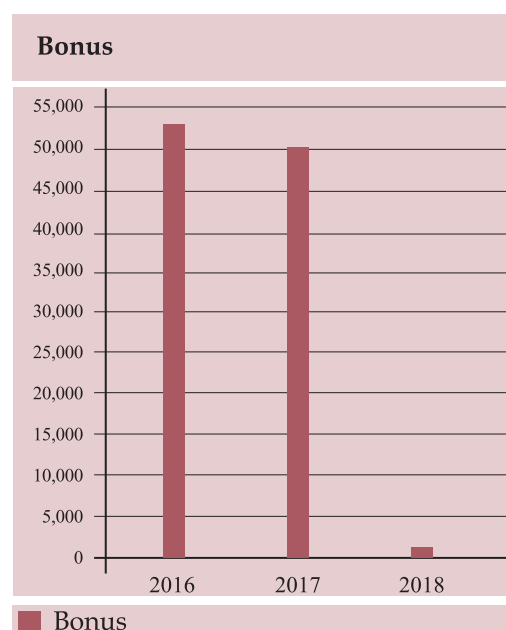
The profit and the tax liability reported in the 2017 annual report was amended as stated in the above when prepared accounts for the year 2018 again on par the observations mentioned in the Auditor General's report for the year 2017.



06. Bonus Allowance

Though in 2017, a bonus totaling Rs. 50,190,854 was paid to all employees equal to two month salary of each employee, in 2018, as the corporation incurred a loss of Rs. 407 million the payment of bonus was not possible as usual.

Bonus	2016 ('000)	2017 ('000)	2018 ('000)
Rs.	53,029	50,191	1,408



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.69.8 million.

	Welfare	2016 Rs.('000)	2017 Rs.('000)	2018 Rs.('000)
01.	Transport facilities for employees	4,877	11,012	10,879
02.	Incentives for employees	6,075	6,020	5,263
03.	Payment of health support benefits	9,655	10,612	10,046
04.	Miscellaneous welfare activities of employees	25,246	24,924	24,297
05.	Labour protection compensation	-	-	-
06.	Granting of gift voucher for stationery to all employees	1,646	1,685	1,703
07.	Bonus	53,029	50,191	1,408
08.	Rebate of employees housing loans	4,274	3,114	2,573
09.	Payment for unutilized leave	16,409	15,607	13,615
10.	Special Incentive	6,630	7,490	-
	Total	127,841	130,657	69,748

08. Staff

Number of employees of the corporation as at 2018.12.31

Number of Employees	2018
Office	134
Main Printing Section	324
Stationery factory	59
Security Section	41
Sales Outlets	38
Contract Employees	52
Total	648

In 2018, no employee at officers level was recruited to the Corporation

Employees who left the Corporation in 2018

	Name/Post	Date
1.	Mr. M. A. Shantha Kumara Assistant Works Manager (Binding)	2018. 03. 01
02.	Mr. D. M. M. B. Disanayake - Deputy Works Manager	2018. 04. 07
03.	Mr. R. M. U. D. Bandara - Manager H.R.D.	2018. 11. 01

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



2018

STATE PRINTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

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.

1.3 Date of Authorization For Issue

The financial statements of the State Printing Corporation for the year ended 31st December 2018 were authorized for issue by the Board of Directors 25.02.2019.

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 a ccumulated 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
Furniture and Fittings
Computer Accessories } - From 02.01.2017 to 30.01.2017

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 Equivalentents

Cash and cash equivalentents 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 equivalentents 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.

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 Contingent Liability is Rs.145,307,924/- Opened Import LC value as at 31.12.2018 were Rs.56,937,201/-

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 31.12.2018

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.

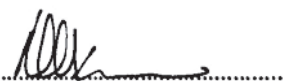
6.3 Borrowing costs

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 - 2018

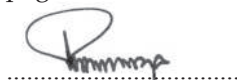
			Restated Accounts	
	Note No.	2018 Rs.	2017 Rs.	2017 Rs.
ASSETS				
Non - Current assets				
Property, Plant and Equipment	15	1,039,094,309	1,093,382,089	993,178,105
		1,039,094,309	1,093,382,089	993,178,105
Current Assets:				
Inventories	16	438,499,410	252,711,676	252,711,676
Trade Receivables	17	299,687,983	518,469,708	527,327,575
Other Receivables	18	46,143,558	47,308,810	47,308,810
Pre Payments		235,476	1,673,445	1,673,445
Cash & Cash Equivalents	19	29,506,231	52,015,886	51,857,886
Total Current Assets		814,072,659	872,179,525	880,879,392
Total Assets		1,853,166,967	1,965,561,613	1,874,057,497
EQUITY & LIABILITIES				
Issued Capital		15,000,000	15,000,000	15,000,000
Reserves		15,003,633	15,003,633	15,003,633
Retained Earnings		(446,833,123)	(44,752,462)	(30,931,579)
Add: Revaluation Profit		808,011,707	808,012,812	701,192,812
Total Equity		391,182,216	793,263,983	700,264,866
Non Current Liabilities				
Bank Loan - Long Term	20	174,000,236	-	-
Retirement Benifit oblication		215,155,555	188,712,450	188,712,450
Deferred Tax Liabilities	21	(11,566,933)	(11,268,578)	(11,268,578)
Total non Current Liabilities		377,588,858	177,443,872	177,443,872
Current Liabilities				
Trade Payables	22	174,435,807	170,035,729	171,530,729
Other Payables	23	46,319,872	42,641,788	42,641,788
Interest Bearing Borrowings	24	817,625,781	745,962,105	745,962,105
Bank Overdraft		46,014,433	36,214,137	36,214,137
Total Current Liabilities		1,084,395,893	994,853,759	996,348,759
Total Equity & Liabilities		1,853,166,967	1,965,561,614	1,874,057,497

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

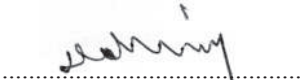


N. D. Priyankara Kumara
Finance Manager

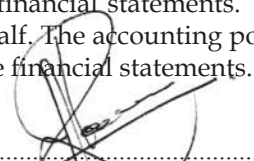
The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors and signed on their behalf. The accounting policies on pages 89 to 90 and notes on pages 94, 95 and 99 to 101 form an integral part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



H. Hewage
Chairman/Director



H. M. Mahinda Pushpakumara
Working Director



Rohana Chaminda Rathnayake
Director

STATE PRINTING CORPORATION

Notes to the Financial Position As at 31st December - 2018

Note No.	Restated Accounts		
	2018 Rs.	2017 Rs.	2017 Rs.
16. INVENTORIES			
Raw materials	203,092,192	126,647,717	126,647,717
Consumable	10,278,420	10,702,665	10,702,665
Spare parts	37,367,250	36,540,074	36,540,074
Hardware	1,202,906	1,447,563	1,447,563
Finished goods	107,217,687	51,557,429	51,557,429
Work in progress	79,340,955	25,816,228	25,816,228
	438,499,410	252,711,676	252,711,676
17. TRADE RECEIVABLES			
Trade debtors	326,778,134	548,474,498	557,332,365
Less - Provision for bad debt	(27,451,460)	(23,984,510)	(23,984,510)
Provision for EPD Quality Loss/Penalty	-	(6,381,589)	(6,381,589)
Other debtors	361,309	361,309	361,309
	299,687,983	518,469,708	527,327,575
18. OTHER RECEIVABLES			
Staff Loan and Advances (Note 18.1)	12,969,692	19,503,611	19,503,611
Deposits & Receivables (Note 18.2)	14,613,129	5,729,546	5,729,546
Sales Control Accounts (Note 18.3)	(2,157,001.08)	-	-
Bank Loan - Margin A/C	12,377,566	3,409,883	3,409,883
Tax Recoverable (Input VAT B/F)	8,340,172	18,665,770	18,665,770
	46,143,558	47,308,810	47,308,810
18.1 LOAN AND ADVANCES			
Distress Loans	9,788,758	15,795,710	15,795,710
Festival advance	2,378,000	2,728,000	2,728,000
Staff salary advances	6,000	31,746	31,746
Creditors advance A/C	796,934	948,155	948,155
	12,969,692	19,503,611	19,503,611
18.2 DEPOSITS & RECEIVABLES			
Deposits receivable	14,099,073	5,202,903	5,202,903
Add. other receivables	514,056	526,643	526,643
	14,613,129	5,729,546	5,729,546
18.3 SALES CONTROL ACCOUNT			
Sales Control Account	(2,157,001)	-	-
	(2,157,001)	-	-
19. CASH & CASH EQUIVALENTS			
Cash at Bank	27,553,571	48,037,960	47,879,960
Cash in Transit	1,893,709	3,849,626	3,849,626
Cash in Hand	58,950	128,300	128,300
	29,506,231	52,015,886	51,857,886

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

	2018 Rs.	Restated Accounts 2017 Rs.	2017 Rs.
Cash at Bank	27,553,571	48,037,960	47,879,960
Cash in Transit	1,893,709	3,849,626	3,849,626
Cash in Hand	58,950	128,300	128,300
	29,506,231	52,015,886	51,857,886
Bank Overdrafts	(46,014,433)	(36,214,137)	(36,214,137)
	(16,508,202)	15,801,749	15,643,749
20. BANK LOAN - LONG TERM			
Opening Balance (01.07.2018)	185,000,000	-	-
Loan Paid During the year	(110,999,764)	-	-
Balance as at end of the year	174,000,236	-	-
21. DEFERRED TAX LIABILITIES			
As at beginning of the year	(11,268,578)	-	-
Amount Originated/(reversed)/T. Differences during the year	(298,355)	(11,268,578)	(11,268,578)
As at end of the year	(11,566,933)	(11,268,578)	(11,268,578)
22. TRADE PAYABLES			
Trade Creditors	42,230,180	52,410,998	53,905,998
Other Creditors	1,510,615	1,440,310	1,440,310
Department of Inland Revenue	129,399,160	114,565,198	114,565,198
Sales Advance	16,194	9,065	9,065
Other Creditors (Debt Bal)	1,279,659	1,610,158	1,610,158
	174,435,807	170,035,729	171,530,729
23. OTHER PAYABLES			
Accrued Expenses	44,848,338	41,193,629	41,193,629
Deposit Payable	1,471,534	1,448,159	1,448,159
	46,319,872	42,641,788	42,641,788
24. INTEREST BEARING BORROWINGS			
Bank Short Term Loan (STL)	770,860,679	697,050,043	697,050,043
Bank Usance Loan	46,765,102	48,912,062	48,912,062
	817,625,781	745,962,105	745,962,105

STATE PRINTING CORPORATION

Statement of Cash Flows For the Year Ended 31st December - 2018

	2018 Rs.	Restated Accounts	
		2017 Rs.	2017 Rs.
Cash Flows from Operating Activities	(406,985,154)	(243,094,835)	(229,273,949)
Net Profit / (Loss) before taxation			
Adjustment for:			
Depreciation on Fixed Assets	61,107,084	45,492,354	38,876,337
Profit of Non Current Assets (PPE)	-	(1,438,238)	(1,438,238)
Prior year adjustments	-	3,010,982	3,010,982
Finance Expenses	110,486,874	95,754,406	95,754,406
Gratuity provision made during the year	47,483,284	12,861,970	12,861,970
Provision for EPD Late Charges & Quality Losses	-	6,381,589	6,381,589
Provision for Bad Debtors	3,466,949	(804,035)	(804,035)
Operating Profit before Working Capital Changes	(184,440,963)	(81,835,807)	(74,630,938)
Changes in items of Working Capital			
(Increase)/ Decrease in Inventories	(185,787,734)	(29,399,147)	(27,904,147)
(Increase)/ Decrease in Trade receivables	221,696,364	151,785,330	142,827,463
(Increase)/ Decrease in Adv. Deposits & Other Receivable	1,165,252	165,380,653	165,380,653
Increase / (Decrease) in Current Liabilities	8,037,930	(13,627,719)	(13,527,720)
Cash generated from operations	(139,329,152)	192,303,310	192,145,310
Tax paid	(298,355)	(36,191,121)	(36,191,121)
Employee Retirement Benefit paid	(21,040,179)	(9,346,132)	(9,346,132)
Net Cash Flows / (Used in) from Operating Activities	(160,667,686)	146,766,057	146,608,057
Cash Flows From Investing Activities			
Proceeds from sales of PPE	-	1,445,242	1,445,242
Purchasing of PPE	(6,819,302)	(217,604,067)	(217,604,067)
Net cash flows from Investing Activities	(6,819,302)	(216,158,825)	(216,158,825)
Cash Flows from Financing Activities			
Proceeds received / paid for borrowings (Net Borrowings)	245,663,912	176,610,759	176,610,759
Interest Paid	(110,486,874)	(95,754,406)	(95,754,406)
Net cash flows from Financing Activities	135,177,038	80,856,353	80,856,353
Net Increase/(Decrease) in Cash & Cash Equivalents	(32,309,951)	11,463,585	11,305,585
Cash & Cash Equivalents at the beginning of the period	15,801,749	4,338,164	4,338,164
Cash & Cash Equivalents at the end of the period (Note 19)	(16,508,202)	15,801,749	15,643,749

STATE PRINTING CORPORATION

Statement of Changes in Equity For the year ended 31st December - 2018

	Issued Capital Rs.	Capital Reserve Rs.	General Reserve Rs.	Development Reserve Rs.	Revaluation Profit Rs.	Retained Earnings Rs.	Total Rs.
Accounts - 2017							
Balance as at 01 st January 2017	15,000,000	102,491	1,000,000	13,901,142	36,015,363	195,331,388	261,350,384
Prior Year Adjustment						3,010,982	3,010,982
Profit/(Loss) for the year (after taxation)						(229,273,949)	(229,273,949)
Revaluation Reserve					665,177,449		665,177,449
Balance as at 31st December 2017	15,000,000	102,491	1,000,000	13,901,142	701,192,812	(30,931,579)	700,264,866
Restated Accounts 2017							
Balance as at 01 st January 2017	15,000,000	102,491	1,000,000	13,901,142	36,015,363	195,331,388	261,350,383
Prior Year Adjustment						3,010,982	3,010,982
Profit/(Loss) for the year (after taxation)						(243,094,833)	(243,094,833)
Revaluation Reserve					771,997,449		771,997,449
Balance as at 31st December 2017	15,000,000	102,491	1,000,000	13,901,142	808,012,812	(44,752,462)	793,263,982
Accounts - 2018							
Balance as at 01 st 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 Profit					(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

STATE PRINTING CORPORATION
Comprehensive Income Statement
For the year ended 31st December - 2018

	Notes	2018 Rs.	Restated Accounts 2017 Rs.	2017 Rs.
Revenue	7	901,053,747	1,240,981,165	1,249,839,033
Cost of sales	8	(903,841,823)	(1,060,576,699)	(1,054,060,200)
Gross Surplus		(2,788,076)	180,404,466	195,778,833
Other operating income	9	17,870,270	20,796,639	20,796,639
Distribution expenses	10	(16,787,874)	(14,788,906)	(14,788,906)
Administrative expenses	11	(234,414,704)	(213,182,504)	(214,735,986)
Other operating expenses	12	(62,818,995)	(122,949,949)	(122,949,949)
Operating Profit		(298,939,379)	(149,720,253)	(135,899,369)
Finance Income		2,441,100	2,379,826	2,379,826
Finance Expenses	13	(110,486,874)	(95,754,406)	(95,754,406)
Surplus for the year before tax		(406,985,154)	(243,094,833)	(229,273,949)
Income Tax	14	-	-	-
Surplus for the year after tax		(406,985,154)	(243,094,833)	(229,273,949)

Statements of Comprehensive Income for the Year Ended
31st December - 2018

	2018 Rs.	Restated Accounts 2017 Rs.	2017 Rs.
Profit for the Year (After Tax)	(406,985,154)	(243,094,833)	(229,273,949)
Other Comprehensive Income	-	-	-
Revaluation Profit	(1,105)	771,997,449	665,177,449
Total Comprehensive Income for the Year	(406,986,259)	528,902,616	435,903,500

STATE PRINTING CORPORATION
Notes to the Financial Statements
For the year Ended 31st December - 2018

Note No.	Restated Accounts		
	2018 Rs.	2017 Rs.	2017 Rs.
07. REVENUE/ TURNOVER			
Income from Stationery Factory	221,627,632	211,478,267	220,336,135
Income from Main Press			
Textbooks	289,029,668	677,043,029	677,043,029
Job Works	360,241,485	317,971,906	317,971,907
Publications	4,786,835	2,397,001	2,397,001
Income from Other Sales	25,368,128	32,090,961	32,090,961
	901,053,747	1,240,981,165	1,249,839,033
08. COST OF SALES			
Main Press			
Raw materials consumed	407,630,135	423,890,328	423,890,328
Direct labour	187,570,249	221,253,402	221,253,402
Direct factory expenses	36,149,507	48,885,456	50,380,456
Indirect factory expenses	91,829,708	87,763,170	79,751,670
Other expenses/Stock Adjustment	(74,060,062)	36,037,689	36,037,689
Late Charges, Qu. losses & Penalty EPD	38,262,345	1,958,500	1,958,500
Late Charges & Penalty NLB	10,181,000	-	-
Provision for Late Charges EPD	-	6,381,589	6,381,589
	697,562,880	826,170,134	819,653,634
Stationery factory			
Raw materials consumed	129,481,819	165,056,830	165,056,830
Direct labour	29,708,956	32,853,408	32,853,408
Direct factory expenses	3,277,672	2,972,534	2,972,534
Indirect factory expenses	8,710,140	8,824,840	8,824,840
Other expenses/Stock Adjustment	9,533,639	(7,838,665)	(7,838,664)
	180,712,225	201,868,946	201,868,948
Cost of Publication unit	4,237,183	2,992,756	2,992,756
Cost of Other Sales unit	21,329,535	29,544,862	29,544,862
Total cost of sales	903,841,823	1,060,576,699	1,054,060,200
09. OTHER OPERATING INCOME			
Factory Wastpaper & Sundry Item	17,463,220	17,948,931	17,948,931
Tender Deposit & Registrations	387,850	605,435	605,435
Over Provision of Bad Debts	-	804,035	804,035
Profit of Disposal M/V, P&M & Types	-	1,438,238	1,438,238
Income from Canteen	19,200	-	-
	17,870,270	20,796,639	20,796,639

		Restated Accounts	
	2018 Rs.	2017 Rs.	2017 Rs.
10. DISTRIBUTION EXPENSES			
Nation Building Tax	7,364,166	8,390,599	8,390,599
Up-Keep of motor vehicles	5,027,606	4,960,616	4,960,616
Advertisement	254,648	289,626	289,626
Sales Promotion	391,585	471,083	471,083
Provision for bed debts	3,466,949.24	-	-
Maint. of outlet	2,350	7,200	7,200
Fire Insurance - Sales Outlet	60,007	-	-
Debtor Collection Commission	-	-	-
Sales Commission	-	566,491	566,491
Transport Charges for Finished Goods	10,750	103,291	103,291
Non Refundable Tender Deposits	209,813	-	-
	16,787,874	14,788,906	14,788,906
11. ESTABLISHMENT & ADMINISTRATION EXPENSES			
Rent	3,482,711	2,907,278	2,907,278
Upkeep of land & Buildings	576,623	2,085,568	2,085,568
Electricity	178,561	266,216	266,216
Maintenance of office equipment	395,530	1,260,208	1,260,208
Depreciation - Office equipment	1,043,964	676,348	676,348
- Furniture & Fittings	-	-	-
- Computer & Accessoris	1,921,470	1,715,910	3,111,393
- Motor cycles (+m/v)	64,375	66,375	66,375
Rates	41,487	70,008	70,008
Water Bill	67,813	81,858	81,858
Salaries & Wages	129,973,241	135,659,728	135,659,728
Overtime of staff	9,824,898	11,267,951	11,267,951
Employees' provident fund	16,507,035	17,393,133	17,393,133
Employees' trust fund	4,127,500	4,348,285	4,348,285
Incentive payments	2,115,250	2,371,000	2,371,000
Chairman's emolument	598,771	927,374	927,374
Working Director's emolument	569,869	780,000	780,000
Board Director's fees	453,500	374,500	374,500
Postage	255,824	233,567	233,567
Telephone	1,580,108	1,680,641	1,680,641
Printing & Stationery	1,972,015	5,047,569	5,047,569
Press Notices & Publication	504,385	806,270	806,270
Travelling & subsistence	1,191,440	1,428,331	1,428,331
Newspapers and periodicals	270,270	101,800	101,800
Rent - Motor Vehicle	-	4,235	4,235
Foreign Travelling/Staff training (Foreign)	-	414,993	414,993
General office expenses	163,917	189,317	189,317
Audit fees	500,000	500,000	500,000
Miscellaneous expenses	45,988	52,988	52,988
Legal & Consultancy	18,136	174,000	174,000
Entertainment	377,176	515,320	515,320
Gratuity Expenses	47,483,284	12,861,970	12,861,970
Staff training	328,000	434,300	592,300
Audit & Management Committee Fees	38,250	153,000	153,000
Internet / Email	141,886	163,652	163,652
Procurement Committee Fees	2,190,000	704,400	704,400
Upkeep of Motor vehicle 25%	5,027,606	4,960,616	4,960,616

		Restated Accounts	
	2018 Rs.	2017 Rs.	2017 Rs.
Accommodation	48,430	-	-
Board meeting expenses	32,984	27,372	27,372
Membership fees	41,310	7,600	7,600
Donation	46,783	254,828	254,828
Computer Repair & Maintenance Charges	144,550	167,340	167,340
Cash Transport Charges	-	9,300	9,300
Cash escort charges	-	-	-
Registration Charges as a Supplier	69,768	37,357	37,357
	234,414,704	213,182,504	214,735,986
12. OTHER OPERATING EXPENSES	24,203,913	24,880,059	24,880,059
Welfare to staff	10,046,219	10,612,238	10,612,238
Employees medical scheme	2,573,035	3,113,525	3,113,525
Housing Loan interest	1,408,369	50,190,854	50,190,854
Bonus to staff	-	7,490,000	7,490,000
Special Incentive Payment	10,879,168	11,012,114	11,012,114
Staff transport	13,615,290	15,607,159	15,607,159
Leave Encashment	93,000	44,000	44,000
Staff Awards	-	-	-
Payee Tax	62,818,995	122,949,949	122,949,949
13. FINANCE EXPENSES	2,349,948	7,276,412	7,276,412
Bank Guarantee & Other bank charges	5,347,406	6,462,707	6,462,707
Bank Overdraft interest	88,917,227	82,015,287	82,015,287
Bank Loan interest - Short Term	13,872,293	-	-
Bank Loan interest - Long Term	110,486,874	95,754,406	95,754,406
14. INCOME TAX	-	-	-
Income tax provision for the year	-	-	-

STATE PRINTING CORPORATION
Notes to the Financial Statements
31st December - 2018

15. PROPERTY, PLANT AND EQUIPMENT

Description	As at 31. 12. 2016	Revaluations for the year 01. 01. 2017	Additions/ Revaluations during the year	Disposals during the year	Cost/Revaluation As at 31. 12. 2017	Disposals during the year	Cost/Revaluations as at 01.01.2018	Additions during the year 2018	As at 31. 12. 2018
At Cost									
Land	475,126	378,500,000		-	378,500,000	-	378,500,000	-	378,500,000
Building	38,020,440	166,600,000		-	166,600,000	-	166,600,000	-	166,600,000
* Plant Machinery & Tools	243,785,462	317,487,100	212,640,604	-	530,127,704	-	530,127,704	5,229,372	535,357,077
* Factory Tools, Types	2,368,661	-	-	-	-	-	-	-	0
Motor Vehicles & M/Cycles	55,571,000	-	-	(8,000)	55,563,000	-	55,563,000	-	55,563,000
**Office Equipments & Furniture	35,577,032	5,879,200	3,449,693	-	9,328,893.26	-	9,328,893	1,504,940	10,833,834
**Furniture and fittings	4,476,547	-	-	-	-	-	-	-	0
Computer & Accessories	40,307,456	4,186,450	1,513,770	-	5,700,220	-	5,700,220	84,990	5,785,210
Electronic Reinstallations	2,572,951	-	-	-	2,572,951	-	2,572,951	-	2,572,951
Total	397,197,548	872,652,750	217,604,068	(8,000)	1,148,392,769	-	1,148,392,769	6,819,302	1,155,212,071
Accumulated Depreciation									
Description	As at 31.12.16	Revaluations/C for the year 01. 01. 2017	Annual Depreciation 2017	Disposals during the year	Accumulated Depreciation 31.12.2017	Disposals during the year	Revaluations/ Cost 01.01.2018	Annual Depreciation 2018	Accumulated Depreciation 31.12.2018
Building	29,794,308	-	4,165,000	-	4,165,000	-	4,165,000	4,165,000	8,330,000
Plant Machinery & Tools	174,372,938	-	17,030,847	-	25,042,347	-	25,042,347	40,085,900	65,128,247
(+) Correction -Restated Ac 2017			8,011,500						0
Factory Tools, Types and Furniture and Fittings	2,059,324	-	-	-	-	-	-	-	0
Motor Vehicles & M/Cycles	4,011,099	-	-	-	-	-	-	-	0
Office Equipments & Furniture	6,946,374	6,946,374	13,890,750	1,000	20,838,125	-	20,838,125	13,890,750	34,728,875
Computer & Accessories	21,407,065	-	676,348	-	676,348	-	676,348	1,043,964	1,720,312
Computer & Accessories	34,613,513	-	3,111,393	-	1,715,910	-	1,715,910	1,921,470	3,637,380
(-) Correction -Restated Ac 2017			(1,395,483)						
Electronic Reinstallations	2,572,950	2,572,950	-	-	2,572,950	-	2,572,950	-	2,572,950
Total	297,517,582		45,490,355	1,000	55,010,679	-	55,010,679	61,107,084	116,117,763
Written Down Value	99,679,966				1,093,382,090				1,039,094,309

* / ** revalued under one category during the year



2018 REPORT OF AUDITOR GENERAL

My No. } MED/D/SPC/1/18/127

Your No.}

Date } 31st May 2019

The Chairman,
State Printing Corporation

Auditor General's Report regarding the Financial Statements of the State Printing Corporation for the year ended as at 31st December 2018 as per Section 12 of the National Audit Act No. 19 of 2018

1. Financial Statements

1.1 Opinion

The financial statements for the year ended as at 31st December 2018 which includes financial position statements as at 31st December 2018 and the Comprehensive Income Statement, Statement of Changes in Equity for the year ended as at that date, and the Financial Flow Statement for the year ended as at date and Notes to the Financial Statements and important summarized Accounting Policies audited under my directive in accordance with provisions of the Finance Act No. 38 of 1978 and the National Audit Act No. 19 of 2018 to be read with article 154/1 of the Constitution of the Democratic Socialist Republic of Sri Lanka. My opinions and observations, which as I think should be published with the annual report of the Corporation, are incorporated in this report. My report will be tabled in Parliament in due course in accordance with Article 154(6) of the Constitution.

It is my opinion that the financial position of the Corporation as at 31st December 2018 and its financial flows and financial performance for the year ended as at that date are correct and justifiable in accordance with Sri Lanka Accounting Standards except for the effects made by the matters explained in the section of "Basis for the Qualified Opinion" in my report.

1.2 Basis for the Qualified Opinion

(a) Quantitative Accounting Defects

- (i) The cash and bank balance of 32,987,997 rupees as at 31st December in the year under review had been set off with the over draft balance of 5,434,426 rupees in another account and the net balance of 27,553,571 rupees has been indicated in the Financial Position Statement under cash and cash equivalents. Due to that reason the bank overdraft and the cash and cash equivalents have been revealed 5,434,426 rupees less than the real value.

- (ii) The final raw material stock of the previous year, worth 91,924,671 rupees, has been brought forward as 93,911,088 rupees erroneously in the year under review and due to that reason the net loss of the year under review has been indicated 1,986,416 rupees more than the real net loss.
- (iii) The final stock of spare parts of the previous year, worth 34,351,421 rupees, has been brought forward as 32,856,421 rupees erroneously in the year under review and due to that reason the net loss of the year under review has been indicated 1,495,000 rupees less than the real net loss.

(b) Deviation from Accounting Standards

(i) Sri Lanka Accounting Standard No. 01

Even though revelations should be made in regard to the nature of the reserves in the capital and also the objective of maintaining those reserves etc. as per Accounting Standard No. 79 (b), revelations had not been made about the Capital Reserve of 102,491 rupees, General Reserve of 1,000,000 rupees, Development Reserve of 13,901,142 and the Revaluation Reserve of 808,011,707 rupees that are maintained by the Corporation.

(ii) Accounting Standard No. 7

- Even though the initial balance of cash and cash equivalents was 15,643,749 rupees in the year under review it had been balanced in the Financial Flow Statements as 15,801,749 rupees.
- Even though increase of the current liability was 8,078,063 rupees in the year under review it had been identified 40,133 rupees less than the real value in the financial flow statements.

(iii) Accounting Standard No. 23

Even though the interest paid for the amount of loan obtained for the lottery printing machine purchased in the year under review should have been identified and capitalized in accordance with paragraph No. 9 of the Standard that practice has not been followed.

(c) Unreconciled Balances

- (i) Even though the Department of Government Printing had informed that an amount of 8,325,817 rupees was due to that department according to the confirmation of the balances of that department as at 31st December in the year under review it has been recorded in the accounts of the Corporation that an amount of 4,012,020 rupees only has to be paid to that department.
- (ii) Even though the Department of Census and Statistics did not have any loan balance to be paid to the Corporation according to the confirmation of the balances of that department as at 31st December in the year under review, it has been recorded in the accounts of the Corporation that aforesaid department has to pay an amount of 11,836,011 rupees to the Corporation.

(d) Receivable and Payable Accounts

- (i) The Corporation hadnot been able to recover a debtor balance of 110,854,132 rupees that had been accumulated for more than 6 years and the aforesaid amount was 34% of the debtor balance of 326,777,812 rupees due to the Corporation as at 31st December in the year under review.
- (ii) An amount of 9,753,427 rupees was due to the Corporation from the National Paper Company as at the end of the year under review while the amount to be paid by the Corporation to the Company was 7,460,675 rupees at the end of that period of time. The loan amounts that had exceeded a period of 5 years within the aforesaid loan balances remained as 7,989,976 rupees and 5,578,142 rupees respectively but no action had been taken to settle those balances. An uncertainty is observed in regard to settling the aforesaid balances due to the fact that business activities of the paper company has come to an end.

I have conducted this audit in accordance with Sri Lanka Accounting Standards. My responsibility under these Accounting Standards is further described in the section of “Auditor's responsibility in regard to the Audit of the Financial Statements” in this report. It is my belief that the audit evidence obtained by me to provide a basis for my opinion is insufficient and appropriate.

1.3 The Responsibility of the Management and the Administration in regard to the Financial Statements

It is the responsibility of the management to decide the internal controls which are required to prepare financial statements in accordance with Sri Lanka Accounting Standards without any quantitatively false statements which may cause defects and errors, and also to submit them in a justifiable manner.

It is the responsibility of the Management to decide whether the Corporation is a Going Concern when preparing financial statements and it is also the responsibility of the Management to keep accounts on the basis of Going Concern and reveal the matters relevant factor of Going Concern of the Corporation except on occasions when the Management intends to liquidate the Corporation or stop the operations when another option is not available.

The Administration of the Corporation shall be responsible for the process of financial reporting in the Corporation

Books and records of the expenditure, income, assets and liabilities of the Corporation should be duly maintained in order that the annual financial statements of the Corporation can be prepared in accordance with section 16(1) of the National Audit Act No. 19 of 2018

1.4 The Responsibility of the Auditor in regard to the Financial Statements

My objective is to provide a justifiable assurance to the effect that financial statements are devoid of false statements caused by frauds and errors and also to submit the Auditor's report which includes my opinion. Even though the justifiable assurance is of higher standard it will not be confirmed that quantitative misstatements will be revealed through it every time when the audit is carried out in accordance with Sri Lanka Accounting Standards. Frauds and errors may individually or collectively cause misstatements which may make an influence on the economic decisions taken by the users of the financial statements in which they are included.

The audit was carried out by me with professional judgment and professional suspicion in accordance with Sri Lanka Accounting Standards.

- My opinion is based on the fact of obtaining sufficient and appropriate audit evidence in order to avoid the risks caused by frauds and errors by planning opportunely appropriate audit procedures in identifying and assessing the risks of quantitatively false statements that may be caused in financial statements due to errors and frauds. The effect made by frauds are more powerful than the effect made by quantitatively false statements and frauds are caused by collusion, preparation forged documents ,intentional negligence and evasion of internal controls.
- An understanding of the internal control of the Corporation is obtained in order to plan audit procedures in a timely manner but it is not expected to express an opinion about the effectiveness of the internal control
- The justifiability of the Accounting Policies and Accounting Estimates used and the appropriateness of the revelations made by the Management were evaluated.
- The relevance of using the basis of Going Concern of the Corporation for accounting was decided based on the audit evidence obtained in regard to the fact whether there is a quantitative uncertainty regarding the factor of going concern of the Corporation due to incidents or circumstances. If I decide that there is a sufficient uncertainty, attention should be paid to the revelations made in connection with the financial statements in my audit report and my opinion should be modified if those revelations are not sufficient. However the going concern may come to an end due to future incidents or circumstances
- It was evaluated whether the transactions and incidents that were. the basis of the contents and the structure of the financial statements in which the revelations are included have been incorporated in the financial statements.

The Administration was informed about the important audit revelations, deficiencies in the main internal controls and other matters that were identified in my audit.

2. The Report on Other Legal and Regulatory Requirements

Special provisions are included in connection with the following requirements mentioned in the National Audit Act No. 19 of 2018

- All the necessary information and explanations that are required for the audit as per Section 12(a) of the National Audit Act No. 19 of 2018 were obtained by me and financial records have been maintained by the Corporation properly as it is evident from my examination.
- The financial statements of the Corporation are in conformity with the previous year in accordance with the requirement of Section 6(I) (d) (iv) of National Audit Act No. 19 of 2018
- The recommendations made by me in the previous year are included in the financial statements in accordance with the 6(1) (d) (iv) of National Audit Act No. 19 of 2018

Anything which is sufficient enough to make the following statements was not brought to my consideration based on the procedures followed and the evidence obtained and within the confines of quantitative facts.

- The fact that any member of the Board of Management of the Corporation does not have any relationship away from the ordinary business activities of the Corporation directly or indirectly in regard to any agreement related to the Corporation as per the requirement of Section 12(d) of the National Audit Act No. 19 of 2018
- The fact that the Corporation has not acted inconsistently with any written law or other general or special provisions issued by the board of management except for the following observations as per the requirement Section 12(f) of the National Audit Act No. 19 of 2018

Reference for Rules and Regulations

Inconsistency

- (a) Section 4.2 of Circular No. PED 1/2015 dated 25th May 2015, issued by the Department of Public enterprises

Group transport facility had not been provided to 15 middle level managers as per the provisions of the circulars and an amount of 3,150,000 rupees had been paid to them instead as an allowance of 15,000 rupees per head per month during the year under review.

- (b) Section 41 of the Factories Ordinance No. 45 of 1042

A fire alarm system had not been established

- The Corporation has acted inconsistently with the powers, duties and the functions of it as per the requirement of Section 12(g) of the National Audit Act No. 19 of 2018

- The resources of the Corporation have not been procured during the relevant period in accordance with the relevant rules and they have not been used in a frugal, efficient and effective manner as per the requirement of Section 12(h) of the National Audit Act No. 19 of 2018

3. Other Audit Observations

- An amount 10,181,000 rupees had been deducted as a fine by the Lotteries Board from the amount that should be paid by them to the Corporation due to the fact that lotteries had not been printed and handed over at the due date in contravention of agreement entered into with that Board.
- The Department of Educational Publications had charged an amount of 38,262,345 rupees as late fees from the amount which it should pay to the Corporation due to the delay of 1 to 26 days in printing and handing over the school text books in contravention of the agreement which the Corporation had entered into with Department of Educational Publications to print and hand over the school text books for the year 2019.
- The Corporation had not made a conclusive decision in regard to the matter of conveying to Industrial Development Board an extent of land of 13 acres 2 roods 6 perches, which is valued at 107,000,000 rupees, out of the land owned by the Corporation, located at Panaluwa, Padukka, to commence an Industrial City there.
- The Corporation had not taken action to obtain the password relevant for the lottery printing machine that had been purchased at a cost of 203,509,234 rupees from the relevant manufacturing company and due to that reason the Corporation had to depend on the Indian manufacturing company in entering software to the machine. Furthermore even though the guarantee period of the machine had elapsed on 29th November in the year under review, the Corporation had not entered into an annual maintenance agreement with the local representative of the manufacturer.
- Even though the annual requirement Flexo tape rolls of the lottery printing machine was 05 rolls, 66 tape rolls had been purchased in the year 2017 spending 3,115,200 rupees without paying attention to the above fact. 61 tape rolls worth 2,879,200 rupees had remained in the stores by 31st December of the year under review and those tape rolls had expired.

W.P.C Wickremaratne
Auditor General



2018

STATE PRINTING CORPORATION

COMMENTS ON FINANCIAL STATEMENTS

1.2 The basis for the counting the quality standards

(A) Quantitative accounting faults

- (i) This will be taken into consideration in 2019 and be presented correctly
- (ii) Corrections will be made in next accounts year and be presented
- (iii) Required corrections will be made in 2019

(B) Departing from accounting standards

(i) Sri Lanka accounting standards No. 01

At the inception of the corporation the capital reserve was set up and this has been mentioned as an adequate note in the note no. 4.3.1 and in 4.3.2 in note on the revaluation reserve

(ii) Sri Lanka accounting standards No. 07

- In the last year a sum of Rs.158,000 had been paid for staff training but action had been initiated to recover that money from them since the payment is illegal. As this was a transaction applicable to the last year it has been adjusted in the accounts for the year 2017.
- In the upcoming account year identifying all responsibilities correctly and presenting them .

(iii) Sri Lanka accounting standards No. 23

As the machine was in use in the first quarter of 2018, interest cost incurred up to that date has been capitalized.

(C) Un-reconciled balance

- (i) Action will be taken to correct this in future
- (ii) According to accounts of the corporation , this balance has been noted as further money due to the corporation and the Department of Statistics has not confirmed the non-payment of money properly. Action has been initiated to make a written inquiry from the Department of Statistics and obtain a report and follow up action will be taken after the report is submitted to the Board of Directors and on par with its instructions.

(D) Accounts to be received and to be paid

- (i) At present debt recovery shows a progress and the Legal Division, Audit Division, Finance Division and Marketing Division are working together to recover the old debt.
- (ii) Action will be initiated to recover the due money from National Paper Corporation by sending a reminder.

2. Report on the other legal and regulatory requirements

Reference to Laws and regulations

- (a) Once the liquidity position turns good, arrangements will be made to provide transport facilities to the middle level managers following the applicable circular by hiring a sufficient number of vehicles.
- (b) Though steps were taken to install a fire alarm system, it was abandoned as it was found it was of low quality and action will be taken to install a system again.

3. Other Audit Observations

- (a) Reasons for this are frequent breakdowns in the lottery printing machine and non-receipt of raw material regularly for the printing of lotteries.
- (b) Many problems emerged in importing of papers for printing of school text books and other raw material as no procurement committee was functioning since there was no Chairman and a board of directors for a period of 4 months due to political instability that prevailed in the country. Financial difficulties in the corporation had an impact on this and the corporation had to pay charges for delaying in the delivery of school text books.
- (c) While the Industrial Development Board was to buy this land for Rs. 25 million as per a cabinet memorandum, the corporation had submitted a cabinet memorandum to sell this land at government estimated price of Rs. 107 million. Further action will depend on the awaited cabinet decision.
- (d) Our Ministry is conducting a discussion in coordination with the Agency to do this and action will be taken in accordance with that decision.
- (e) The item concerned had been ordered without initial practical knowledge however it will be utilized in due course.

