

STC GENERAL TRADING CO., LTD
Successors to Sri Lanka State Trading (General) Corporation

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CHAIRMAN'S REVIEW

STC's audited accounts for the year ended 31st March, 2003 is now presented by your Board of Directors.

Overview

The extensive projects and plans drawn, since my taking office as chairman in Jan-02 with a top group of directors, are being implemented and partial positive results are discerned in the financial statements contained herein.

The directorate's valued contribution in taking strategic and tactical decisions and directives, especially with a view to rescue the company out of its sinking syndrome over the 7-period since 1994-95, is proving a tremendous success.

The company's seven-year streak of declining profit, snowballing in every successive year since 1994-95, and culminating to a net loss before tax during the last two years, viz. Rs 26.3mn in 2000-01 and Rs 93.2-mn in 2001-02, had been demonstrably decelerated with great effort and efficiency by this management in achieving a reduction of almost 38% of the preceding year's net loss. We are continuing to work vigorously on this success streak to ensure STC continues to eventually result in a profit mode, if not a break-even point, at the end of the current year 2003-04.

Performance

Notwithstanding there being hardly a change in sales turnover over the preceding year, the net loss before tax of Rs 58-mn showed a significant reduction of 38% of the net loss incurred in the preceding year.

The loss-reduction appears to have been achieved by a significant drop by 25% in Admin./S&D/R&D expenditure, and a reduction in bank interest by 13% from that of the preceding year.

GP margin had dropped to 15.3% from almost 17% in the preceding year. There has been a 22% reduction in stock, while trade debtors dropped by 12% of the previous year. The current ratio standing at 1.4 in the preceding year appears to have dropped to almost 1.1, while the quick assets ratio didn't show an improvement from the preceding year's 0.6, except that net current assets had dropped by 69%.

PRESENT POSITION, ACHIEVEMENTS & FUTURE PLANS:

LONG & SHORT TERM PROGRAMS CONTRIBUTING TOWARDS THE TURNAROUND

The turnaround achieved by the company was in the main attributed to the sustained implementation of the brief 24-month corporate plan shaped with the assistance of a professional business consultant in Aug-02; the project interim report & strategic business plan of July-02 and the short-term strategic business plan of Aug-02 drawn by the professional consultant group headed by Line Ministry Manager-HRD Mr Chinthaka Premaratna, together with the operation of the business plan implementation mainly focusing on cost-reduction, accelerated collection of debts, product-expansion and mobile sales, and the restructuring of various sectors by establishing specific trading SBUs.

Branches, Franchise Outlets & Supiri Welandaselas

The company's retail trade operates through its showrooms at its head office, including a furniture showroom, in Nawam Mawatha, Colombo-2, at Swashakthi Medura in Park Street, Colombo-2 and at Mt Lavinia, Pinnaduwa in Galle, Kurunegala and at₁

Jaffna. The Franchise dealer network is in the process of being expanded islandwide, while the *Supiri Welandaselas* are located in Horana, Kandy, Moneragala, Matara, Kalutara and at Thanipolgaha in Galle.

IT Operation

The present IT-operation, although explored to accommodate a networking system to accommodate all sales points and cost centers to the central IT-financial system, has not yet been implemented owing to costs involved as well as various operational factors which are being looked into and modified.

TRADING

Product Lines

STC's principal product-lines presently include: 555 stainless steel kitchenware; ABAC air-compressors; Accord PABX systems; Aspee sprayers; Beta engineering hand tools; Crocodile mammoties; Daito correcting-fluid, duplicating ink and stencils; Durand glassware; FAIP vehicle-cleaning high pressure equipment; Hero motorcycles; Gentra television and hand-tractors; Greenlux lawn mowers; Himalaya stainless steel water filters; Home household appliances; Kaise electronic measuring equipment; Lion office products; Madico solar control film; MEPCO aluminium powder; Monarch marking systems; Olympia Omega photocopiers; Olympia typewriters; Sekaku public address systems; Shaolin overhead projectors; STC rice cookers; STC Seedeve & STC Shanthi domestic sewing machines; Sunca emergency lamps; TMT desk, orbit, pedestal, wall fans; Triangle gas cookers and stainless steel cutlery; Voltas air-conditioners, and Yokohama tyres and tubes.

Bargain Sale

STC has been successfully conducting its annual Sinhala-Tamil New Year sale at its showrooms, selling imported items at wholesale price, during this period. The usual sale in early December is also conducted upto Christmas Day.

Duty Free Shop Operations

In-house DFS

Since Feb-90 STC's in-house duty free shop has been in operation, catering to requirements of the diplomatic corps and UN-personnel. In order to accelerate the volume of sales and ensure STC receives a fair share of income far better than what it presently derives from this operation, STC recently entered into a Management Agreement with Abans Ltd to operate its in-house DFS and operations have commenced from 01 July, 2003.

Retail Sales Outlets

STC has also entered into a Management Agreement with Abans Ltd to operate its five retail sales outlets: viz. at the head office, at the Mt Lavinia supermarket complex, at Pinnaduwa in Galle, Kurunegala and Jaffna. The projected income to STC is far higher than what it derives from these sales outlets at present. Abans is expected to commence this operation from 01 August, 2003.

DFS Joint Ventures Operations at BIA, KYE

Agreements to operate two Joint Venture operations by way of duty free shops at the new duty free shopping complex in the Arrivals Terminal at the Bandaranaike International Airport in Katunayake have been signed: one a BOI JV company with Fleming International,

Ltd, Dubai in the UAE, and the other with Abans Ltd. These joint venture companies are in the process of being established and operations are envisaged to begin sometime in July or August, 2003.

STC-Big Buy Scheme

The *STC Big Buy Scheme* continues to promote the easy-payment scheme in buying STC products amongst a wide range of government and private institutions. A similar scheme, where employers agree to ensure settlement in four instalments of their employees' purchases, is also in progress.

Promotion of Yokohama tyres and tubes

In order to expand STC's marketing operations of *Yokohama* tyres and tubes islandwide, a joint venture operation with United Motors Lanka Ltd is in the process of being established with UMLL taking a 51% stake. Discussions are afoot and it is expected to finalize this project shortly.

Joint Venture Operations

Expressions of interest were called via advertisements in the local newspapers for reputed private sector parties to participate in the fields of Agricultural Supplies, Office Supplies & Equipment, Motor Supplies, Machinery & Equipment and for the Fishing Industry.

Discussions are presently being conducted with several parties who expressed their interest, and it is envisaged that these trading disciplines will be outsourced by way of extending 100% management to the private party while STC holds a major stake as agents for branded products falling under these categories. It is expected that a section of the workforce will be moved out to serve in these new enterprises.

While the Franchise Dealer network is in the process of being expanded, Distributors are also presently being sought to expand the sales of office supplies and equipment.

POLICY

Directorate

The undersigned was appointed as a director and chairman of the company on 18.01.02, while Mr E Arumugam, Director of Public Enterprises, was appointed as a director, and as the Treasury representative on the board, on 14.03.02. Prof. Lal G Chandrasena, Messrs S Clive de Silva, Jeewaka H Edirisinghe, Kulatunga, T Shiiraan Nooramith have served on the board since 31.01.02.

Working Director

Mr Percy D Perera was appointed as Working Director by the Board w.e.f. 27.03.02.

Board Meetings/Tender Board Meetings

Fifteen board meetings were held during the period under review. There were also 8-tender-board and 9-primary tender board sessions where papers are taken by circulation during the period under review.

Audit & Management Committee

The present Audit & Management Committee, comprising of the two Directors, Messrs S Kulatunga and T Shiiraan Nooramith, and presided by the Treasury representative, Mr E Arumugam, Director, has sat for 17-meetings during the period under review.

External Auditors

STC notched a record achievement in its 32-year history in tabling its draft accounts on 29.05.03 within a period of 60-days! The auditors BDO-Burah, Hathy, Chartered Auditors, have also submitted their management report and auditors report early for tabling at this annual general meeting.

Internal Auditors

The Internal Audit operations are being handled by Messrs BR de Silva & Co., Chartered Auditors, w.e.f. 01.07.03, with the existing staff in that Division. Such services are also extended to cover STC's subsidiary companies.

HUMAN RESOURCES**Employees**

The recruitment of qualified and experienced senior staff comprising of a general manager and a DGM (Finance) contributed towards boosting activity in overall management especially in the trading aspect, and maintaining financial discipline and control respectively.

STC's employee strength of 520 at the beginning of the year reduced by 16% to 435, comprising of 30-staff officers, as at year's-end, especially in view of the 55-year retirement rule in operation. Specific development programs for personnel, conducted by reputed human resource training institutes, are selected on occasion and employees are nominated to follow such seminars and courses to educate themselves and obtain wider exposure in their respective fields. Employees have access to a medical center at the head office on a daily basis and also reimbursement of medical expenses within a scheme.

Voluntary Retirement Scheme (VRS)

Subsequent to a proposal made by the Board of Directors to formulate a voluntary retirement scheme (VRS), the Line Ministry has submitted a Cabinet Paper to the General Treasury seeking approval for its implementation by using the company's resources. While a positive response is awaited, it is envisaged that, with the implementation of this VRS, about 250-employees will opt for retirement, and thereby lessen the burden of overheads to a significant extent.

CONCLUSION

I profusely thank the board of directors for its effort in facing up to the Herculean task of turning around the company's serious downtrend since 1994/95. The directors' prudent policy decisions taken during this critical period decidedly saved the company from facing chaos and a serious financial crisis.

Thanks are also due to our staff officers and employees who have positively contributed in service towards the achievement of the several projects and set targets to achieve company goals and growth to a small degree.

I also thank the Hon. Minister of Commerce and Consumer Affairs, the Hon. Ravi Karunanayake, FCMA, MP, who tremendously assisted us in his continual guidance and support, and also to his staff at the Line Ministry.

Last but not least, I thank our bankers, external auditors, our instructing attorney Mr GG Arulpragasam, and the Attorney General's Department, for their contribution of service, and our valued customers, if not for whose patronage STC would have hardly survived.

STC GENERAL TRADING CO., LTD

**Sgd Yasendra de Silva
Chairman**

10.07.2003

REPORT OF THE DIRECTORS

The Directors of STC General Trading Co., Ltd present their report and financial statements for the year ended 31st March, 2003.

FINANCIAL ACTIVITIES & BUSINESS REVIEW

The principal activity of the company continues to be the import and distribution of a wide range of general products, while local purchases are made on occasion to satisfy customer needs. The company's performance, with comments on the financial results and future plans, is contained in the Chairman's review and in the financial reports.

PRINCIPAL ACTIVITIES

Apart from conducting the general trading operations of the company, the new Management which took office in January, 2002, has made a significant turnaround in reducing the net loss before tax with various projects being implemented. The corporate plan and a strategic business plan are being implemented, while the Strategic Business Units continue with their trading operations.

Plans are in progress to establish joint venture operations with private sector organizations to trade in specific areas which include agricultural supplies, office supplies & equipment, machinery & equipment and motor supplies. Expressions of interest have also been called from those interested in the fishing industry which is a new but lucrative field. The company's sales outlets at the head office, in Mt Lavinia, Kurunegala, Pinnaduwa, and Jaffna are shortly to be operated under a management agreement with a private sector company. The Franchise dealer network is presently being expanded, and invitations are being made for interested parties to apply. *Supiri Welandasela* operate in Kandy, Horana, Moneragala and at Thanipolgaha in Galle. The Company envisages the establishment of twelve super market shopping centres during the forthcoming year.

TURNOVER/FUTURE DEVELOPMENT

The turnover of the company was **Rs 506,882,685.96** (Rs 516,348,349) an analysis of

which is given in **Note-01** of the accounts. Subsequent to the several programs established by the new directorate since Jan 2002, the Directors look forward to the expansion of a range of new non-consumer products with a view to improving the activities of the company.

RESULTS AND DIVIDENDS

The company's loss from ordinary activities before taxation amounted to **Rs 58,056,783.68** (Rs 93,184,770). Hence, the directors are not in a position to recommend any dividend for the year under review.

FIXED ASSETS

An analysis of the company's fixed assets, having a net written down value of **Rs 52,575,198** (Rs 54,095,359), indicating movement of such assets, is set out in **Note-07** of the Accounts.

CONTRIBUTIONS

During the year under review, and as in the preceding year, donations were not made to any approved charities.

EMPLOYMENT POLICIES

The number of persons employed by the company at the year-end was **435** (520). The company continues to dialogue with its employees, through their trade unions, Rajawasa Welfare Society, Staff Officers' Association, Seva Vanitha Unit, on matters widely affecting employee interests.

(Amounts within brackets refer to preceding year)

POST BALANCE SHEET EVENTS

There were no significant events after 31 March, 2003, which required any adjustment in the accounts. However, the following events are disclosed in the accounts:

1) Apart from the Agreement signed with Airport & Aviation Services (Sri Lanka) Ltd on 26.09.02/05.11.02 to operate the Duty Free Shop No. 41A/B and Bonded Warehouse No. 76 at the Bandaranaike International Airport in Katunayake, the following agreements were signed after the end of the year under review: This shop will be operated as a Joint Venture Company with Abans Ltd, No. 498, Galle Road, Colombo-3.

2) An Agreement was signed with Airport & Aviation Services (Sri Lanka) Ltd on 23.04.03/02.05.03 to operate the Duty Free Shop No. 46A/A and Bonded Warehouse No. 75 at the Bandaranaike International Airport in Katunayake. This shop will be operated as a Joint Venture Company with Flemingo International Ltd, Dubai, U.A.E.

3) Joint Venture Agreement with Abans Ltd dated 03.06.03 to operate the DFS No. 41A/B Bonded Warehouse No. 76 at the DFS at BIA in Katunayake, under the name of STC Duty Free (Pvt) Ltd.

4) Joint Venture Agreement with Flemingo International Ltd dated 31.03.03 to operate the DFS No. 46A/A Bonded Warehouse No. 75 at the DFS at BIA in Katunayake, under the name of STC Flemingo Duty Free (Pvt) Ltd.

5) Management Agreement with Abans Ltd dated 03.06.03 to operate the In-House DFS at the STC Head Office at No. 100, Nawam Mawatha, Colombo-2.

6) Management Agreement with Abans Ltd dated 03.06.03 to operate the five retail sales outlets: viz. Head Office at Nawam Mawatha, Mt Lavinia Super Market Complex, Pinnaduwa in Galle, Kurunegala and Jaffna.

AUDITORS

In accordance with the Companies Act, No. 17 of 1982, a resolution proposing the re-appointment of the new Auditors, BDO-Burah, Hathy, Chartered Accountants, as Auditors to this company, will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

Sgd AF Sameer
Company Secretary

10 July, 2003

Report of the Audit Committee

In terms of clause 7.4.1 of the **Public Enterprises Guidelines for Good Governance** (Department of Public Enterprises, Ministry of Finance: June 2003) the Audit Committee submits this report.

The present members of the Audit Committee are as follows:

- 1) **Mr E Arumugam, Chairman**,
Non-Executive Director, STCGTCL (Treasury Representative)
(Director, Department of Public Enterprises, Ministry of Finance)
- 2) **Mr S Kulatunga, Member**
Non-Executive Director, STCGTCL
- 3) **Mr T Shiiraan Nooramith, Member**
Non-Executive Director, STCGTCL
- 4) **Mr SHCN de Silva, Convenor**
Acting Chief Internal Auditor, STCGTCL (upto 08.07.03)

(Messrs BR de Silva & Company: Chartered Accountants: Internal Auditors)

By Invitation:

- 1) **Mr Prabath Gunathunga**, General Manager, STCGTCL
- 2) **Mr KK Biyanwila**, Deputy General Manager (Finance), STCGTCL

The Audit Committee included its first report dated 12 December, 2002 in the Annual Report for the year ended 31st March 2002. Subsequently, the Committee had sat at eight meetings up to end of July, 2003. Important findings and the courses of action taken by the Committee are as follows:

1. Findings:

1.1 The Committee in its first report dated 12.12.2002 (Annual Report 2001/02) stated that a Sales Promotion Assistant had issued on credit Rs 631,530 worth of **Crocodile** brand mammoties to a trader in Galenbindunuwewa, and it has been revealed that the trader in question had defrauded this Company as well as other suppliers, and action had been filed in Courts in Case No. B-1791/02: MC Anuradhapura.

1.2 With regard to the case above, the Committee noted that the same Sales Promotion Assistant had, during the period from 02.06.02 to 27.10.02, issued **Crocodile** brand mammoties for a total value of Rs 3,349,958.36 inclusive of GST, and, as at 05.12.02, there was an outstanding amount of Rs 1,318,748.49, which included the amount of Rs 631,530.

1.3 With regard to the outstanding sum of Rs 1,318,748.49 above-stated, the Committee noted that a sum of Rs 172,691.40 had been collected up to end of July 2003 and a sum of Rs 1,146,057.09 is outstanding. The Police Department had filed plaint incorrectly and the Company lawyer had brought the matter to the notice of the learned Judge. The Judge had ordered the Police to amend the plaint and the Case was postponed to 20 August, 2003.

Action Taken:

The Committee insisted that a responsible officer should represent the Company on the next hearing of the Court case. The Committee also requested to obtain the Court proceedings pertaining to the previous sessions.

2. Findings:

The Committee noted that **Crocodile** brand mammoties were supplied to the Trade Ministry as per the following Invoices.

<u>Date</u>	<u>Invoice No.</u>	<u>Value (Rs)</u>
20.01.99	048514	55,125.00
21.01.99	048542	496,125.00
Total:		<u>551,250.00</u>

Action Taken:

After discussing this matter in detail, the Committee decided to write to the Ministry of Commerce

and Consumer Affairs, requesting the Ministry to pay the amount due. The Board did not pursue further action since it was found that the earlier Board of Directors in 1999 had resolved to offset this amount against sales promotion expenses.

3. Findings:

The Committee observed that, out of the 40-Nos of Generators imported during early 2002, only 29-Nos had been sold.

Action Taken:

The Committee brought the above to the notice of the Board of Directors and action was taken by the relevant trading division to sell them at a reduced price. Cost was covered while a profit was achieved. At present there are only 7-Nos in stock.

4. Findings:

The Committee observed that considerable quantities of **Genra** brand television sets were lying in the STC-bonded warehouse at its Head Office.

Action Taken:

The Committee brought this matter to the notice of the Board, and suggested that this stock be got rid of either by advertising or by disposing them on discounted prices, or requesting the proposed Joint-Venture Company to take over these items.

5. Findings:

The Committee observed that the Company owns altogether 25-vehicles, but there are only 14-chauffeurs.

Action Taken:

The Committee suggested to retain the best vehicles and to sell the other vehicles, and also to have a clear policy on transport. The Committee directed the General Manager to submit a Board Paper suggesting different options in this regard.

6. Findings:

The Committee observed that the **Distributorship Agreement** and the **Co-operative Advertising Agreement** with **The Yokohama Rubber Company Ltd** (the Manufacturer), No. 36-11, Shimbashi 5-chome, Minato-ku, Tokyo, Japan, **Marubeni Corporation** (the Supplier), No. 4-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan, and **STC General Trading Co., Ltd** (the Distributor) for **Yokohama** tyres was not renewed after it was signed on 04.10.99 for the calendar year 1999.

Action Taken:

The Committee directed the General Manager on 26.06.03 to submit a Board Paper in this regard, identifying the officers responsible, and action to be taken for their negligence.

7. Findings:

The Committee noted that an old **Volkswagen Beetle** motorcar No. 6 Sri 5297 is with the Company, which vehicle could be disposed, since it is very rarely used.

Action Taken:

Since the car was a gift to the Company, the Manager (Transport) was requested to write to the Ministry of Finance and obtain a duty waiver, in order to realize at least a marginal profit on disposal.

8. Findings:

The Committee noted the details of stock discrepancies observed at the last Stock Verification held as at 31.03.2002.

Action Taken:

The Committee suggested to develop a system to fix responsibilities and to write off wherever the discrepancies are negligible. The Committee also suggested the introduction of Bar Coding.

28 August, 2003

**Sgd E Arumugam
Chairman, Audit Committee**

BDO Burah, Hathy
Chartered Accountants

Charter House
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo-2, Sri Lanka.
Tel: 91-1-2421878-79-70
Fax: 2336064: email: bdobh@sltnet.lk

AUDITORS' REPORT TO THE MEMBERS OF STC GENERAL TRADING COMPANY LIMITED.

1. We have audited the Balance Sheet of STC General Trading Company Limited as at 31st March, 2003 and the related Statements of Profit and Loss ,Cash Flow and Changes in Equity for the year then ended, together with the Accounting Policies and Notes.

2. Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

3. Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

4. Limitation of Scope

(a) Debtors , Deposits and Prepayments- Rs.109,419,268/-

The above figure includes Trade Debtors amounting to Rs. 96,796,005/-. This has not been reconciled with the individual debtors balances. The difference between the two balances amounted to Rs.39,869,824/-. We are unable to form an opinion as to whether any part of this sum could be realised.

(b) **Creditors & Accruals - Rs.75,441,869/-**

The above figure includes of Rs.32,995,781/- representing creditors. The total of the individual creditors balances is more than that in the control account by Rs.11,080,370/- and as such the company's liability is understated to this extent.

5. **Disagreements**

- a) Most of the financial transactions were effected under the control and supervision of officers employed by STC Management Services (Pvt) Ltd. a subsidiary company. However, no charge has been made in respect of such services. We are unable to ascertain whether any liability exists in this regards.

We also wish to draw your attention to the fact that Rs.1,558,613/- has been advanced to the subsidiary company. The purpose of this advance has not been made clear to us. We are therefore unable to express an opinion as to whether this sum has been properly dealt with in the accounts.

b) **Sri Lanka Accounting & Auditing Standard Act. No. 15 of 1995.**

The following Sri Lanka Accounting Standards have not been followed in preparing the financial statements.

Sri Lanka Accounting Standard No. 3 (Presentation of Financial Statements)

Disclosures have not been made in the financial statements in respect of accounting policies on Deferred Tax, Provision for Bad Debts other than for Trade Receivables, and Deferred Expenditure.

Sri Lanka Accounting Standards No.18(Property, Plant & equipment)

The disclosures required under paragraph 70 (seventy) of the standard in regard to revalued property plant and equipment have not been made.

6. **Opinion**

In our opinion, except for the effect on the financial statements arising from matters referred to in the preceding paragraphs No. 4, 5 and so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March, 2003 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Profit and Loss, Cash Flow and Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with Sri Lanka Accounting Standards, provide the information required by the Companies Act No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March, 2003 and of its loss, cash flow and changes in equity for the year then ended.

7. **Directors' Interest in Contracts with the Company**

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March, 2003.

CHARTERED ACCOUNTANTS

Colombo 2.

17th July, 2003.

SGR/nk

Financial Statements

**Balance Sheets,
Trading and Profit & Loss Accounts
from 1971 to 2002/2003**

GENERAL MEETINGS/AUDITED ANNUAL ACCOUNTS

After the company was established on 10.08.92, the mandatory statutory report dated 01.09.93 was filed in early Oct-93, with the Department of the Registrar of Companies, and thereafter general meetings of the Company were held as follows:

	<u>Date held</u>	<u>Audited Accounts fye tabled</u>
1 st AGM:	25.01.94	Sep-92 to Mar-93
Extraordinary general meeting:	27.12.94	to change the maximum number of directors from 7 to 8 (failed).
2 nd AGM:	11.04.95	31.03.94
Extraordinary general meeting:	28.06.95	to remove 6-directors and appoint 3-directors.
3 rd AGM:	22.12.95	31.03.95
4 th AGM:	20.12.96	31.03.96
5 th AGM:	30.12.97	31.03.97
6 th AGM:	28.12.98	adjourned
6 th reconvened AGM:	28.12.99	31.03.98
7 th AGM:	28.12.99	adjourned
7 th reconvened AGM:	10.08.00	31.03.99
8 th AGM:	21.12.00	adjourned
8 th reconvened AGM:	26.07.01	31.03.00: change of auditors
9 th AGM:	27.12.01	31.03.01
9 th reconvened AGM:	16.01.02	to elect a director appointed by the board (failed).
Extraordinary general meeting:	30.05.02	to alter memorandum & articles on name-change of the company.
10 th AGM:	17.12.02	31.02.02
10 th reconvened AGM:	11.08.03	to elect five directors appointed by the board.
11 th AGM:	noticed for 25.09.03	31.03.03 to be tabled.

**The Secretary to the Treasury
General Treasury, Ministry of Finance
2nd Floor, The Secretariat, Colombo-1**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of STC General Trading Company Limited will be held at its registered office at No.100, Nawam Mawatha, Colombo-2, on Thursday, 25 September, 2003, at 1500-Hrs, and the business to be brought before the Meeting will be:

1. To adopt the Report of the Directors and the Statement of Accounts for the year ended 31 March, 2003,
with the Report of the Auditors thereon.
2. To defer the declaration of a dividend as recommended by the Directors.
3. To elect Mr Yasendra de Silva, by rotation in terms of article-96, a Director and thereafter Chairman.
4. To elect Mr E Arumugam, by rotation in terms of Article 96, a Director.
5. To authorize the Directors to determine contributions to charities subject to Cabinet approval in terms of
PE-Circular No.105 dated 20.11.95 and No.108 dated 21.5.96.
6. To re-appoint BDO, Burah Hathy, Chartered Accountants, as the Auditors and authorize the Directors to
determine their remuneration, after negotiation and determination by the Auditor-General.

Note:

A member is entitled to appoint a proxy to attend and vote instead of himself, and a proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. This instrument appointing a proxy must be deposited at the Registered Office, No. 100, Nawam Mawatha, Colombo-2, by not less than forty-eight hours before the time fixed for the Meeting.

**By Order of the Board
STC GENERAL TRADING COMPANY LIMITED
sgd A F Sameer
Company Secretary
Colombo**

Wed., 03 September, 2003

- cc – (1) Auditors – BDO-Burah, Hathy
(2) Secretary, Ministry of Commerce and Consumer Affairs: f.i.p.
(3) Director-General, Department of Public Enterprises: f.i.p
(4) Board of Directors

FORM OF PROXY

STC GENERAL TRADING COMPANY LIMITED, 100 Nawam Mawatha, Colombo-2

We.....

of.....

being a member/members* of STC GENERAL TRADING COMPANY LIMITED hereby appoint

- | | | |
|------------------------------------|---------------|-------------|
| 1) YASENDRA DE SILVA | of Mt Lavinia | failing him |
| 2) ELIATHAMBY ARUMUGAM | of Colombo | failing him |
| 3) PROF. LAL GOTABHAYA CHANDRASENA | of Colombo | failing him |
| 4) SAMUEL CLIVE DE SILVA | of Kotte | failing him |
| 5) JEEWAKA HEMAL EDIRISINGHE | of Colombo | failing him |
| 6) SUGATHADASA KULATUNGA | of Colombo | failing him |
| 7) TUAN SHIRAAN NOORAMITH | of Nawala | failing him |

of.....

as my / our* proxy to represent me / us* and on my / our* behalf at the **ELEVENTH ANNUAL GENERAL MEETING OF THE COMPANY** to be held on **Thursday, 25 September, 2003, at 1500-Hrs**, and at any adjournment thereof, and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
1. To adopt the Report of the Directors and the Statement of Accounts for the year ended 31 March, 2003, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To defer the declaration of a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr Yasendra de Silva, who retires by rotation in terms of Article-96, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr E Arumugam, who retires by rotation in terms of Article-96, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine contributions to charities subject to Cabinet approval in terms of PE-Circular No.105 dated 20.11.95 and No.108 dated 21.5.96.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint BDO, Burah Hathy, Chartered Accountants, as the Auditors and authorize the Directors to determine their remuneration, after negotiation and determination by the Auditor-General.	<input type="checkbox"/>	<input type="checkbox"/>

Note: The proxy may vote as he/she thinks on any other resolutions brought before the Meeting.

As witness my hand/our hands* this.....day of.....2003.

***Please delete inappropriate words.**

Full Name & Address:

.....
Signature

Note:

a) A member is entitled to appoint a proxy to attend and vote instead of himself/herself.

b) If words are deleted or there is in view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he/she thinks fit.

Instructions on Completing Proxy Form

1) Perfect the Form of Proxy after filling in legibly your full name and address, and by signing in the space provided, and filling in the date of signature.

2) The completed Form of Proxy should be deposited at the Registered Office of the Company, 100, Nawam Mawatha, Colombo-2, not less than 48-hours before the appointed time for the holding of the Meeting.

STC GENERAL TRADING COMPANY LIMITED**BALANCE SHEET - 31ST MARCH 2003**

		<u>31.03.2003</u>	<u>31.03.2002</u>
		<u>RS.</u>	<u>RS.</u>
<u>CAPITAL & RESERVES</u>			
AUTHORISED CAPITAL		100,000,000.00	100,000,000.00
CALLED UP & PAID UP SHARE CAPITAL		100,000,000.00	100,000,000.00
FIXED ASSETS , REVALUATION SURPLUS		339,271,640.09	1,502,053.40
GENERAL RESERVES		45,607,646.27	45,607,646.27
		(100,398,439.37)	(51,146,595.25)
		384,480,846.99	95,963,104.42
<u>LONG TERM LIABILITIES</u>			
LEASE CREDITOR	NOTE 15	621,757.72	1,060,648.44
<u>PROVISION FOR NON CURRENT LIABILITIES</u>			
TERMINAL BENEFITS	NOTE 06	29,414,796.25	36,286,467.10
		414,517,400.96	133,310,219.96
<u>FIXED ASSETS</u>			
TANGIBLE ASSETS	NOTE 07	390,344,785.11	54,095,358.76
INVESTMENT IN SHARES		20.00	20.00
		390,344,805.11	54,095,378.76
<u>CURRENT ASSETS</u>			
STOCKS	NOTE 08	133,210,783.98	170,817,095.96
INVESTMENT IN FIXED DEPOSITS			
DEBTORS , DEPOSITS & PREPAYMENTS	NOTE 09	109,419,268.15	107,971,573.39
DEFERRED EXPENDITURE	NOTE 10	597,255.20	575,218.27
CASH-AT -BANK & IN HAND	NOTE 11	1,405,867.22	4,089,567.35
		244,633,174.55	283,453,454.97
<u>CURRENT LIABILITIES</u>			
BANK OVERDRAFT	NOTE 12	83,836,423.61	85,698,287.67
CREDITORS	NOTE 13	75,441,868.94	70,736,153.21
TRUST RECEIPTS LOANS	NOTE 14	60,743,397.15	47,365,283.89
LEASE CREDITOR	NOTE 15	438,889.00	438,889.00
		220,460,578.70	204,238,613.77
NET CURRENT ASSETS		24,172,595.85	79,214,841.20
TOTAL ASSETS LESS CURRENT LIABILITIES		414,517,400.96	133,310,219.96

1.) YASENDRA DE SILVA }
Chairman }
2.) E . ARUMUGAM }
Director }

Date :

STC GENERAL TRADING CO . LTD

CASH FLOW STATEMENT FROM 01st APRIL 2002 TO 31st MARCH 2003

	Rs . 000 <u>2002 / 2003</u>	Rs . 000 <u>2001 / 2002</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<i>Cash Receipts from Customers</i>	613,698	652,954
<i>Cash Paid To Suppliers & Employees</i>	<u>(595,630)</u>	<u>(637,001)</u>
<i>Cash Generated From Operations</i>	18,068	15,953
<i>Advances to Subsidiaries</i>	(4,627)	-
<i>Interest Paid</i>	(25,447)	(31,201)
<i>Income Tax Paid</i>	<u>-</u>	<u>-</u>
	(12,006)	(15,248)
<i>Cash Flow Before Extra Ordinary Items</i>		
<i>Extra Ordinary Items</i>	-	<u>-</u>
<i>Net Csh From Operating Activities</i>	(12,006)	(15,248)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
<i>Purchase Of Equipment</i>	(1,158)	(689)
<i>Proceeds From Sale Of Equipment</i>	627	666
<i>Interest Received</i>	-	-
<i>Dividends Received</i>	-	<u>-</u>
<i>Net Cash Used In Investing Activities</i>	(531)	(23)
<u>Cash Flows From Financing Activities</u>		
<i>Payment of Lease Liabilities</i>	(684)	(399)
<i>Dividends Paid</i>	-	-
<i>Cash flows from Short Term Loans</i>	12,400	6,529
<i>Net Cash Used In Financing Activities</i>	11,716	6,130
<i>Net Increase / Decrease In Cash & Cash Equivalents</i>	(821)	(9,141)
<i>Cash And Cash Equaivalents At Beginning Of Period</i>	(81,609)	(72,468)
<i>Cash And Cash Equivalents At End Of Period (Note A)</i>	<u>(82,430)</u>	<u>(81,609)</u>
<u>Note A : Analysis of Cash & Cash Equivalents At End Of Period</u>		
Bank Overdraft	(83,836)	(85,697)
Bank & Cash Balances	1,398	4,082
Stamp	<u>8</u>	<u>6</u>
<i>Cash And Cash Equivalents At End Of Period</i>	<u>(82,430)</u>	<u>(81,609)</u>

Year	Sales Turnover	Less Business Turnover Tax [BTT]	Net Sales	Less Cost of Sales	Gross Profit	Add Other Operating Income	Total	Less Admin/S&D/R&D Exp	Profit B4 Interest	Less Bank Interest	Net Operating Profit	Add Other Income	Net Profit B4 Tax	Less Tax	Net Profit/Loss After Tax	Less Consol.Fund	Less Deemed Div.Tax	Less Prop.Div.	Employees
SLST[G]C	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	Rs-mn	No.
Jan-Dec 1971	44.418	0.322	44.096	37.347	6.749	0.103	6.852	1.857	4.995	0.733	4.262		4.262	2.557	1.705	1.000			443
1972	99.274	0.758	98.516	76.443	22.073	0.221	22.294	3.887	18.407	1.367	17.040		17.040	10.224	6.816	4.000			440
1973	80.759	0.715	80.044	63.128	16.916	0.206	17.122	3.407	13.715	0.635	13.080		13.080	7.848	5.232	4.000			459
1974	112.977	0.855	112.122	90.338	21.784	0.223	22.007	4.762	17.245	0.056	17.189		17.189	10.314	6.875	5.000			455
1975	200.897	1.222	199.675	166.372	33.303	0.383	33.686	5.386	28.300	0.749	27.551		27.551	17.168	10.383	5.000			466
1976	165.746	1.564	164.182	130.087	34.095	0.234	34.329	5.610	28.719	0.388	28.331		28.331	17.000	11.331	5.000			490
1977	249.684	2.072	247.612	224.493	23.119	0.265	23.384	5.838	17.546	1.665	15.881		15.881	9.529	6.352	4.000			503
1978	373.791	2.724	371.067	325.193	45.874	0.400	46.274	7.396	38.878	5.116	33.762		33.762	16.881	16.881	5.000			
1979	305.401	2.622	302.779	261.283	41.496	2.228	43.724	8.710	35.014	4.774	30.240		30.240	15.120	15.120	0.000			508
1980	400.173	3.579	396.594	346.761	49.833	3.513	53.346	12.763	40.583	5.677	34.906		34.906	17.200	17.706	4.934			
1981	248.818	4.561	244.257	195.518	48.739	2.734	51.473	14.892	36.581	7.493	29.088		29.088	14.544	14.544	5.000			516
1982	184.236	6.665	177.571	135.372	42.199	6.807	49.006	23.645	25.361	5.181	20.180		20.180	10.090	10.090	0.125			538
1983	218.610	6.903	211.707	162.358	49.349	6.215	55.564	47.754	7.810	5.983	1.827		1.827	0.913	0.914	0.457			543
1984	205.848	1.928	203.920	160.270	43.650	4.822	48.472	26.562	21.910	6.781	15.129		15.129	7.564	7.565	3.782			517
1985	240.650	2.957	237.693	184.790	52.903	3.231	56.134	30.447	25.687	6.610	19.077	1.176	20.253	10.126	10.127		2.531		490
1986	272.064	3.331	268.733	222.055	46.678	3.150	49.828	33.427	16.401	10.810	5.591	0.276	5.867	2.933	2.934		0.733		496
1987	266.654	2.754	263.900	207.080	56.820	7.211	64.031	37.498	26.533	10.544	15.989	0.594	16.583	8.291	8.292		2.033		499
1988	294.046	2.940	291.106	234.519	56.587	4.312	60.899	41.629	19.270	10.168	9.102	1.143	10.245	5.122	5.123		1.281		419
1989	346.798	3.468	343.330	288.279	55.051	7.793	62.844	37.528	25.316	13.546	11.770	2.083	13.853	6.927	6.926		1.732		512
1990	450.568	4.269	446.299	345.959	100.340	3.584	103.924	56.453	47.471	9.967	37.504	1.006	38.510	19.255	19.255		4.814		483
1991	566.894	5.338	561.556	419.717	141.839	1.235	143.074	71.229	71.845	14.031	57.814	1.620	59.434	36.884	22.550		8.018		499
Jan-Aug 1992	369.103	4.277	364.826	286.945	77.881	0.781	78.662	49.241	29.421	2.318	27.103	1.191	28.294	18.902	9.392		5.022		493
LGTCL																			
Sep92/Mar93	357.030	2.452	354.578	265.490	89.088	1.136	90.224	46.906	43.318	1.660	41.658	1.933	43.591	28.960	14.631			0.000	485
Apr93/Mar94	651.639	6.242	645.397	534.992	110.405	1.962	112.367	81.188	31.179	9.665	21.514	5.667	27.181	15.217	11.964			2.000	486
1994-95	675.778	5.267	670.511	537.406	133.105	0.176	133.281	90.777	42.504	11.925	30.579	9.408	39.987	21.601	18.386			5.000	481
1995-96	742.663	6.001	736.662	591.217	145.445	1.891	147.336	109.803	37.533	8.771	28.762	6.779	35.541	18.594	16.947			9.250	528
1996-97	792.101	6.348	785.753	627.650	158.103	1.085	159.188	137.314	21.874	9.324	12.550	8.418	20.968	16.569	4.399			1.000	515
1997-98	829.192	6.733	822.459	666.034	156.425	1.146	157.571	135.410	22.161	13.023	9.138	6.429	15.567	8.965	6.602			1.000	574
1998-99	657.975	6.188	651.787	514.734	137.053	2.737	139.790	130.720	9.070	13.661	-4.591	9.013	4.422	2.211	2.211			1.000	573
1999-00	670.360	6.607	663.753	513.285	150.468	2.618	153.086	136.100	16.986	20.388	-3.402	4.385	0.983	2.352	-1.369			0.000	550
2000-01	654.211	6.593	647.618	527.968	119.650	2.228	121.878	131.297	-9.419	20.320	-29.739	3.413	-26.326	0.000	-26.326			0.000	551
2001-02	516.348	5.245	511.103	424.324	86.779	5.483	92.262	160.602	-68.340	29.351	-97.691	4.506	-93.185	0.000	-93.185			0.000	520
2002-03	506.883	5.240	501.643	425.056	76.587	4.639	81.226	120.421	-39.195	25.447	-64.642	6.586	-58.056	0.000	-58.056			0.000	435
	Note: From 1990, sales turnover is inclusive of consignment sales.																		
	Fuel Sales from 02.08.94 to 01.04.98: 94/95: Rs 31.9mn: 95/96: Rs 71.7mn: 96/97: Rs 94.4mn: 97/98: Rs 107.6mn																		

PRINCIPAL ACCOUNTING POLICIES

1 General

1.1 Accounting conventions of the financial statements of the Company are prepared in accordance with the Sri Lanka accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka.

1.1.2. No adjustment have been made for inflationary factors affecting the financial statement.

1.1.3. Where appropriate significant policies are explained in succeeding notes.

1.2 Post balance Sheet events

All material events occurring after the balance sheet date have been considered and where necessary appropriate adjustments or disclosures have been made in the financial statements.

1.3 Responsibility of financial statements

The Board of directors of the company is responsible for the preparation and presentation of the financial statements .

1.4 Basis of preparation

The financial statements are prepared on historical cost basis .

1.5 Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the company and revenue can be reliably measured.

1.5.1 Sale of goods

Revenue from sale of goods are recognized at the point of transferring the significant risk and reward of ownership which occurs at the point of sale .

1.5.2 Other Income

Other income is recognized on an accrual basis.

1.6 Amortization of deferred expenditure

The deferred expenditure is written off over a period 05 years commencing from the year in which the expenditure is incurred.

1.7 Other receivables

This has been decided by the board on very old receivables and no specific policy is adopted .

1.8 Business Segment Reporting

A segment is a distinguishable component of the company that is engaged in providing service to different class of customers within a particular economic environment which is subject to risk and rewards that are different from those of other segment .

2. Property - Plant and Equipment

2.1 Property plant and Equipment

Items of property , Plant and equipment are stated at cost of acquisition or of completion together with any expenses incurred in bringing the items to their working condition for intended use or at valuation less accumulated depreciation .

2.1.1 a)Re - valuation

Fixed assets were re-valued as at 31/ 12 / 1989 , by professionally , qualified valuer On conversion of the corporation , the fixed assets have been taken by the company formed to be the successor to the corporation and converted in terms of conversion of public corporations / government .Owned Business undertakings into public Companies Act No. 23 of 1987 .

Name of the Valuer and the Qalifications

Mr. Quentin Jayathilake
Registered Senior Assessment Government Valuer

Valuer member of Land Assessment Asque . Board of Revive

D.L.V.(Ceylon) ,F.I.V..Sri Lanka ,A.M.I.E.T. London"

Method of Valuation

Investment or Rental income method

Property bearing assessment No No . 100, Hyde Park Corner , Colombo - 02

No . 119, Wekanda Road , Colombo - 02 .

No.266, Vaxhall Street,Colombo - 02 .

No. 163, 1A , Kotte Road , Rajagiriya .

b) Land & Buildings were re – valued in October 2002 , by professionally qualified valuer and relevant values are incorporated in financial statements at 31st March 2003 .

Name of the Valuer and the Qalifications

Mr. B.J.B.Kariyawasam
Incorporated Valuer
Senior Certified valuer – International Real Estate Institute
(U.S.A.)

DIAg , DIV, FIV(Sri Lanka)

Method of Valuation

Investment or Rental income method

Property bearing assessment No No . 100A, Park Street , Colombo - 02

No . 100 & 100A, Nawam Mawatha , Colombo - 02 .

No.268, Vaxhall Street,Colombo - 02 .

No. 274, Sri Jayawardanapura Mawatha , Welikada ,

Rajagiriya

<u>BUILDINGS</u>	100,Nawam MV	100A,Hyde Park Corner	274,Rajagiriya	268,Vauxhall Street
W/D Value/Cost				
Prior to Re-Valuation	504,633.91	1.00	1,986.55	-
Value at Re-Valuation	32,593,500.00	1,818,500.00	15,000,000.00	2,166,000.00

<u>LAND</u>	100,Nawam MV	100A,Hyde Park Corner	274,Rajagiriya	268,Vauxhall Street
W/D Value/Cost				
Prior to Re-Valuation	32,100,000.00	6,452,250.00	5,215,997.10	2,014,544.75
Value at Re-Valuation	214,520,000.00	32,733,000.00	67,900,000.00	17,328,000.00

2.1.2 Depreciation

The charge for depreciation on assets commence in the year of purchase or Completion of construction of the assets and is provided for on a consistent basis for a period appropriate to the estimated lives of the different types of assets . No depreciation is charged during the year of sale . No depreciation is charged on the free hold land .The principal annual rates applied for this purpose which are consistent with that of last year are :

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

2.1.3 Assets pledged as security

100 , Nawam Mawatha Colombo .02 . }	For over draft facility of 60 million .Peoples
268 , Vauxhall Street , Colombo .02 . }	Bank , International Division .
274 , Sri Jayawardanapura MV , }	For LC 40 million , Loans 40 million .&
Welikada , Rajagiriya . }	OD 10 million , Nation Trust Bank .

Stock Mortgage	For short terms loans
	Peoples Bank & Sampath Bank

2.1.4 Assets purchased under lease terms

Assets purchased under operating lease are capitalized in terms of SLAS 19 Accounting for lease .

2.2 Investments :

Investments are taken at the cost & no adjustment has been made to reflect any diminution in current value .

2.3 Stocks :

- i) Stocks have been stated at the cost of weighted average basis. The values of stock items have been determined after physical verification. The value of stocks held for more than four years amounting to Rs. 4,703,725.05 have been charged to the accounts, the cumulative position of provision that has been made in respect of slow moving & non moving stocks are as follows .

Stock purchased during the year	-	Nil
Stock purchased & held for more than 1 - year	-	25%
Stock purchased & held for more than 2 – years	-	50%
Stock purchased & held for more than 3 - years	-	75%
Stock purchased & held for more than 4 - years	-	Fully written off

No provision was made for damaged stocks during this financial year .

i) Stock held in Trust:

At the balance sheet date , the company held goods to the value of Rs.0.2 m approximately belonging to outside parties for sale or return basis .

2.4 Debtors :

Debtors less than two years are stated at the estimated realizable value after making provision of 25% for bad & Doubtful Debts. A provision of 100% made for the Debtors for more than two years .

2.5 Foreign Currency

Foreign currency float of duty free shop has been valued at closing rates on Balance Sheet date .

2.6 Cash and cash equivalents

Cash and cash equivalent are defined as cash in hand ,demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value .

For the purpose of cash flow statement cash and cash equivalent consists of cash in hand, stamps, net of outstanding bank overdraft and converted foreign currency .

3 Liabilities and Provisions

3.1 Terminal Benefits :

Provision is made in the accounts for terminal benefits payable under the payment of Gratuity Act No .12 of 1983 for all qualifying employees . The employees Qualify for this benefit on commencement of service with the company .

3.2 Taxation

The charge for taxation is based on the results for 12 months as adjusted for disallowable items and no charge for the financial year under consideration.

4 Corporate Information

4.1 Domicile and Legal Form

The STC General Trading Co. Ltd is the changed name of Lanka General Trading Co . Ltd which is converted under the conversion of public companies Act No.23 of 1987.This is the successor to the Sri Lanka State Trading (General) Corporation which was established under the Sri Lanka State Trading Act No. 33 of 1970 and domiciled in Sri Lanka the Registered office of the company and the principal place of business is situated at No 100 , Nawam Mawatha , Colombo 02 .

4.2 Number of Employees

The total number of employees employed by the company at the year end was 435

4.3 Directors interest in contracts

The directors of the company were not directly or indirectly interested in any Contract or proposed contract with the company .

1 GROSS PROFIT RATIO

GP Ratio continues to come down from previous year of 16.9% to 15.2% . The effect of difference of 1.7% on total sales is Rs.8.5 Mn.

2 INTEREST CHARGES

The total interest charges has come down from 29.3 m. to 25.4 m. This is due to 1.5% reduction of bank charges in January 2003 as well as regulated ordering system .

3 SELLING & DISTRIBUTION EXPENSES

The total decrease in Selling & Distribution expenses by Rs. 21.0 m. is mainly due to decrease in provision for Damaged & slow moving stock by Rs. 22.0, decrease in rent by Rs. 2.5m., bonus by Rs. 1.2m. & attendance incentive by Rs. 1.8m. Increase in sales rep, dealer commission by Rs.1.2m.

4 ADMINISTRATION & ESTABLISHMENT EXPENSES

The decrease is mainly due to the decrease in salaries by 2.4 m., OT and special allowances by Rs. 1.5m., attendance incentive by Rs.2.3m., bonus by Rs.2.0m. and provision for gratuity by Rs.4.2m.

5 FRANCHISE DEBTS

The debts which may arise on sales made to franchise dealers are guaranteed by unconditional bank guarantees.

6 VALUE ADDED TAX

VAT paid at the point of importation will be recovered from customers when sales are made to them and VAT on local purchases are not separated for recovery purposes.

7 PROVISION FOR BAD DEBTS

It has been arrived at the current figure for the above provision after considering the debt settlements between 1st April and 21st May 2003 with a view to indicate the realistic position.

8 CONTINGENT LIABILITIES

District Court of Colombo

- a) A claim of Rs. 585339.69 had been made under the court case no 18074 MR against the company by one of our dealers.
- b) A claim of Rs.750,000 had been made under case no 24082MR against the company by L.E.Berenger.

Magistrate Court Colombo

A case filed by eight sales promotion assistants under case no 44778 on EPF arrears amounting to Rs.1,333,292.58. The company filed a writ application against the order of the labour commissioner at court of appeal under case no.CA – 879/97 .

Labor Tribunal

There are eight labor tribunal cases which are pending and the amount of liability on them , if any , will be decided by the court .

9 SHARE CAPITAL

Authorized	31.03.2002	31.03.2001
10,000,000 ordinary shares of Rs . 10/-each	100,000,000	100,000,000
Issued and fully paid 10,000,000 Ordinary shares Rs.10 / each	100,000,000	100,000,000

10 FORMATION OF SUBSIDIARIES

Two subsidiary companies are formed during the year under consideration with a view to diversify the business and enhance the performance of the present business .

Name of the Company	Date of incorporation	No of Shares Rs. 10 each	Value of Authorized Share capital
STC Management Services Ltd .	08.08.2002	1,000,000	10,000,000
STC Medical Ltd .	02.09.2002	5,000,000	50,000,000

11) CESSATION OF BUSINESS

Agency Post Office was closed in April 2002 due to poor performance .

12) CHANGE OF NAME

The name of the Co. Lanka General Trading Co. Ltd has been changed into STC General Trading Co. Ltd .

13) REORGANIZATION

The board of directors intends to reorganize the company by offering a voluntary retirement scheme and reduce the overdraft levels by selling one or more properties for smooth operation of the business

14) POST BALANCE SHEET EVENTS

i) The board of directors decided to open twelve super market shops within the forthcoming year to enhance the sales of the organization in order to break even the current loss .

ii) The agreements with Airport & Aviation Services to operate Duty Free Shops No.41 A/B & bonded where house no. 76 and DFS no. 46A / A and bonded where house no. 75 .

iii) Management agreement with Abans Ltd .to operate In-House Duty Free Shop at Head office No.100 , Nawam Mawatha , Colombo – 02.

iv) Management agreement with Abans Ltd. to operate five retail sales outlet viz. Head office, Mt.Lavinia , Pinnaduwa , Kurunegala & Jaffna .

v) Joint venture agreement with Abans Ltd .to operate DFS No.41 A/B, Bonded where house No.76 at Bandaranayake Air Port .

15) NSL CLAIM

The company lodged a claim of Value Added Tax input credit on NSL in unsold stocks with the Inland Revenue for Rs . 3,605,477.77 which has not yet been materialized . This amount has not been accounted since this has not been finalized .