



# SLAASMB

Sri Lanka Accounting and Auditing  
Standards Monitoring Board

Enhancing Reliability



ANNUAL REPORT 2012

The Sri Lanka Accounting and Auditing Standards Monitoring Board was established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The function of the Board is to monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises. (See page 38)

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# Members of the Board

## Chairman

Nominee of the Governor,  
Central Bank of Sri Lanka

P. Samarasiri B.A. (Hons.), M.A. (Economics)  
Assistant Governor, Central Bank of Sri Lanka

## Ex Officio Members

D.K. Hettiarachchi LLB, Attorney-at-Law (*up to 31 December 2012*)  
D.N.R. Siriwardena B.A. (Hons.), Attorney-at-Law, LLB (*w.e.f. 1 January 2013*)  
Registrar General of Companies  
Mrs. M. Samarasekera BSc, MPM  
Commissioner General of Inland Revenue

## Nominees

The Institute of Chartered Accountants of  
Sri Lanka (ICASL)

S. Rajapakse MBA, FCA  
President - ICASL  
Partner, BDO Partners  
A. Herath B.Sc., MBA, FCA  
Vice President - ICASL  
Partner, Ernst & Young  
D.T.S.H. Mudalige FCA, FCMA (UK), FCCA, FCPA  
Past President - ICASL  
Partner, PricewaterhouseCoopers

Chartered Institute of Management  
Accountants of UK (Sri Lanka Division)

C.L.K.P. Jayasuriya FCMA (UK), FCCA (*up to 31 December 2012*)  
Chairman and Managing Director - Finlays Colombo PLC  
V.M. Gunatilleka MBA, FCA, FCMA (UK), FCPA (*w.e.f. 22 January 2013*)  
Chief Corporate Officer/Director - Aitken Spence Group Ltd.

Bar Association of Sri Lanka

F.N. Goonewardena Attorney-at-Law, MBA, ACA, ACMA (UK), CFA  
Partner, Nithya Partners

Ceylon Chamber of Commerce

Ms. N. Sivapragasam FCA, FCMA (UK)  
Chief Financial Officer - Aitken Spence PLC

Federation of Chambers of Commerce and  
Industry of Sri Lanka

W.K.H. Wegapitiya B.Sc., MBA  
Chairman - Laugfs Holdings Ltd.

Sri Lanka Banks' Association

R. Theagarajah MBA (Cranfield), FCA, FCMA (UK)  
Former Managing Director/Chief Executive Officer - Hatton National Bank PLC

University Grants Commission

Mrs. K.S.T.S. Jayasooriya ACA  
Bursar - University of Colombo

## Secretary to the Board

A.S. Ratnayake FCA, FCMA (UK), ACCA, CMA, FCMI, FCMA, CGMA  
Director General

## Members of the Board



**P. Samarasiri** - *B.A. (Hons.), M.A. (Economics)*

Mr. Samarasiri, Chairman of the Board since 2009 is an Assistant Governor of Central Bank of Sri Lanka. He is also the Secretary of the Monetary Board of the Central Bank of Sri Lanka and counts over 30 years in service at the Central Bank. His wide range of expertise includes economics, financial stability and regulation. He has authored articles and books in the fields of economics, banking and financial regulation.



**F.N. Goonewardena** - *Attorney-at-Law, MBA, ACA, ACMA (UK), CFA*

Mr. Goonewardena is a founder partner of the Law Firm, Messrs Nithya Partners. He possesses a wide array of specialties along with diversified work exposure at the Attorney General's Department and at Ernst & Young (Tax). He specialises in areas of financial law - mergers and acquisitions, issuances of debt and equity, taxation, securitisation and derivatives.



**V.M. Gunatilleka** - *MBA, FCA, FCMA (UK), FCPA*

Mr. Gunatilleka, the Chief Corporate Officer/Director of Aitken Spence Group Ltd., counts over 25 years of experience in local and overseas industries. He holds a certification in Six Sigma.

He serves as the Vice Chairman of the Governing Board of the Sri Lanka Division of the Chartered Institute of Management Accountants of UK (CIMA).



**A. Herath** - *B.Sc., MBA, FCA*

Mr. Herath is a partner at Ernst & Young. He is also the Vice President of The Institute of Chartered Accountants of Sri Lanka (ICASL).

He has served as an Independent Director and member of the Audit Committees of many companies in Sri Lanka and is presently a member of the task force appointed by the Board of Investment in Sri Lanka to develop the Dairy Industry.



## Members of the Board

Not in Picture

**D.K. Hettiarachchi** - LLB, Attorney-at-Law

Mr. Hettiarachchi, an Attorney-at-Law and a Law Graduate of the University of Colombo was the Registrar General of Companies. He had served the Department of Registrar of Companies for over 24 years and has been the Registrar of Companies since 1997. He is also an Ex officio Member of Securities and Exchange Commission of Sri Lanka.



**Ms. K.S.T.S. Jayasooriya** - ACA

Ms. Jayasooriya is the Bursar of the University of Colombo. Previously she has served in the Auditor General's Department as an Audit Superintendent. She has had training in India and UK and possesses work experience in the public sector.

Not in Picture

**C.L.K.P. Jayasuriya** - FCMA (UK), FCCA

Mr. Jayasuriya is the Chairman and Managing Director of Finlays Colombo PLC. He is also the Chairman of the Mercantile Service Provident Society, immediate past Chairman of the Employers' Federation of Ceylon, a Director of the Employees Trust Fund Board, a member of the Governing Board of the Sri Lanka division of the Chartered Institute of Management Accountants of UK (CIMA) and a committee member of the Ceylon Chamber of Commerce.



**D.T.S.H. Mudalige** - FCA, FCMA (UK), FCCA, FCPA

Mr. Mudalige, the immediate Past President of The Institute of Chartered Accountants of Sri Lanka (ICASL), has served the Council of the ICASL since 1999. He is a partner at PricewaterhouseCoopers. He has a wide range of exposure working in large public listed companies in Sri Lanka and overseas.

Mr. Mudalige served as a Board Member of the Governing Board of the Sri Lanka Division of the Chartered Institute of Management Accountants of UK (CIMA) and serves in several regulatory bodies and in statutory committees.

## Members of the Board



**S. Rajapakse** - *MBA, FCA*

Mr. Rajapakse, the President of The Institute of Chartered Accountants of Sri Lanka (ICASL) is the Managing Partner of BDO Partners. He is a Board Member of the South Asian Federation of Accountants (SAFA) and the Technical Advisor to the Confederation of Asian Federation of Accountants (CAPA). Mr. Rajapakse is also a committee member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka.

Not in Picture

**Ms. M. Samarasekera** - *B.Sc., MPM*

Ms. Samarasekera the Commissioner General of Inland Revenue counts over 34 years of service at the Department of Inland Revenue. She has had overseas training in diverse aspects of tax administration.



**D.N.R. Siriwardena** - *B.A. (Hons.), Attorney-at-Law, LLB*

Mr. Siriwardena, the Registrar General of Companies counts over 25 years of service at the Department of Registrar of Companies. He being an Attorney-at-Law, has obtained degrees in law and geography and is currently awaiting results of the LLM Degree from the University of Colombo. He is also an Ex officio member of Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accounts of Sri Lanka.



**Ms. N. Sivapragasam** - *FCA, FCMA (UK)*

Ms. Sivapragasam is the Chief Financial Officer of the Aitken Spence Group and serves on the Boards of several companies in the Group.

She serves as a Board Member of the Governing Board of the Sri Lanka Division of the Chartered Institute of Management Accountants of UK (CIMA) and in several regulatory bodies and in statutory committees.

## Members of the Board



**R. Theagarajah** - *MBA (Cranfield), FCA, FCMA (UK)*

Mr. Theagarajah the former Managing Director/Chief Executive Officer of Hatton National Bank PLC, counts over 28 years of experience in banking, both in Europe and in Sri Lanka. He also serves on the Boards of several companies in the Group.

He serves as a Board Member of the Governing Board of the Sri Lanka Division of the Chartered Institute of Management Accountants of UK (CIMA) and in several regulatory bodies and in statutory institutions and committees.

Mr. Theagarajah being a Past Chairman of the Sri Lanka Banks' Association and Past President of the Association of Professional Bankers is the first Sri Lankan to assume the Chairmanship of the Asian Bankers' Association.



**W.K.H. Wegapitiya** - *B.Sc., MBA*

Mr. Wegapitiya is the founder and the Executive Chairman of Laugfs Holdings Limited. Apart from his wide array of business exposure, he has had the opportunity of following an Energy Management course from the Oxford University Energy School of London.

Mr. Wegapitiya is the recipient of the Entrepreneur of the Year 2006 - National Platinum Award and the Asian Leadership Award for Excellence in Entrepreneurial Excellence - 2007 conducted by Asian Grip Leadership Organisation of India.



**A.S. Ratnayake** - *FCA, FCMA (UK), ACCA, CMA, FCMI, FCMA, CGMA*  
*Director General/Secretary to the Board*

Mr. Ratnayake joined the Board as its first Director General in 1998. He is a prize winner both at the final examination for chartered accountancy as well as at the postgraduate level. Throughout his career he has been actively involved in contributing to the accountancy profession both locally and internationally. Prior to joining the Board, Mr. Ratnayake has served in a number of private sector enterprises in Sri Lanka and in multinational companies abroad in diverse range positions, including as CEO and CFO, and has served as a member of the Board in some of those companies.



## Technical Staff of the Board



**A.S. Ratnayake**  
FCA, FCMA (UK), ACCA, CMA, FCMI,  
FCMA, CGMA  
Director General



**Ms. Anusha I. Mohotti**  
FCA, FCMA (UK), BBA (Hons.)  
Deputy Director General



**Ms. Hafsa Banu Razzak**  
ACA, CIMA (Passed Finalist)  
Technical Manager



**Ms. W.G. Eranga Amarasinghe**  
ACA, B.Sc. (Acc) Sp. (Hons.) MBS (Colombo)  
Technical Manager



**Ms. Mahesha Lakmalie Hewage**  
ACA  
Technical Manager



**Ms. Kalani Hettiarachchi**  
ACA, B.Sc. (Acc) Sp. (Hons.)  
Assistant Technical Manager



**Ms. L. Wathsala Mallawarachchi**  
ACA, B.Sc. (Acc) Sp. (Hons.)  
Assistant Technical Manager



**Ms. Dilinika Menmendaarachchi**  
ACA, B.Sc. (Acc) Sp. (Hons.)  
Assistant Technical Manager

## Technical Staff of the Board



**Ms. Gayani L. Perera**

*FCA, MBA (Finance)*

*Technical Manager*



**Ms. Asha Ahamath**

*ACA*

*Technical Manager*



**Ms. Monita N. Bandara**

*ACA, BB Mgt. (ACC)*

*Technical Manager*



**Ms. D.M. Nilanthi Danadeni**

*ACA, BBA (Acc) Sp. (Hons.)*

*Assistant Technical Manager*



**Ms. Randima De Silva**

*ACA, B.Sc. (Acc) Sp. (Hons.)*

*Assistant Technical Manager*



**Ms. Ishari Manushka Silva**

*ACA, BBA (Acc) Sp. (Hons.)*

*Assistant Technical Manager*



# Review of Activities

## 1. Introduction

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) was established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Based on the definitions and criteria laid down by the Act, certain institutions are identified as specified business enterprises (SBEs - See page 38 for definition of SBEs). These institutions are required to comply with Sri Lanka Accounting Standards and the auditors of such enterprises are required to comply with Sri Lanka Auditing Standards. The Act requires such enterprises to submit their annual audited financial statements to SLAASMB to enable SLAASMB to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards. SLAASMB carries out its function by reviewing financial statements received, reviewing audits, conducting investigations on failure to comply with standards and taking appropriate corrective action with regard to deviations from standards by SBEs and auditors. In order to facilitate its functions, SLAASMB provides financial assistance by way of an annual grant to the Institute of Chartered Accountants of Sri Lanka for setting standards, and maintains relations with relevant international organisations. A brief description of the main operations and activities of SLAASMB carried out to discharge its statutory functions during the year is given below.

## 2. Review of Financial Statements

**2.1** 1,313 institutions were identified as SBEs as at 31 December 2012. During the year, 1,443 sets of financial statements from 1,253 SBEs were received and reviews of 302 sets of financial statements relating to 295 SBEs selected on a sample basis were completed. Samples were selected from different categories of SBEs depending on the importance of reviewing such SBEs. (213 sets of financial statements relating to 195 SBEs were reviewed during the previous year).

Significant deviations from the relevant requirements of Sri Lanka Accounting Standards which substantially altered the financial position and financial performances were identified in the financial statements of eight specified business enterprises (SBEs). Undertakings obtained from government corporations amounted to Rs. 2.3 Billion while undertakings obtained from companies in the private sector resulted in corrections to net profits/ equity amounting to Rs. 1.1 Billion. (See page 12 for observations made on the review of financial statements during the year 2012 and page 13 for undertakings obtained during the year 2012). The undertakings would be followed up for compliance in the subsequent annual financial statements.

**2.2** Where an identified non-compliance with Sri Lanka Accounting Standards was material, but not significant as to require the use of statutory provisions, such non-compliance was communicated in the form of a letter of assistance. 138 letters of assistance were issued during the year.

**2.3** SLAASMB has commenced issuing a letter of comfort to an SBE where a desk review of the financial statements have been performed and a cause for concern relating to a significant non-compliance with Sri Lanka Accounting Standards has not been observed. 92 letters of comfort were issued during the year.

## 3. Review of Audits

50 audits carried out by 28 firms of practicing Chartered Accountants were reviewed during the year, compared to 30 audits carried out by 17 firms reviewed during the preceding year. Deficiencies were observed in 33 audits conducted by 26 firms. Significant concerns were communicated to the relevant audit firms. (See page 20 for observations made on audit reviews) .

# Review of Activities

## 4. Investigations

Touchwood Investments PLC had made an application to the Court of Appeal to quash the decisions made by the Board in relation to the company. The application was allowed by the Court of Appeal. The Supreme Court granted special leave to SLAASMB to appeal against the judgement of the Court of Appeal. The appeal to the Supreme Court was pending at the end of the year.

## 5. Assistance to the Standards Setter

**5.1** SLAASMB provided a grant of Rs. 2.5 Million to the Institute of Chartered Accountants of Sri Lanka to facilitate the work of the Accounting Standards Committee and the Auditing Standards Committee as adoption of high quality standards to facilitate the proper discharge of the functions of SLAASMB.

**5.2** The main activities carried out during the year in relation to revision of accounting and auditing standards were the following:

- Four (4) Sri Lanka Accounting Standards, SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interest in Other Entities and SLFRS 13 Fair Value Measurement were recommended to the Council for adoption. However in January 2013, the Council had decided to defer the effective date to 1 January 2014.
- Based on the 2012 edition of the International Financial Reporting Standards (IFRS), changes to thirty-eight (38) Sri Lanka Accounting Standards were submitted to the Council of the Institute under the Improvements Project V. In January 2013, the Council decided not to adopt the changes due to the deferment of the effective date of SLFRSs 10,11,12 and 13.
- Two (2) Statements of Recommended Practices (SoRPs) were Gazetted during the year.
- Three (3) rulings recommended were approved by the Council of the Institute and were Gazetted on 26 November 2012.

- Thirty-six (36) Sri Lanka Auditing Standards and the Sri Lanka Standard on Quality Control 1 (SLSQC1) based on the 2009 edition of the Handbook of International Standards on Auditing and Quality Control under the Clarity Project which were approved by the Council are in the process of being Gazetted.

## 6. International Relations

**6.1** Membership in international organisations has enabled SLAASMB to keep itself abreast of developments around the world on matters relating to financial reporting, auditing and monitoring compliance with standards. It has also opened a window to obtain information and assistance from other regulators, and to carry out activities which are of benefit to many regulators as joint activities. During the year, SLAASMB continued its membership of the following international organisations:

- International Forum of Independent Audit Regulators (IFIAR) - SLAASMB has been a member of IFIAR since its first plenary meeting held in 2007.
- Consultative Advisory Group of the International Auditing and Assurance Standards Board (IAASB) - SLAASMB was appointed as a member of the Consultative Advisory Group of IAASB in 2007.
- Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) - SLAASMB was admitted to the Consultative Advisory Group of IESBA in 2009.
- International Valuation Standards Council (IVSC) - SLAASMB was admitted to membership of the Council in 2008.

**6.2** The staff of SLAASMB represented Sri Lanka in the sessions of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR).

**6.3** The Director General of the Board served as a member of the Commercial Forestry Project of the International Valuation Standards Council (IVSC).

# Review of Activities

## 7. Public Awareness Measures

Newspaper notices relating to the statutory requirement to submit financial statements to SLAASMB were published.

## 8. Panel of Reviewers

SLAASMB continued to engage reviewers to review financial statements received in its attempt to increase the number of financial statements being reviewed. 15 reviewers were engaged during the year. Of the financial statement reviews completed during the year, reviewers had completed the preliminary reviews of 216 sets of financial statements. The finalisation of the reviews carried out by the external reviewers which includes obtaining additional information, seeking agreements for corrections and issuing observation letters are carried out by the existing technical staff.

## 9. Human Resource Development

**9.1** As at the end of 2012, SLAASMB had a staff of 11 of which 6 were Chartered Accountants. An incentive pay scheme based on an approval received from the Ministry on the recommendation of the Salaries and Cadre Commission was adopted during the year. The incentive pay scheme facilitated the recruitment of professionally qualified staff. 8 additional positions were advertised towards the end of 2012 and the recruitment was completed in early 2013.

**9.2** The staff had international exposure on areas relating to financial reporting, auditing and regulation by attending conferences, workshops and training programmes on 7 occasions during the year.

## 10. Governance

**10.1** In terms of the statute, the Board consists of 3 ex-officio members and 10 members appointed by the Minister of Finance and Planning out of nominations received from identified institutions.

The ex-officio members are Registrar General of Companies, Commissioner General of Inland Revenue and Director General of the Securities and Exchange Commission of Sri Lanka. The appointed members are nominees from the following institutions:

- Central Bank of Sri Lanka
- The Institute of Chartered Accountants of Sri Lanka (3 members)
- Sri Lanka Division of the Chartered Institute of Management Accountants of UK
- Bar Association of Sri Lanka
- Ceylon Chamber of Commerce
- Federation of Chambers of Commerce and Industry of Sri Lanka
- Sri Lanka Banks' Association
- University Grants Commission

**10.2** Mr. P. Samarasiri, Assistant Governor of the Central Bank of Sri Lanka, was the Chairman during the year.

**10.3** The Board had 8 meetings during the year.

**10.4** Messrs C.L.K.P. Jayasuriya, S. Rajapakse, N. Sivapragasam, R. Theagarajah and W.K.H. Wegapitiya, members of the Board appointed in terms of the statute, served as directors or senior officers of some of the SBEs monitored by SLAASMB. Similarly, Messrs A. Herath, D.T.S.H. Mudalige and S. Rajapakse, who are also members of the Board appointed in terms of the statute, served as partners of firms of practicing accountants which audit some of the SBEs. In order to ensure independence of the Board, all papers relating to matters concerning an SBE or its auditor are omitted from the papers sent to members who have a connection with the relevant SBE or its auditor. Such members do not participate in discussions relating to the SBE or its audit.

## Review of Activities

**10.5** The deliberations of the Board during the year included overall guidance, policy decisions, approval of financial statements and annual budget and exploring ways to increase the technical capacity.

**10.6** In terms of the delegation policy of the Board, regular operations relating to monitoring compliance with standards such as gathering information, reviewing financial statements and audits, and investigations were carried out by the staff supervised and guided by the Director General.

### **11. Other Activities**

SLAASMB completed scanning the financial statements received up to November 2012 during the year. The financial statements of SBEs are scanned for archival purposes.

### **12. Financial Performance**

**12.1** The operating expenses of SLAASMB for the year was Rs. 40,719,864/- compared to Rs. 34,300,894/- for the previous year. The increase in operating expenses was 19% for the year.

**12.2** Staff costs during the year was Rs. 15,568,361/- compared to Rs. 13,235,569/- during the previous year which indicates an increase of 17% for the year. Staff costs constituted to be 38% of the operating expenses of SLAASMB.

**12.3** Increase in expenses of the year was mainly attributable to the adoption of the incentive pay scheme, recruitment expenses incurred to advertise the positions of Technical Managers and Assistant Technical Managers and professional fee payment to review financial statements for the year. The expenses were financed out of funds provided by the Government.

# Observations Made on Review of Financial Statements during 2012

## 1. Undertakings Obtained to Make the Required Corrections

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) obtained undertakings from eight specified business enterprises (SBEs) to make corrections in financial statements. These undertakings resulted in corrections to net profits/equity amounting to Rs. 3.4 Billion.

Two public corporations undertook to make provisions totalling Rs. 2.3 Billion in their financial statements while undertakings obtained from companies in the private sector resulted in corrections to net profits/equity amounting to Rs. 1.1 Billion.

Types of items for which the undertakings were obtained are as follows:

- Incorrectly recognising a fair value gain on an investment property in the revaluation surplus.
- Recognising investments which were not in existence as assets.
- Failure to recognise impairment of the investments in subsidiaries in the separate financial statements.
- Failure to present consolidated financial statements.
- Failure to reconcile differences in accounts.
- Not making allowance for doubtful debts.
- Failure to recognise decline in value of investments.
- Failure to amortise government grants and recognise as income over the periods necessary to match them with the related costs, which they are intended to compensate.
- Failure to recognise the liability in respect of a defined benefit plan.

## 2. Letters of Assistance

Departures from Sri Lanka Accounting Standards detected, which were not significant to require the use of procedure using statutory provisions, were informed to the enterprises, by letter, without extensive inquiries, so that enterprises could, where necessary, take corrective action on their own. Such letters not being directions issued by SLAASMB, are intended to be letters of assistance.

The main findings on which the letters of assistance were issued are set out below:

- Not making allowances in respect of doubtful debts.
- Failure to recognise deferred tax liabilities.
- Not computing the present value of the liability in respect of gratuity by using the projected unit credit method as required by the standard.
- Failure to carryout regular revaluations of property, plant & equipment where revaluation model has been selected.
- Not adopting a depreciation method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.
- Failure to use uniform accounting policies for like transactions and other similar events when preparing consolidated financial statements.
- Failure to include certain subsidiaries when preparing consolidated financial statements.
- Failure to recognise property held to earn rentals or for capital appreciation as investment property.
- Failure to disclose an explanation of the relationship between the tax expense and accounting profit.



# Undertakings Obtained during the year 2012

## 1. Entrust Limited

Entrust Limited had not reduced the carrying value of trade receivables to the recoverable amounts in the financial statements for the year ended 31 March 2010. The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook and made allowances for doubtful debts in the financial statements for the year ended 31 March 2011. This resulted in a decrease in the net assets of the entity by Rs. 1 Billion.

## 2. Sri Lanka Institute of Textile and Apparel

Sri Lanka Institute of Textile and Apparel, a public corporation had not recognised government grants as income and matched with the related costs in the financial statements for the year ended 31 December 2010. The Auditors had not qualified their opinion on this issue.

As a result of the inquiry made by SLAASMB, the Corporation undertook to recognise the grant as income and to match with the related costs in the financial statements for the year ended 31 December 2012. This resulted in an increase in net assets by Rs. 298 Million.

## 3. Samson Rubber Industries (Pvt) Limited

Samson Rubber Industries (Pvt) Limited had not recognised the loss on impairment of the carrying values of investments in subsidiaries in the financial statements for the year ended 31 March 2011. The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to make allowances for impairment of investments in subsidiaries in the financial statements for the year ended 31 March 2012. Impact in the said financial statements was a decrease of net assets by Rs. 34 Million.

## 4. Ceylinco Leasing Corporation Limited

Ceylinco Leasing Corporation Limited had not prepared consolidated financial statements consolidating the financial statements of its subsidiary in the financial statements for the year ended 31 March 2010. Further, the Company's financial statements contained unreconciled differences in the financial statements amounting to Rs. 68 Million. The Auditors had qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the entity undertook to prepare consolidated financial statements and to reconcile the differences when preparing financial statements for the year ended 31 March 2012.

## 5. Multi Finance PLC

Multi Finance PLC, a registered finance company had not recognised the diminution in value of investment securities in the financial statements for the year ended 31 March 2012. This has resulted in an overstatement of net assets of the entity by Rs. 22 Million. The auditors had not qualified their opinion on this issue.

As a result of the inquiry made by SLAASMB, the entity undertook to recognise investments in quoted shares at fair value in the financial statements for the year ended 31 March 2013.

## 6. Somerville Stock Brokers Limited

Somerville Stock Brokers Limited had no evidence for the existence of fixed deposits held in Pan Asia Bank. The auditors had qualified their opinion on this issue.

As a result of the inquiry made by SLAASMB, the entity undertook to make allowance for investments that are doubtful of recovery in the financial statements for the year ended 31 March 2012. This resulted in a decrease in net assets of the Company by Rs. 10 Million.

# Undertakings Obtained during the year 2012

## **7. National Savings Bank**

National Savings Bank had not recognised its obligation on defined benefit plan in the financial statements for the year ended 31 December 2011. The auditors had not qualified their opinion on this issue.

Consequent to inquiries made by SLAASMB, the entity undertook to make the adjustments in the financial statements for the year ended 31 December 2012. This resulted in a decrease in net assets of the entity by Rs. 2 Billion.

## **8. Singalanka Standard Chemicals PLC**

Singalanka Standard Chemicals PLC, a listed company, had incorrectly recognised the fair value gain on its investment property as a revaluation surplus in the financial statements for the year ended 31 March 2011. The auditors had not qualified their opinion on this issue.

Consequent to inquiries by SLAASMB, the entity undertook to make the adjustments in the financial statements for the year ended 31 March 2012.

# List of Specified Business Enterprises for which Letters of Comfort were issued during 2012

Letters of Comfort are issued to Specified Business Enterprises when SLAASMB has not observed a cause for concern relating to a significant non-compliance with Sri Lanka Accounting Standards after having performed a desk review of their financial statements. A desk review is a review of the financial statements with a view to detect a significant non-compliance with Sri Lanka Accounting Standards which can be detected by a review which does not involve obtaining information or explanations from the Company, except in limited circumstances. A desk review could reveal some types of significant non-compliance with Sri Lanka Accounting Standards and therefore is one of the tools used for monitoring compliance. However, it may not reveal other types of significant non-compliance and therefore does not provide an assurance that the financial statements show a true and fair view. Some Letters of Comfort indicated specific items in the financial statements the review of which were not within the scope of the desk review.

	Specified Business Enterprise	Financial Year End
1	Abans Finance PLC	31 March 2012
2	Agstar Fertilizers PLC	31 March 2012
3	Allianz Insurance Lanka Limited	31 December 2011
4	Allianz Life Insurance Lanka Limited	31 December 2011
5	Amāna Takaful PLC	31 December 2011
6	Amāna Bank Limited	31 December 2011
7	Aquity Stock Brokers (Pvt) Limited	31 December 2011
8	Asian Alliance Insurance PLC	31 December 2011
9	Asian Hotels and Properties PLC	31 March 2012
10	Assetline Leasing Company Limited	31 March 2012
11	AVIVA NDB Insurance PLC	31 December 2011
12	Bairaha Farms PLC	31 March 2012
13	Balangoda Plantations PLC	31 December 2011
14	Browns Beach Hotels PLC	31 March 2012
15	Capital Development and Investment Company PLC	31 December 2011
16	Central Finance Company PLC	31 March 2012
17	Central Industries PLC	31 March 2012

	Specified Business Enterprise	Financial Year End
18	Ceylease Financial Services Limited	31 December 2011
19	Ceylon Cold Stores PLC	31 March 2012
20	Ceylon Guardian Investment Trust PLC	31 March 2012
21	Ceylon Investment PLC	31 March 2012
22	Chartis Insurance Limited	31 December 2011
23	Chevron Lubricants Lanka PLC	31 December 2011
24	Colombo Fort Investments PLC	31 March 2012
25	Colombo Investment Trust PLC	31 March 2012
26	Commercial Bank of Ceylon PLC	31 December 2011
27	Commercial Development Company PLC	31 December 2011
28	Continental Insurance Lanka Limited	31 December 2011
29	Convenience Foods (Lanka) PLC	31 March 2012
30	Co-operative Leasing Co. Limited	31 March 2012
31	Diesel & Motor Engineering PLC	31 March 2012
32	DFCC Bank	31 March 2012
33	DFCC Vardhana Bank PLC	31 December 2011
34	Dialog Axiata PLC	31 December 2011
35	Dipped Products PLC	31 March 2012
36	Equity One PLC	31 March 2012
37	Finlays Colombo PLC	31 December 2011
38	First Capital Holdings PLC	31 March 2012
39	Galadari Hotels (Lanka) PLC	31 December 2011
40	Good Hope PLC	31 March 2012
41	Guardian Capital Partners PLC	31 March 2012
42	Hayleys Exports PLC	31 March 2012
43	Hayleys MGT Knitting Mills PLC	31 March 2012
44	HNB Assurance PLC	31 December 2011
45	Hotel Services (Ceylon) PLC	31 March 2012
46	Hunas Falls Hotels PLC	31 March 2012
47	Indo-Malay PLC	31 March 2012
48	J L Morrison Son & Jones (Cey) PLC	31 March 2012
49	John Keells Holdings PLC	31 March 2012
50	John Keells PLC	31 March 2012
51	Kalamazoo Systems PLC	31 March 2012
52	Kegalle Plantations PLC	31 March 2012
53	Kotmale Holdings PLC	31 March 2012
54	Kuruwita Textile Mills PLC	31 March 2012
55	Lanka Ashok Layland PLC	31 March 2012

## List of Specified Business Enterprises for which Letters of Comfort were issued during 2012

	Specified Business Enterprise	Financial Year End
56	Lanka Ceramic PLC	31 March 2012
57	Lanka IOC PLC	31 March 2012
58	Lanka ORIX Finance PLC	31 March 2012
59	Lankaputhra Development Bank Limited	31 December 2011
60	Laxapana Batteries PLC	31 March 2012
61	LB Finance PLC	31 March 2012
62	Life Insurance Corporation (Lanka) Limited	31 December 2011
63	Lion Brewery (Ceylon) PLC	31 March 2012
64	Marawila Resorts PLC	31 March 2012
65	MBSL Insurance Co. Limited	31 December 2011
66	MBSL Savings Bank	31 December 2011
67	Mercantile Shipping Company PLC	31 March 2012
68	Merchant Credit of Sri Lanka Limited	31 December 2011
69	Namunukula Plantations PLC	31 March 2012
70	Nestle Lanka PLC	31 December 2011
71	Odel PLC	31 March 2012
72	Orient Finance PLC	31 March 2012
73	Overseas Realty (Ceylon) PLC	31 December 2011
74	Pegasus Hotels of Ceylon PLC	31 March 2012
75	People's Insurance Limited	31 December 2011
76	Renuka City Hotels PLC	31 March 2012
77	Richard Pieris Exports PLC	31 March 2012
78	Sampath Bank PLC	31 December 2011
79	SANASA Development Bank Limited	31 December 2011
80	Sathosa Motors PLC	31 March 2012
81	Seylan Bank PLC	31 December 2011
82	Shalimar (Malay) PLC	31 March 2012
83	Singer Industries (Ceylon) PLC	31 December 2011
84	Sri Lanka Telecom PLC	31 December 2011
85	Swisstek (Ceylon) PLC	31 March 2012
86	Talawakelle Tea Estates PLC	31 December 2011
87	The Kandy Hotels Co. (1938) PLC	31 March 2012
88	Trade Finance & Investments PLC	31 March 2012
89	Udapussellawa Plantation PLC	31 December 2011
90	Union Assurance PLC	31 December 2011
91	Vidullanka PLC	31 March 2012
92	Waskaduwa Beach Resorts PLC	31 March 2012

## List of Specified Business Enterprises for which Letters of Observation were issued during 2012

	Specified Business Enterprise	Financial Year End
1	A. Baur and Co. (Pvt) Limited	31 December 2010
2	Abans Electricals PLC	31 March 2012
3	Agalawatte Plantations PLC	31 December 2010
4	Aitken Spence Hotel Holdings PLC	31 March 2012
5	Alliance Finance Company PLC	31 March 2012
6	Alutec Anodizing and Machine Tools (Pvt) Limited	31 March 2011
7	Amaya Leisure PLC	31 March 2012
8	Ambewela Products (Pvt) Limited	31 March 2011
9	AMW Capital Leasing PLC	31 December 2011
10	Arpico Finance Company PLC	31 March 2012
11	Asia Asset Finance Limited	31 March 2011
12	Asian Finance Limited	31 March 2011
13	Asiri Hospital Holdings PLC	31 March 2011
14	Associated Motor Finance Company PLC	31 March 2011
15	Autogrill Lanka Limited	31 December 2011
16	Bank of Ceylon	31 December 2011
17	Bartleet Finance Limited	31 March 2011
18	Beruwala Resorts Limited	31 March 2012
19	Beruwala Walk Inn PLC	31 December 2011
20	Bimpuh Lanka Investments Limited	31 March 2011
21	Bogala Graphite Lanka PLC	31 December 2011
22	Brandix Apparel Limited	31 March 2011
23	C.W. Mackie PLC	31 March 2012
24	CBL Foods International (Pvt) Limited	31 March 2011
25	Ceylinco Investments and Reality Limited	31 March 2008
26	Ceylinco Investments and Reality Limited	31 March 2009
27	Ceylinco Leasing Corporation Limited	31 March 2010
28	Ceylinco Limited	31 March 2011
29	Ceylon Beverage Holdings PLC	31 March 2012
30	Ceylon Bulbs and Electricals Limited	31 March 2011
31	Ceylon Business Appliances Limited	31 March 2011
32	Ceylon Petroleum Corporation	31 December 2009
33	Ceylon Petroleum Corporation	31 December 2010
34	Ceylon Printers PLC	31 March 2011
35	Chilaw Finance PLC	31 March 2011
36	CIC Holdings PLC	31 March 2011

	Specified Business Enterprise	Financial Year End
37	Citizens Development Business Finance PLC	31 March 2011
38	City Housing & Real Estate Co. PLC	31 March 2011
39	Colombo Land Development Company PLC	31 December 2010
40	Commercial Credit and Finance PLC	31 March 2012
41	Commercial Credit Limited	31 March 2011
42	Co-operative Insurance Company Limited	31 December 2011
43	D R Manufacturing Company (Pvt) Limited	31 March 2011
44	Delmege Forsyth & Co. Limited	31 March 2011
45	Distilleries Company of Sri Lanka PLC	31 March 2012
46	Divasa Finance Limited	31 March 2012
47	Douglas & Sons (Pvt) Limited	31 March 2011
48	E W Balasuriya & Co. (Pvt) Limited	31 March 2011
49	Entrust Limited	31 March 2010
50	Entrust Securities PLC	31 March 2012
51	Gamani & Brothers Limited	31 March 2011
52	Gestetner of Ceylon PLC	31 March 2012
53	Grameen Micro Credit Co. Limited	31 March 2011
54	Hapugastenne Plantations PLC	31 December 2011
55	Harcourts (Pvt) Limited	31 March 2010
56	Hatton National Bank PLC	31 December 2011
57	Haycarb PLC	31 March 2012
58	Hayleys PLC	31 March 2012
59	HDFC Bank of Sri Lanka	31 December 2011
60	Hotel Sigiriya PLC	31 March 2012
61	IND-SRI Industrial Corporation (Pvt) Limited	31 March 2011
62	Industrial Clothing (Pvt) Limited	31 March 2011
63	Industrial Finance Limited	31 March 2010
64	Industrial Finance Limited	31 March 2011
65	Intertea (Pvt) Limited	31 December 2010
66	Janatha Finance & Investments (Pvt) Limited	31 March 2011
67	Kahawatte Plantations PLC	31 December 2011
68	Kalpitiya Beach Resort PLC	31 December 2012
69	Kanrich Finance Limited	31 March 2011
70	Koshiba Leasing Company Limited	31 March 2011
71	Lanka Cement PLC	31 December 2010
72	Laugfs Petroleum (Pvt) Limited	31 March 2011
73	Local Loans & Development Fund	31 December 2010



## List of Specified Business Enterprises for which Letters of Observation were issued during 2012

	Specified Business Enterprise	Financial Year End
74	Lyceum International School (Pvt) Limited	31 March 2010
75	Mahaweli Reach Hotels PLC	31 March 2011
76	Melsta Regal Finance Limited	31 December 2011
77	Mercantile Investments and Finance PLC	31 March 2012
78	Merchant Bank of Sri Lanka PLC	31 December 2011
79	Metropolitan Resource Holdings PLC	31 March 2011
80	Mohksha Limited	31 March 2010
81	MTD Walkers PLC	31 March 2012
82	Nation Lanka Finance PLC	31 March 2011
83	National Development Bank PLC	31 December 2011
84	National Film Corporation of Sri Lanka	31 December 2010
85	Nations Trust Bank PLC	31 December 2011
86	National Institute of Business Management	31 December 2010
87	New Nawaloka Hospitals (Pvt) Limited	31 March 2011
88	Orient Garments PLC	31 March 2011
89	Pan Asia Banking Corporation PLC	31 December 2011
90	PC House PLC	31 March 2011
91	PC Pharma PLC	31 March 2012
92	People's Bank	31 December 2011
93	People's Finance PLC	31 March 2012
94	People's Merchant Finance Company Limited	31 March 2011
95	Prime Lands (Pvt) Limited	31 March 2011
96	Property Development PLC	31 December 2011
97	Pulses Splitting & Processing Industry (Pvt) Limited	31 March 2011
98	Radiant Gems International PLC	31 March 2011
99	Ramboda Falls PLC	31 March 2012
100	Renuka Agri Foods PLC	31 March 2011
101	Renuka Holdings PLC	31 March 2011
102	Royal Ceramics Lanka PLC	31 March 2012
103	Sampath Leasing and Factoring Limited	31 December 2011
104	Screenline (Pvt) Limited	31 March 2010
105	Senkadagala Finance PLC	31 March 2012
106	Sevenagala Sugar Industries Limited	31 March 2011
107	Seylan Developments PLC	31 December 2011
108	Shaw Wallace & Hedges PLC	31 March 2011
109	Sigiriya Village Hotels PLC	31 March 2012
110	Singalanka Standard Chemicals PLC	31 March 2011

	Specified Business Enterprise	Financial Year End
111	Singer Finance (Lanka) PLC	31 March 2012
112	Sinhaputhra Finance PLC	31 March 2012
113	Softlogic Finance PLC	31 March 2012
114	Sri Lanka Bureau of Foreign Employment	31 December 2010
115	Sri Lanka Export Credit Insurance Corporation	31 December 2010
116	Sri Lanka Institute of Textile & Apparel	31 December 2010
117	Sri Lanka Insurance Corporation Limited	31 December 2010
118	Sri Lanka Insurance Corporation Limited	31 December 2011
119	Sri Lanka Land Reclamation and Development Corporation	31 December 2010
120	Sri Lanka Ports Authority	31 December 2010
121	Sri Lanka State Trading (General) Corporation Limited	31 March 2009
122	Sri Lankan Airlines Limited	31 March 2011
123	State Mortgage & Investment Bank	31 December 2011
124	State Pharmaceuticals Corporation of Sri Lanka	31 December 2010
125	State Printing Corporation	31 December 2010
126	State Timber Corporation	31 December 2010
127	Stromme Micro Finance Asia (Guarantee) Limited	31 December 2011
128	Sunshine Holdings PLC	31 March 2011
129	Swarnamahal Financial Services PLC	31 March 2012
130	The Standard Credit Lanka Limited	31 March 2011
131	The Colombo Fort Land and Building Company PLC	31 March 2011
132	The Finance and Guarantee Company Limited	31 March 2011
133	The Lanka Hospital Corporation PLC	31 December 2010
134	The Swadeshi Industrial Works PLC	31 March 2012
135	Three Acre Farms PLC	31 December 2011
136	Touchwood Investments PLC	31 March 2011
137	Toyota Lanka (Pvt) Limited	31 March 2011
138	Vallibel Power Erathna PLC	31 March 2012

# Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2012

Listed companies which have not submitted financial statements for the year ended 31 December 2011:

- Vanik Incorporation PLC

Listed companies which have not submitted financial statements for the year ended 31 March 2012:

- Alufab PLC
- Pelwatte Sugar Industries PLC
- Miramar Beach Hotels PLC

Public sector entities which have not submitted financial statements for the year ended 31 December 2011:

- Building Materials Corporation Limited
- Central Engineering Consultancy Bureau
- Ceylon Ceramic Corporation \*
- Ceylon Electricity Board
- Ceylon Fisheries Corporation
- Ceylon Petroleum Corporation
- Janatha Estates Development Board
- Local Loans & Development Fund \*
- National Film Corporation \*
- National Livestock Development Board \*
- National Water Supply and Drainage Board

- Paddy Marketing Board
- Sri Jayewardenepura General Hospital \*
- Sri Lanka Transport Board
- Sri Lanka Ayurvedic Drugs Corporation
- Sri Lanka Broadcasting Corporation
- Sri Lanka Cashew Corporation \*
- Sri Lanka Land Reclamation & Development Corporation
- State Development and Construction Corporation
- State Engineering Corporation of Sri Lanka
- State Pharmaceuticals Manufacturing Corporation \*
- State Printing Corporation \*
- State Timber Corporation \*
- The Co-operative Wholesale Establishment
- Urban Development Authority \*
- Vocational Training Authority of Sri Lanka

Public sector entities which have not submitted financial statements for the year ended 31 March 2012:

- Ceylon Shipping Corporation Limited\*
- National Paper Company Limited\*

*\* Received subsequently*

# Observations Made on Audit Reviews

## 1. Introduction

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) reviewed 50 audits carried out by 28 firms during the year 2012. Audits reviewed included 24 audits carried out by 6 firms which are members of international networks.

## 2. Main Findings

Deficiencies were identified in 33 audits conducted by 26 firms. The identified departures from Sri Lanka Auditing Standards detected were communicated to the respective firms in the form of letters of assistance.

The main findings are as follows:

### 2.1 Items Not Sufficiently Documented

Documentation in relation to 17 audits had deficiencies relating to matters which are of importance to support the audit opinion and to provide evidence that the audits were conducted in accordance with Sri Lanka Auditing Standards.

Deficiencies observed in failure to document as required by Sri Lanka Auditing Standards included the following:

- Nature, timing and extent of audit procedures performed and results of such procedures. Deficiencies detected included absence of any evidence of examining negative goodwill on consolidation, the gratuity trust deed, and the loss incurred on disposal of a property.
- Planning of the audit and the audit programme.
- Auditor's understanding of the industry and the economic and legal environment in which the entity operates.

Examples:

- Failing to document information relating to the cessation of the business activities of a core segment of the entity.

- Failing to obtain information of the industry and the economic and legal environment in which the entity operates, attributing to the fact that the entity was facing severe liquidity crisis.

- The auditor's understanding of the accounting and internal control systems.
- Sampling techniques used by the auditor.
- Analyses of transactions and balances.
- Analyses of significant ratios and trends.
- Identified and assessed risks of material misstatements at the financial statement and assertion level.
- Evidence that the work performed by assistants was supervised and reviewed.
- Conclusions reached by the Auditor concerning significant aspects of the audit, including how exceptions and unusual matters were resolved and treated.
- Audit procedures performed to evaluate the adequacy of work performed by other auditors, experts and other third parties.

### 2.2 Failure to Obtain Sufficient Appropriate Audit Evidence

Documentation relating to 15 audits did not provide a record of obtaining sufficient and appropriate audit evidence from tests of controls and from substantive procedures to support financial statement assertions.

Deficiencies included:

- Not performing any audit procedures to test the financial statement assertions relating to sales, purchases, interest income, interest expenses, depreciation, property, plant & equipment, investments, inventories, leasing and hire purchase receivables, related party receivables, payables and stated capital.

# Observations Made on Audit Reviews

- Absence of evidence of carrying out audit procedures to ascertain reasons for non-provision of deferred tax except for the audit programme referring to the fact that deferred tax was not provided.
- Absence of evidence of carrying out audit procedures to ascertain existence, completeness and valuation of a receivable from a related party except for requesting for a confirmation.
- Failure to ascertain audit evidence about the accuracy and completeness of information produced by the entity.

Example:

Company had failed to consider the carrying value of a building amounting to Rs. 225 Million when computing the deferred tax.

- Failure to ascertain the accuracy of a significant journal entry passed by the company as an error correction.
- Not verifying the actual liability calculation of a retirement benefit obligation when the financial statements reflected a higher liability.
- Failure to ascertain reasons for not presenting consolidated financial statements when the percentage holdings of certain investments in the working papers revealed parent-subsidiary relationships.

## 2.3 Non-Availability of Audit Plans and Audit Programmes

14 audit files did not have any documentation of the overall audit strategy and of the audit plan including any significant changes made during the audit engagement.

## 2.4 Failure to Establish the Audit Materiality Level

14 audits did not have any records on establishing the materiality level for the purpose of determining the nature, timing and extent of audit procedures and evaluation of the effect of misstatements.

## 2.5 Non-Availability of Evidence of Understanding and Assessment of Control Risk

14 audits did not have any documentation regarding the auditor's understanding of the entity's accounting and internal control system and of the assessment of control risk.

## 2.6 Absence of Evidence to Support the Basis for the Audit Opinion

In 6 audits, the audit working papers did not document findings and conclusions arrived at from the audit as the basis for the opinion formed.

## 2.7 Failure to Identify Material Misstatements in Financial Statements due to Inadequate Use of Assertions to Form a Basis for Audit Procedures

Failure to identify the following material misstatements in financial statements due to inadequate use of assertions for classes of transactions, account balances and presentation and disclosures in sufficient detail to form a basis for the assessment of risks of material misstatements and the design and performance of further audit procedures were observed in 6 audits.

- Recognising and presenting investment property as property, plant & equipment.
- Incorrectly making allowances for the decline in market value of dealing securities which took place after the reporting date.
- Recognition of costs to be incurred in the future in respect of business promotion, foreign travel etc., as expenses of the current year.

# Observations Made on Audit Reviews

- Adjusting a gain on loss of control of a subsidiary in the Statement of Changes in Equity.
- Not making provision for retirement benefit obligations (gratuity).
- Not making provision for deferred taxation.
- Failure to adopt a depreciation method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.
- Non-compliance with significant disclosure requirements in respect of a finance company.

## 3. General

Audit documentation of majority of the firms reviewed did not provide a sufficient and appropriate record of the basis of the Auditor's Report.

In some cases, the documentation did not provide evidence relating to the audit firm implementing quality control policies and procedures designed to ensure that the audits are conducted in accordance with Sri Lanka Auditing Standards.

In certain audits, the working papers lacked evidence on alternate audit procedures carried out to gather evidence regarding the inventory, when the auditor had not attended the physical inventory count.

Inadequate identification and disclosure of related party transactions, improper wordings in the opinion paragraphs, failure to address the other reporting responsibilities vested by the Companies Act No. 07 of 2007 and Finance Act No. 78 of 1988 in a finance company are some of the other salient findings from the conduct of the audit reviews.



# Balanced Scorecard

SLAASMB uses the Balance Scorecard to plan its annual performance. The plan for 2012, actual for 2012 and plan for 2013 are given below:

**Financial Statement User Perspective:** *To achieve our vision, how should financial statements users see us?*

Goals	Measures	2012 Plan	2012 Actual	2013 Plan
Financial statements of SBEs to present a true and fair view	Review financial statements to determine compliance with Sri Lanka Accounting Standards	300 sets of financial statements	302 sets of financial statements	750 sets of financial statements
	Review audits to determine compliance with Sri Lanka Auditing Standards	50 audits	50 audits	50 audits

**Regulated Entity Perspective:** *To achieve our vision, how should regulated institutions see us?*

Goals	Measures	2012 Plan	2012 Actual	2013 Plan
Collection of financial statements	Number of financial statements received	1,256	1,443 (Note 1)	1,313

**Internal Process Perspective:** *To satisfy our stakeholders, what internal process must we excel at?*

Goals	Measures	2012 Plan	2012 Actual	2013 Plan
Employee performance	Achieve targeted performance points for the year (Note 2)	11,532	10,898	29,628
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	48 presentations on Standards	48 presentations on Standards	48 presentations on Standards
Timely response	Attend to complaints, clarifications sought and information received	Within an average of 5 days excluding the date of receipt and date of response	3.8 days	Within an average of 5 days excluding the date of receipt and date of response

## Note 1

Receipt of the financial statements issued in respect of previous years due to action taken to follow up.

## Note 2

Performance points are based on the nature and extent of work required to complete the tasks.

# Report of the Auditor General



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல  
My No. } FB/I/SLAASMB/2012

ඔබේ අංකය  
உமது இல  
Your No. }

දිනය  
திகதி  
Date } 19 November 2013

Chairman,  
Sri Lanka Accounting and Auditing Standards Monitoring Board

### Report of the Auditor General on the Financial Statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2012 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2012 comprising the Statement of Financial Position as at 31 December 2012 and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 33 (2) of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. My comments and observations which I consider should be published with the Annual Report of the Sri Lanka Accounting & Auditing Standards Monitoring Board in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Board on 21 June 2013.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

#### Financial Statements

##### Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report to Parliament

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

H.A.S. Samaraweera  
Auditor General

අංක 306/72 පොල්දූව පාර,  
බත්තරමුල්ල, ශ්‍රී ලංකාව

දුරකථනය  
தொலைபேசி  
Telephone } 2887028 - 34

இல. 306/72, பொல்துவ வீதி,  
புத்தரமுல்லை இலங்கை

ෆැක්ස් අංකය  
பக்ஸ் இல  
Fax No. } 2887223

No.306/72, Polduwa Road,  
Battaramulla, Sri Lanka

ඉලෙක්ට්‍රොනික් තැපෑල  
ஈ-மெயில்  
E-mail. } oaggov@sltnet.lk

# Statement of Financial Position

As at		31 December 2012	31 December 2011	1 January 2011
	Note	Rs.	Rs.	Rs.
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	4	9,567,130	11,032,435	2,519,432
Deposits	5	1,340,550	1,340,550	1,340,550
		10,907,680	12,372,985	3,859,982
<b>Current Assets</b>				
Inventories	6	432,368	389,730	276,740
Accounts Receivable	7	1,595,223	1,204,415	1,041,734
Cash and Cash Equivalents	8	45,557	2,980,160	528,465
		2,073,148	4,574,305	1,846,939
<b>Total Assets</b>		<b>12,980,828</b>	<b>16,947,290</b>	<b>5,706,921</b>
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>				
Deferred Income - Government Grants	9	6,880,492	8,563,026	350,736
Defined Benefit Obligations	10	3,979,293	3,809,959	3,509,246
		10,859,785	12,372,985	3,859,982
<b>Current Liabilities</b>				
Deferred Income - Government Grants	11	—	4,086,687	1,178,871
Accounts Payable	12	2,121,043	487,618	668,068
		2,121,043	4,574,305	1,846,939
<b>Total Liabilities</b>		<b>12,980,828</b>	<b>16,947,290</b>	<b>5,706,921</b>

The notes appearing on pages 29 to 37 form an integral part of the financial statements.

For and on behalf of the Members of the Board,



Chairman of the Board



Director General



Finance and Administration Manager

28 February 2013

# Statement of Financial Performance

For the year ended 31 December

	Note	2012 Rs.	2011 Rs.
<b>Revenue</b>			
Government Grants	13	43,178,222	36,800,894
Less: Grants Released to the Institute of Chartered Accountants of Sri Lanka		2,500,000	2,500,000
		40,678,222	34,300,894
Add: Write back of Unclaimed Payable for Interior Work		41,642	–
		40,719,864	34,300,894
<b>Operating Expenses</b>			
Board Members' Allowances		(563,750)	(306,100)
Auditor's Remuneration	14	(135,475)	93,409
Staff Costs	15	(15,568,361)	(13,235,569)
Press Notices		(2,100,568)	(1,391,803)
Rent and Building Service Charges		(5,297,289)	(5,320,648)
Depreciation and Amortisation Expenses	4	(2,728,631)	(1,446,748)
Electricity		(1,117,148)	(907,526)
Professional fees to Reviewers		(2,490,000)	(2,130,000)
International Memberships		(1,913,333)	(1,847,744)
International Travel		(3,215,049)	(2,217,140)
Other Administration Expenses		(5,590,260)	(5,591,025)
Net Surplus/(Deficit) for the Year		–	–

The notes appearing on pages 29 to 37 form an integral part of the financial statements.

## Statement of Changes in Net Assets

	Accumulated Fund Rs.
<b>Balance as at 1 January 2010</b>	–
Net Surplus/(Deficit) for the year	–
<b>Balance as at 31 December 2011</b>	–
Net Surplus/(Deficit) for the year	–
<b>Balance as at 31 December 2012</b>	–

The notes appearing on pages 29 to 37 form an integral part of the financial statements.

# Statement of Cash Flows

For the year ended 31 December

	Note	2012 Rs.	2011 Rs.
<b>Cash Flows from Operating Activities</b>			
Net Surplus/(Deficit) for the year		–	–
Adjustments for:			
Government Grants Received during the Year		37,409,000	47,921,000
Deferred Government Grants Transferred to Statement of Financial Performance		(43,178,222)	(36,800,894)
Grants Received in the form of Non-Current Assets		–	(9,000,000)
Depreciation		2,728,631	1,446,748
Loss on Disposal of Office Equipment		–	7,988
Provision for Gratuity		169,334	300,713
Excess of Income over Expenditure before Working Capital Changes		(2,871,257)	3,875,555
(Increase)/Decrease in Inventories		(42,638)	(112,990)
(Increase)/Decrease in Accounts Receivable		(390,807)	(162,681)
Increase/(Decrease) in Accounts Payable		1,633,425	(180,450)
Net Cash Flow from Operating Activities		(1,671,277)	3,419,434
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(1,263,326)	(967,739)
Net Cash Flow		(2,934,603)	2,451,695
<b>Cash Flows from Financing Activities</b>			
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,934,603)	2,451,695
Cash and Cash Equivalents at the beginning of the Year		2,980,160	528,465
<b>Cash and Cash Equivalents at the end of the Year</b>	8	<b>45,557</b>	<b>2,980,160</b>

The notes appearing on pages 29 to 37 form an integral part of the financial statements.



# Notes to the Financial Statements

## 1. Corporate Information

The financial statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2012 were authorised for issue by a resolution of the Members of the Board on 26 February 2013. Sri Lanka Accounting and Auditing Standards Monitoring Board is a Statutory Board established by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The function of the Board is to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of Specified Business Enterprises under the provisions of Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Board employed 8 permanent and 3 temporary employees as at 31 December 2012 (8 permanent and 3 temporary as at 31 December 2011).

## 2. Significant Accounting Policies

### Basis of Preparation

The financial statements of the Board are prepared under the historical cost convention in conformity with Sri Lanka Accounting Standards adopted under the provisions of Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Sri Lanka Accounting Standards prefixed SLFRS and LKAS (referred to as SLFRS) were effective for the financial year ended 31 December 2012.

Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRS for the first time for the purposes of SLFRS 1, First Time Adoption of Sri Lanka Accounting Standards (SLFRS) notwithstanding the entity's previous financial statements complying with Sri Lanka Accounting Standards, or otherwise containing a statement of compliance with Sri Lanka Accounting Standards even though SLFRS also means Sri Lanka Accounting Standards.

Requirements of Sri Lanka Accounting Standards SLFRS 1, First Time Adoption of Sri Lanka Accounting Standards (SLFRS) are disclosed in note 3.

### Events after the date of the Statement of Financial Position

All material events after the date of the Statement of Financial Position are considered and appropriate adjustments or disclosures made in the financial statements, where necessary.

### Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less accumulated depreciation. Depreciation is charged to the Statement of Financial Performance, on a straight-line basis, over the estimated useful lives of the assets as follows:

Description	Estimated Useful Life
Motor Vehicles	5 years
Office Equipment	4 years
Furniture, Fixtures & Fittings	6-10 years
Books & Publications	3 years

Depreciation is provided in the year of purchase and in the year of sale based on the period used, with full depreciation being provided in the month of purchase and no depreciation being provided in the month of sale.

Items other than books and publications purchased at a cost not exceeding Rs. 7,500/-, all Accounting Standards and Auditing Standards and other publications with a cost not exceeding Rs. 1,000/- are expensed in the year of purchase.

### Inventories

Inventories are valued at lower of cost and net realisable value. The cost of the inventories are arrived at by using the first-in, first-out (FIFO) basis.

# Notes to the Financial Statements

## Accounts Receivable

Accounts Receivable are stated at the amounts estimated to be realised, and where necessary, provision is made in the financial statements, for bad and doubtful debts.

## Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

## Accounts Payable

Liabilities for accounts payable, are carried at the amount of cash and cash equivalents expected to be paid.

## Defined Benefit Costs

The defined benefit obligation for retiring gratuities payable under the Payment of Gratuity Act No. 12 of 1983 recognised in the Statement of Financial Position, represent the present value of the defined benefit obligation. All actuarial gains and losses are recognised immediately in the statement of financial performance.

## Government Grants

Grants received from the General Treasury of the Government of Sri Lanka are recognised as income in the period in which the related costs are recognised.

Government Grants utilised to acquire assets that will be expensed in subsequent periods are recognised as Deferred Income. Government Grants represented by other assets including cash and cash equivalents, less liabilities (other than liabilities on account of the Grants received) are recognised as liabilities.

# Notes to the Financial Statements

## 3. Transition to Sri Lanka Accounting Standards Prefixed SLFRS and LKAS

Sri Lanka Accounting Standards prefixed SLFRS and LKAS (referred to as SLFRS) were effective for the financial year ended 31 December 2012.

Sri Lanka Accounting Standard SLFRS 1, First Time Adoption of Sri Lanka Accounting Standards (SLFRS) requires adjustments to the previously reported financial statements due to the adoption of SLFRSs to be disclosed as reconciliations.

Accordingly, reconciliation of the previously reported line items with the adjusted line items in the following statements are given below:

1. Statement of Financial Position as at 1 January 2011
2. Statement of Financial Position as at 31 December 2011
3. Statement of Financial Performance for the year ended 31 December 2011

### Reconciliation of the Statement of Financial Position and Equity as at 1 January 2011 (Date of Transition to SLFRS)

	Note	Previously Reported Rs.	Effect of Transition to SLFRS Rs.	SLFRS Rs.
<b>ASSETS</b>				
Property, Plant and Equipment		2,519,432	–	2,519,432
Deposits		1,340,550	–	1,340,550
<b>Total Non-Current Assets</b>		<b>3,859,982</b>	<b>–</b>	<b>3,859,982</b>
Inventories		276,740	–	276,740
Accounts Receivable		1,041,734	–	1,041,734
Cash and Cash Equivalents		528,465	–	528,465
<b>Total Current Assets</b>		<b>1,846,939</b>	<b>–</b>	<b>1,846,939</b>
<b>Total Assets</b>		<b>5,706,921</b>	<b>–</b>	<b>5,706,921</b>
<b>LIABILITIES</b>				
Deferred Income - Government Grants	3.2	748,299	(397,563)	350,736
Defined Benefit Obligations	3.1	3,111,683	397,563	3,509,246
<b>Total Non-Current Liabilities</b>		<b>3,859,982</b>	<b>–</b>	<b>3,859,982</b>
Deferred Income - Government Grants		1,178,871	–	1,178,871
Accounts Payable		668,068	–	668,068
<b>Total Current Liabilities</b>		<b>1,846,939</b>	<b>–</b>	<b>1,846,939</b>
<b>Total Liabilities</b>		<b>5,706,921</b>	<b>–</b>	<b>5,706,921</b>
<b>Total Assets Less Total Liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Equity</b>		<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements

## Reconciliation of the Statement of Financial Position and Equity as at 31 December 2011 (End of the Last Period Presented According to Previous Standards)

	Note	Previously Reported Rs.	Effect of Transition to SLFRS Rs.	SLFRS Rs.
<b>ASSETS</b>				
Property, Plant and Equipment		11,032,435	–	11,032,435
Deposits		1,340,550	–	1,340,550
<b>Total Non-Current Assets</b>		<b>12,372,985</b>	<b>–</b>	<b>12,372,985</b>
Inventories		389,730	–	389,730
Accounts Receivable		1,204,415	–	1,204,415
Cash and Cash Equivalents		2,980,160	–	2,980,160
<b>Total Current Assets</b>		<b>4,574,305</b>	<b>–</b>	<b>4,574,305</b>
<b>Total Assets</b>		<b>16,947,290</b>	<b>–</b>	<b>16,947,290</b>
<b>LIABILITIES</b>				
Deferred Income - Government Grants	3.2	8,526,348	36,678	8,563,026
Defined Benefit Obligations	3.1	3,846,637	(36,678)	3,809,959
<b>Total Non-Current Liabilities</b>		<b>12,372,985</b>	<b>–</b>	<b>12,372,985</b>
Deferred Income - Government Grants		4,086,687	–	4,086,687
Accounts Payable		487,618	–	487,618
<b>Total Current Liabilities</b>		<b>4,574,305</b>	<b>–</b>	<b>4,574,305</b>
<b>Total Liabilities</b>		<b>16,947,290</b>	<b>–</b>	<b>16,947,290</b>
<b>Total Assets Less Total Liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Equity</b>		<b>–</b>	<b>–</b>	<b>–</b>

3.1 According to the previous standards, the defined benefit obligation was measured as if all employees retire on the date of the Balance Sheet. However, According to SLFRS, the present value of the obligation was measured using the following assumptions.

	1 January 2011 %	31 December 2011 %
Expected Salary Increment	10	10
Discount/Interest Rate	9.15	11
Staff Turnover Factor	9	9

# Notes to the Financial Statements

**3.2** The amount recognised as 'Deferred Income - Government Grants' represents assets (less liabilities) acquired using Government Grants. When amount recognised in respect of defined benefit obligation is increased, the reduction in the Government Grant deferred on account of the relevant liability is also increased by the same amount, thus reducing the amount recognised as 'Deferred Income - Government Grants.'

## Reconciliation of the Statement of Financial Performance for the year ended 31 December 2011 (Last Period Presented According to Previous Standards)

	Note	Previously Reported Rs.	Effect of Transition to SLFRS Rs.	SLFRS Rs.
<b>Revenue</b>				
Government Grants	3.3	37,235,135	(434,241)	36,800,894
Less: Grants Released to The Institute of Chartered Accountants of Sri Lanka		2,500,000	–	2,500,000
		34,735,135	(434,241)	34,300,894
<b>Operating Expenses</b>				
Board Members' Allowances		(306,100)	–	(306,100)
Auditor's Remuneration		93,409	–	93,409
Staff Costs	3.3	(13,669,810)	434,241	(13,235,569)
Press Notices		(1,391,803)	–	(1,391,803)
Rent and Building Service Charges		(5,320,648)	–	(5,320,648)
Depreciation and Amortisation Expenses		(1,446,748)	–	(1,446,748)
Professional Fees to Reviewers		(2,130,000)	–	(2,130,000)
Other Administration Expenses		(10,563,435)	–	(10,563,435)
Net Surplus/Deficit for the Year		–	–	–

**3.3** Due to the change in the basis of measuring defined benefit obligations, the staff cost reported using the previous standards was reduced by Rs. 434,241/-. Due to this reduction, the Government grant utilised for the expenditure for the year is reduced by the same amount.

**3.4** There are no changes to the net operating cash flows due to the above changes. Accordingly, a reconciliation in respect of the cash flows for the year ended 31 December 2011 is not required.

# Notes to the Financial Statements

## 4. Property, Plant and Equipment

	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	31 December 2012	31 December 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>										
At Beginning of the Year	11,675,000	2,675,000	6,795,744	6,139,119	9,786,893	9,696,286	2,882,999	2,858,713	31,140,636	21,369,118
Additions	-	9,000,000	1,142,527	756,615	-	186,838	120,799	24,286	1,263,326	9,967,739
Disposals	-	-	-	(99,990)	-	(96,231)	-	-	-	(196,221)
At End of the year	11,675,000	11,675,000	7,938,271	6,795,744	9,786,893	9,786,893	3,003,798	2,882,999	32,403,962	31,140,636
<b>Accumulated Depreciation</b>										
At Beginning of the Year	3,194,998	2,674,998	5,088,146	4,531,074	8,999,906	8,893,546	2,825,151	2,750,068	20,108,201	18,849,686
Depreciation for the Year	1,800,000	520,000	686,025	657,061	186,446	194,604	56,160	75,083	2,728,631	1,446,748
Depreciation on Disposals	-	-	-	(99,989)	-	(88,244)	-	-	-	(188,233)
At End of the year	4,994,998	3,194,998	5,774,171	5,088,146	9,186,352	8,999,906	2,881,311	2,825,151	22,836,832	20,108,201
Written Down Value at end of the Year	6,680,002	8,480,002	2,164,100	1,707,598	600,541	786,987	122,487	57,848	9,567,130	11,032,435
							As at 31 December 2012	As at 31 December 2011	As at 1 January 2011	
							Rs.	Rs.	Rs.	

## 5. Deposits

Rent Deposit	1,340,550	1,340,550	1,340,550
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## 6. Inventories

Stationery	432,368	389,730	276,740
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## 7. Accounts Receivable

Prepayments	1,515,223	1,124,415	961,734
Deposits	80,000	80,000	80,000
	1,595,223	1,204,415	1,041,734

## 8. Cash and Cash Equivalents

Cash on Hand and in Banks	45,557	2,980,160	528,465
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# Notes to the Financial Statements

	31 December 2012 Rs.	31 December 2011 Rs.	1 January 2011 Rs.
<b>9. Deferred Income - Government Grants (Non-Current)</b>			
Balance at the Beginning of the Year	8,563,026	350,736	579,088
Grants Received and Utilised to Acquire Non-Current Assets	1,263,326	967,739	1,277,156
Grants Received in the form of Non-Current Assets	–	9,000,000	–
Depreciation and Amortisation Expenses for the Year	(2,728,631)	(1,446,748)	(1,000,331)
Loss on Disposal of Office Equipment	–	(7,988)	(12)
Change in Defined Benefit Obligation for the Year	(169,334)	(300,713)	(505,165)
Balance at the End of the Year	6,928,387	8,563,026	350,736
Transferred from Deferred Income - Government Grants (Current)	(47,895)	–	–
	6,880,492	8,563,026	350,736

## Represented by

Property, Plant and Equipment	9,567,130	11,032,435	2,519,432
Deposit (Non-Current)	1,340,550	1,340,550	1,340,550
Less: Provision for Gratuity	(3,979,293)	(3,809,959)	(3,509,246)
	6,928,387	8,563,026	350,736
Transferred from Deferred Income - Government Grants (Current)	(47,895)	–	–
	6,880,492	8,563,026	350,736

## 10. Defined Benefit Obligations

Balance at the Beginning of the Year	3,809,959	3,509,246	3,004,081
Charge for the Year	332,351	351,279	347,788
Interest for the Year	466,719	386,017	274,873
Actuarial Gains/Losses	(629,736)	(436,583)	(117,496)
Payments during the Year	–	–	–
Balance at the End of the Year	3,979,293	3,809,959	3,509,246

Present value of the obligation was measured using the following assumptions:

Expected Salary Increment	10%
Discount/Interest Rate	12.25%
Staff Turnover Factor	9%

The liability for Gratuity is not externally funded.

# Notes to the Financial Statements

	31 December 2012 Rs.	31 December 2011 Rs.	1 January 2011 Rs.
<b>11. Deferred Income - Government Grants (Current)</b>			
Balance at the Beginning of the Year	4,086,687	1,178,871	742,132
Increase/(Decrease) in Inventories and Accounts Receivable	433,446	275,671	12,438
Increase/(Decrease) in Cash and Cash Equivalents	(2,934,603)	2,451,695	(499,972)
(Increase)/Decrease in Accounts Payable	(1,633,425)	180,450	924,273
Balance at the End of the Year	(47,895)	4,086,687	1,178,871
Transferred to Deferred Income - Government Grants (Non-Current)	47,895	–	–
	–	4,086,687	1,178,871
<b>Represented by</b>			
Inventories	432,368	389,730	276,740
Accounts Receivable	1,595,223	1,204,415	1,041,734
Cash and Cash Equivalents	45,557	2,980,160	528,465
Less: Accounts Payable	(2,121,043)	(487,618)	(668,068)
	(47,895)	4,086,687	1,178,871
Transferred to Deferred Income - Government Grants (Non-Current)	47,895	–	–
	–	4,086,687	1,178,871
<b>12. Accounts Payable</b>			
Auditor's Remuneration	368,526	233,051	442,984
Payable for Interior Work	–	41,642	41,642
Grants Payable to The Institute of Chartered Accountants of Sri Lanka	625,000	–	–
Professional Fees Payable to Reviewers	340,000	–	–
Staff Incentive Payable	325,000	–	–
Other Payables	462,517	212,925	183,442
	2,121,043	487,618	668,068

# Notes to the Financial Statements

	2012 Rs.	2011 Rs.
<b>13. Government Grants</b>		
Government Grants Received During the Year	37,409,000	47,921,000
Grants Received in the form of Non-Current Assets	–	(9,000,000)
Grants Used for Capital Expenditure	(1,263,326)	(967,739)
Grants Used for Net Current Assets	4,134,583	(2,907,816)
Depreciation and Amortisation Expenses for the Year	2,728,631	1,446,748
Loss on Disposal of Office Equipment	–	7,988
Gratuity Provision for the year	169,334	300,713
Grants Shown in the Statement of Financial Performance	43,178,222	36,800,894

## 14. Auditor's Remuneration

Current year	126,000	116,525
Under/(Over) Provision for Previous Year	9,475	(209,934)
	135,475	(93,409)

## 15. Staff Costs

Staff Remuneration	9,968,063	9,384,985
Employees' Provident Fund	1,230,610	1,096,810
Employees' Trust Fund	307,652	274,202
Defined Benefit Obligation (Note 15.1)	169,334	300,713
Vehicle Rent	1,066,240	1,448,655
Staff Incentive	1,950,000	–
Other Staff Benefits	876,462	730,204
	15,568,361	13,235,569

### 15.1 Defined Benefit Obligation

Charge for the Year	332,351	351,279
Interest for the Year	466,719	386,017
Actuarial Gains/Losses	(629,736)	(436,583)
	169,334	300,713

## 16. Capital Commitments

There were no capital commitments as at 31 December 2012 (as at 31 December 2011 - Nil).

## 17. Contingent Liabilities

There were no contingent liabilities as at 31 December 2012 (as at 31 December 2011 - Nil).

## 18. Events after the Date of the Statement of Financial Position

There were no material events after the date of the Statement of Financial Position necessitating any adjustments or disclosure in the financial statements.

## Specified Business Enterprises

The following have been defined as specified business enterprises by the Act and the regulations made under the Act:

- Companies licensed under the Banking Act No. 30 of 1988.
- Companies authorised under the Control of Insurance Act No. 25 of 1962, to carry on insurance business.
- Companies carrying on leasing business.
- Factoring Companies.
- Companies registered under the Finance Companies Act No. 78 of 1988.
- Companies licensed under the Securities and Exchange Commission Act No. 36 of 1987, to operate unit trust.
- Fund Management Companies.
- Companies licensed under the Securities and Exchange Commission Act No. 36 of 1987, to carry on business as stockbrokers or stock dealers.
- Companies licensed under the Securities and Exchange Commission Act No. 36 of 1987, to operate a Stock Exchange.
- Companies listed in a Stock Exchange licensed under the Securities and Exchange Commission Act No. 36 of 1987.
- Other Companies-
  - (a) which have a turnover in excess of Rupees 500 Million;
  - (b) which at the end of the previous financial year, had shareholders' equity in excess of Rupees 100 Million;
  - (c) which at the end of the previous financial year, had gross assets in excess of Rupees 300 Million;
  - (d) which at the end of the previous year, had liabilities to banks and other financial institutions in excess of Rupees 100 Million;
  - (e) which have a staff in excess of 1,000 employees.
- Public Corporations engaged in the sale of goods or the provision of services.
- A group of companies, anyone of which falls within any of the above categories. For this purpose, 'a group of companies' means a holding company and its subsidiaries, the accounts of which have to be consolidated under the Companies Act.







**Name of Organisation**

Sri Lanka Accounting and  
Auditing Standards Monitoring Board

**Legal Form**

A Statutory Board established by  
Sri Lanka Accounting  
and Auditing Standards  
Act No. 15 of 1995

**Country of Incorporation**

Sri Lanka

**Head Office**

3rd Floor  
293, Galle Road  
Colombo 3

Telephone: 2301210

Fax: 2301211

E-mail: [slaasmb@sltnet.lk](mailto:slaasmb@sltnet.lk)

**Website**

[www.slaasmb.org](http://www.slaasmb.org)

**Auditors**

The Auditor General  
The Auditor General's Department  
306/72, Poldoowa Road,  
Battaramulla

**Bankers**

Bank of Ceylon

**Legal Advisers**

Attorney General  
Attorney General's Department  
Colombo 12

3rd Floor, 293, Galle Road, Colombo 3, Sri Lanka.