

**THE CO-OPERATIVE WHOLESALE
ESTABLISHMENT**

Financial Statements

**For the Year Ended
31.12.2012**

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THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
DIRECTORATE FOR THE YEAR – 2012

Chairman	- Mr. Eraj T. Fernando
Working Director	- Mr. K.M. M.Zakir
Directors	- Mr. K.M .Jayathileka Director – (Treasury representative) Director General Dept. of Management Audit. General Treasury. (resigned with effect from 2012.09.18) Mr. M.G.S.M. Mohamed Jaward Mr. D.A. Buljans Mr. D.C.L. Lankathileka Mr. M.M.P.K. Mayadunne Addl. Secretary , (Planning & Development) Ministry of Co-operatives and Internal Trade (resigned with effect from 2012.10.26) Mr. B.M.C.K. Basnayake (resigned with effect from 2012.11.21) Mr. G. Sunil Santha (From 2012.10.01)
Additional General Manager (Administration)	Mr. Vipula kithsiri Silva

Head of Finance

Mrs. M.B.N.N. Sajeewani

Auditors

Auditor General

Bankers

Bank of Ceylon

Peoples Bank

Commercial Bank

Hatton National Bank

Sampath Bank

Seylan Bank

Registered office

27, Vauxhall Street,
Colombo - 2

Message of the Chairman

I am pleased to issue this message for the Annual Report 2012 of the Co-operative Wholesale Establishment.

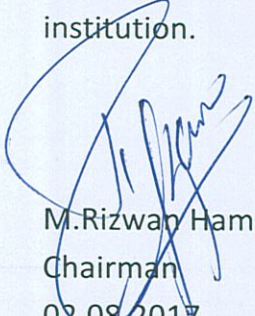
From the date of assigning duties on 15th August 2015 as the Chairman of Co-operative Wholesale Establishment, we have made many achievements by performing the duties of CWE; supply of essential food items and consumer goods without any scarcity, import of goods, selling of local products and providing support and taking practical measures in a transparent manner be the market leader in wholesale business.

Number of successful paces has been taken to control expenditure of institutions through introducing internal methods of control, start wholesale business establishments, purchase paddy and process rice, import goods, start agency trade affairs and to develop financial stability of the institute through the improvement of transport service.

Meanwhile, our institution has taken measures to further develop the business relations with Lanka Sathosa Ltd., and to continuously provide rice and some other essential food items. In addition, steps have been taken to provide transport facilities to transport goods to Lanka Sathosa retail chain.

I wish to pay gratitude to the Hon. Rishad Bathdudeen M.P, Minister of Industry and Commerce and the Secretary to the Ministry of Industry and Commerce, who provided farsighted leadership and guidance for all these activities.

I would like to convey my sincere thanks to the Board of Directors who often work with me with cooperation and all the staff who make tireless efforts to serve for the institution.



M. Rizwan Hameem,
Chairman
02.08.2017

Report of the Directors of CWE for the Year Ends as at 31st December 2012

In terms of section 14 of Finance Act No. 38, the Board of Directors herewith presents the annual report of Corporative and Wholesale Establishment (CWE) for the year ends as at 31.12.2012.

General Matters:

Primary Activities

Corporative and Wholesale Establishment (CWE) (more populated as Sathosa) established by the Act No. 7 of 1949, started its business from 01st July 1950 utilizing the amount of One Million Rupees invested by the government.

At the beginning, the key objective of CWE was to play as a wholesale and retail establishment of selling essential consumer items.

However, subsequent to the volunteer compensation scheme presented in 2004 and 2006 due to the financial difficulties when involving in business activities for the well-being of the consumers and the farming community of Sri Lanka, it stands for facilitating Lanka Sathosa. Presently, CWE is engaged in the supply of rice processed in rice processing centers, giving assistance to provide essential food items without any scarcity and supply of transport, security and packing services.

In addition, CWE directly contributes to control price hike, on the guidelines of the Cabinet Subcommittee on the Cost of Living.

01. Review of Business Activities

Under the comments of the Chairman, which is a part of the Directors' Report present status of the institution has been mentioned.

Accordingly, the major way of income generation now is giving the property of the institution to Lanka Sathosa and other public and private institutions on rent and it has been further developed by entering into new agreements.

Sathosa could obtain bulks of paddy from Paddy Marketing Board on the guidelines of the Cabinet Subcommittee on the cost of living, process them to a good standard at Pannegamuwa and Hingurakgoda rice processing centers and private rice mills and distribute to the consumers at a fair price through Lanka Sathosa network. Hence Sathosa could become the hand of controlling the market and the price of rice on behalf of the government.

02. Cadre Analysis as at 31.12.2012.

1. Executive	-	11
2. Clerical and parallel services	-	51
3. Other Supportive Services	-	<u>280</u>
Total	-	342
		===

03. Cases file at the court against the institution as at 31.12.2012

Court	Cases filed as at 31.12.2011	Cases filed in 2012	Total number of cases filed during the year	Cases finalized in 2012	Cases that are being on trial
High court	11	02	13	01	12
District Court	10	05	15	04	11
Magistrate Court	12	05	17	04	13
Labour Tribunals	09	07 (one case has been laid by)	16	05	10
Labour Inquiries	08	-	08	-	08
Arbitrations	01	-	01	-	01
Lay by Cases	14	01(a case of labour Tribunal)	15	-	15
Appeal Cases	01	01	-	-	02

04. Concept of Continuation

Sathosa is in a position that financial assistance of loan granting agencies cannot be obtained due to accumulative losses that was Rs.8885 Million and deficits of working capital and the institution cannot bear the earlier prevailed financial liabilities. However, during the year under review, Sathosa rented out the non-operational buildings and removed the property to generate the additional money required for the present committee. Hence, it's apparent that the view of the director board is the continuous progression of trade affairs of the institute .Since the future and current liabilities lie on the respective dates within a time period of 12 months from the date of signing these financial reports, it is prudent to prepare financial reports based on the continuous conception.

05. Auditors

In terms of the Finance Act No. 38 of 1971, to be read with Section 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka the auditor of the institute is the Auditor General of the Government.

06. Acknowledgement

We make this opportunity to pay gratitude to HE the President, Hon. Prime Minister, Hon. Minister of industries and Trade, Hon. Deputy Minister, Secretary to the Ministry and all the officers of the Ministry for giving valuable guidance and assistance and extend our sincere thanks to all the staff of the Ministry of Finance, General Treasury and other Ministries for their assistance given in the year under review.

Our most important resource is the staff. We wish to thank them for serving us during the year under review.

The Board of Directors extends thanks to their valued customers for being with us. Further, our appreciations are with various statutory institutions, private institutions and our bankers.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT

Financial Statements
For the Year Ended
31 December 2012

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Sub Note	Group		CWE	
			2012	2011	2012	2011
Revenue	3		324,175,737	185,601,094	217,220,666	127,325,994
Cost of Sales	4		(268,862,135)	(157,057,799)	(181,930,142)	(101,010,761)
Gross Profit			55,313,603	28,543,295	35,290,523	26,315,233
Other Operating Income	5		192,898,831	141,350,568	190,942,906	140,296,964
Profit from Paddy Operation	6		36,957,433	40,403,325	36,957,433	40,403,325
Administrative Expenses		8.1.1	(194,665,359)	(174,331,382)	(184,861,530)	(172,083,935)
Selling and Distribution Expenses		8.1.2	(18,422,373)	(8,185,061)	(18,410,373)	(8,185,061)
Provisions for Impairment	7		(378,003,569)	-	(378,003,569)	-
Profit / (Loss) from Operation			(305,921,434)	27,780,745	(318,084,610)	26,746,526
Net Finance Cost	9		(343,488,443)	(340,334,382)	(343,518,141)	(340,352,311)
Profit / (Loss) Before Taxation	10		(649,409,877)	(312,553,637)	(661,602,751)	(313,605,785)
Income Tax Expenses	11		(14,607,451)	(68,351)	(13,200,000)	-
Profit / (Loss) for The Year			(664,017,328)	(312,621,988)	(674,802,751)	(313,605,785)
Other Comprehensive Income			-	-	-	-
Total Comprehensive Income / (Expense) for the Year			(664,017,328)	(312,621,988)	(674,802,751)	(313,605,785)

Figures in brackets indicate deductions.

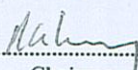
Notes to the Financial Statements on Pages 5 to 35 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
STATEMENT OF FINANCIAL POSITION

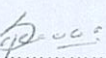
(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER		Group		CWE	
		2012	2011	2012	2011
Note					
ASSETS					
Non-Current Assets					
Property , Plant and Equipment	12	944,052,941	1,131,001,439	943,638,120	1,130,882,236
Prepaid Leasehold Lands	13	1,691,219	2,311,930	1,691,219	2,311,930
Intangible Assets	14	1,073,403	72,642	1,073,403	72,642
Investment in Subsidiaries	15	-	-	20	10
Other Investments	16	9,923,720	181,852,410	9,923,720	181,852,410
Advance for Investment	17	121,708,711	121,708,711	121,708,711	121,708,711
Total Non-Current Assets		1,078,449,994	1,436,947,132	1,078,035,192	1,436,827,939
Current Assets					
Inventories	18	297,814,360	137,862,900	297,814,360	137,862,900
Trade and Other Receivables	19	901,260,861	332,281,702	879,514,438	322,572,495
Other Non-Financial Assets	20	2,050,834	178,041,714	2,050,834	178,041,714
Cash and Cash Equivalents	21	163,572,602	199,767,152	144,056,894	199,443,619
Total Current Assets		1,364,698,657	847,953,469	1,323,436,526	837,920,729
Total Assets		2,443,148,651	2,284,900,600	2,401,471,718	2,274,748,668
EQUITY AND LIABILITIES					
Equity					
Contributed Capital	22	1,056,590	1,056,590	1,056,590	1,056,590
Reserves	23	3,255,699,484	4,024,544,031	3,255,699,484	4,024,544,031
Retained Earnings		(10,664,071,861)	(10,541,072,880)	(10,675,103,629)	(10,541,319,225)
Total Equity		(7,407,315,787)	(6,515,472,259)	(7,418,347,555)	(6,515,718,604)
Non-Current Liabilities					
Payables to Treasury	24	7,203,167,798	6,879,355,130	7,203,167,798	6,879,355,130
Retirement Benefit Obligations	25	33,700,618	30,112,068	33,700,618	30,112,068
Bank Borrowings - (Non-Current Portion)	26	109,431,254	147,131,255	109,431,254	147,131,255
Finance Lease Obligation - (Non-Current Portion)	27	54,417,964	16,057,100	54,417,964	16,057,100
		7,400,717,634	7,072,655,553	7,400,717,634	7,072,655,553
Current Liabilities					
Trade and Other Payables	28	1,786,112,350	1,131,053,040	1,768,468,792	1,127,092,656
Bank Borrowings - (Current Portion)	26	510,682,404	485,842,404	510,682,404	485,842,404
Finance Lease Obligation - (Current Portion)	27	10,454,344	8,590,451	10,454,344	8,590,451
Other Non-Financial Liabilities	29	92,054,088	67,821,247	79,228,090	61,876,043
Bank Overdrafts	21	50,443,618	34,410,165	50,268,009	34,410,165
Total Current Liabilities		2,449,746,804	1,727,717,306	2,419,101,639	1,717,811,719
Total Equity and Liabilities		2,443,148,651	2,284,900,600	2,401,471,718	2,274,748,668

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. These Financial statements were approved by the Board of Directors and signed on their behalf.


Chairman

Date :
Colombo.


Head of Finance


Director

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 35 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
STATEMENT OF CHANGES IN EQUITY

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

Group	Contributed Capital	Capital Reserve	General Reserve	Loan Redemption Reserve	Vehicle Replacement Reserve	Revaluation Reserve	Restructuring Reserve	Retained Earnings	Total
Balance as at 01 January 2011	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	1,201,386,008	2,323,728,130	(10,196,589,161)	(6,170,251,088)
Prior Year Adjustment	-	-	-	-	-	-	-	(31,861,731)	(31,861,731)
Total Comprehensive Expense for the Year	-	-	-	-	-	-	-	(312,621,988)	(312,621,988)
Balance as at 31 December 2011	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	1,201,386,008	2,323,728,130	(10,541,072,880)	(6,514,734,807)
Prior Year Adjustment	-	-	-	-	-	-	-	3,093,775	3,093,775
Other Adjustment (Note I)	-	-	-	-	-	-	(542,164,547)	539,947,981	(2,216,566)
Loss on Disposal of Land / Buildings	-	-	-	-	-	(226,680,000)	-	(2,023,409)	(228,703,409)
Total Comprehensive Expense for the Year	-	-	-	-	-	-	-	(664,017,328)	(664,017,328)
Balance as at 31 December 2012	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	974,706,008	1,781,563,583	(10,664,071,861)	(7,406,578,335)

Note I: Based on Board decision the long outstanding credit balances which are not payables have been written back against restructuring reserve in the year 2010. Since the balances written back are in revenue nature it has been rectified by setting off against the retained earnings in the current year.

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 35 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
STATEMENT OF CHANGES IN EQUITY

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

CWE	Contributed Capital	Capital Reserve	General Reserve	Loan Redemption Reserve	Vehicle Replacement Reserve	Revaluation Reserve	Restructuring Reserve	Retained Earnings	Total
Balance as at 01 January 2011	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	1,201,386,008	2,323,728,130	(10,195,851,709)	(6,170,251,088)
Prior Year Adjustment	-	-	-	-	-	-	-	(31,861,731)	(31,861,731)
Total Comprehensive Expense for the Year	-	-	-	-	-	-	-	(313,605,785)	(314,269,784)
Balance as at 31 December 2011	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	1,201,386,008	2,323,728,130	(10,541,319,225)	(6,516,382,603)
Prior Year Adjustment	-	-	-	-	-	-	-	3,093,775	3,093,775
Other Adjustment (Note I)	-	-	-	-	-	-	(542,164,547)	539,947,981	(2,216,566)
Loss on Disposal of Land / Buildings	-	-	-	-	-	(226,680,000)	-	(2,023,409)	(228,703,409)
Total Comprehensive Expense for the Year	-	-	-	-	-	-	-	(674,802,751)	(674,802,751)
Balance as at 31 December 2012	1,056,590	32,444,879	94,477,411	300,289,603	72,218,000	974,706,008	1,781,563,583	(10,675,103,629)	(7,418,347,555)

Note I: Based on Board decision the long outstanding credit balances which are not payables have been written back against restructuring reserve in the year 2010. Since the balances written back are in revenue nature it has been rectified by setting off against the retained earnings in the current year.

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 35 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
STATEMENT OF CASH FLOW

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Group		CWE	
		2012	2011	2012	2011
Cash Flows from Operating Activities					
Profit / (Loss) Before Taxation		(649,409,877)	(312,553,637)	(661,602,751)	(313,605,785)
Adjustments for;					
Depreciation		39,814,737	28,500,311	39,759,876	28,469,376
Amortization of Intangible Assets		39,738	36,321	39,738	36,321
Amortization of Leasehold land		40,426	-	40,426	-
Provisions for Impairment		380,240,143	2,796,460	378,003,569	-
Profit on Disposal of Property, Plant and Equipment		(5,892,489)	(3,071,400)	(5,892,489)	(3,071,400)
Gratuity Charge for the Year		4,247,629	4,437,033	4,247,629	4,437,033
Interest Expenses		355,698,068	345,536,930	355,698,068	345,536,930
Interest Income		(5,268,872)	(4,478,286)	(5,239,174)	(4,460,357)
Operating Profit Before Working Capital Changes		119,509,503	61,203,732	105,054,893	57,342,118
Changes in Working Capital					
Inventories		(159,951,460)	(27,344,782)	(159,951,460)	(27,344,782)
Trade and Other Receivables		(600,511,501)	(182,133,388)	(585,021,147)	(174,552,506)
Other Non-Financial Assets		1,669,266	(3,720,099)	1,669,266	(3,720,099)
Trade and Other Payables		850,534,310	6,006,276	834,634,560	4,989,389
Other Non-Financial Liabilities		8,625,390	64,057,617	4,152,047	61,876,043
Cash Generated from / (used in) Operations		219,875,508	(81,930,644)	200,538,159	(81,409,837)
Taxes Paid		-	(8,325)	-	-
Gratuity Paid		(659,080)	(518,470)	(659,080)	(518,470)
Interest Paid		(6,638,471)	(724,262)	(6,638,471)	(724,262)
Net Cash Flow from / (used in) Operating Activities		212,577,958	(83,181,702)	193,240,609	(82,652,570)
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment		(23,401,247)	(40,170,505)	(23,050,767)	(40,154,270)
Acquisition of Intangible Assets		(1,040,500)	(108,962)	(1,040,500)	(108,962)
Proceeds from Disposals of Property, Plant and Equipment		7,844,089	11,972,000	7,844,089	11,972,000
Interest Received		5,268,872	4,460,357	5,239,174	4,460,357
Net Cash used in Investing Activities		(11,328,786)	(23,847,111)	(11,008,004)	(23,830,876)
Cash Flows from Financing Activities					
Settlements of Borrowings		(37,700,000)	(26,100,000)	(37,700,000)	(26,100,000)
Settlements of Finance Lease		(15,777,175)	(4,755,059)	(15,777,175)	(4,755,059)
Department of Co-operative Development - Fund Received		-	242,500,000	-	242,500,000
Department of Co-operative Development - Repayment		(200,000,000)	-	(200,000,000)	-
Net Cash Flow from / (used in) Financing Activities		(253,477,175)	211,644,941	(253,477,175)	211,644,941
Net Changes in Cash and Cash Equivalents During the Year		(52,228,003)	104,616,129	(71,244,571)	105,161,496
Cash and Cash Equivalents at Beginning of the Year		165,356,988	60,740,859	165,033,455	59,871,959
Cash and Cash Equivalents at End of the Year	21	113,128,984	165,356,988	93,788,884	165,033,455

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 35 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

1 CORPORATE INFORMATION

1.1 REPORTING ENTITY

The Co-Operative Wholesale Establishment (CWE) is a public establishment established under the Co-Operative Wholesale Establishment Act No. 47 of 1949. The registered office and the principal place of business of the CWE are situated at No. 27, Vauxhall Street Colombo 02.

The consolidated financial statements of the CWE for the year ended 31 December 2012 comprise the financial information of the CWE and its subsidiaries (together referred to as the 'Group').

The CWE had 217 Permanent Carders, 27 Casual Workers and 96 Contract Workers and the group had at the end of the financial year.

1.2 Principal Activities and Nature of Operations

The principal activity of CWE is providing wholesale and retail facilities of essential food items to consumers in Sri Lanka, providing milling facilities and transport facilities to Lanka Sathosa Limited.

The principal activities of subsidiary companies are providing security and janitorial services and managing engineering & construction services.

There were no significant changes in the nature of the principal activities of the CWE and group during the financial year under review.

1.3 Reporting Date

CWE's financial reporting period ends on 31 December and financial reporting period of subsidiary companies ends on 31 March. CWE adjusts significant transactions and events, if any that occur between CWE's end of reporting period and reporting period end of subsidiary companies.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of CWE have been prepared in accordance with Sri Lanka Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment. The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.27.

2.2 Changes in Accounting Policies

The changes in accounting policies set out have been applied consistently to the periods presented in the financial statements, unless otherwise indicated.

The presentation and classification of the financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year. The impact on the reclassification is given in Note 34.

**2.3 Consolidation
Subsidiary**

Subsidiary is an entity over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiary is fully consolidated from the date on which control is transferred to the group. It is deconsolidated from the date that control ceases.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

The group applies the acquisition method to account for business combinations. The consideration transferred for the subsidiary formed is the fair values of the assets transferred, the liabilities incurred to equity interests issued by the group. The group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Losses incurred in subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

Inter-entity transactions, balances, income and expenses on transactions between group entities are eliminated. Profits and losses resulting from Inter-entity transactions that are recognized in assets are also eliminated. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities are reclassified to profit or loss.

2.4 Foreign Currency Translation

2.4.1 Functional and Presentation Currency

Transactions and balances included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the group's presentation currency.

2.4.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

2.5 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment are stated at revalued amount less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment acquired after revaluation are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated, depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Assets Category	Years
Buildings	20 Years
Building's partition	10 Years
Plant & Machinery	10 Years
Motor Vehicles	05 Years
Furniture & Equipment	03 Years
Office Equipment	10 Years
Computer & Accessories	03 Years
Warehouse Equipment	10 Years
Other Equipment	10 Years
Tools	10 Years

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

An asset's carrying amount is been written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Intangible Assets

Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

Computer Software	10 Years
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Costs associated with maintaining computer software are recognized as an expense as incurred.

2.7 Leasehold Lands

Land held under leases is initially measured at prepaid lease rental plus any initial direct costs incurred at the inception and subsequently the leasehold land is measured at cost accumulated amortization and accumulated impairment losses. The value of leasehold land is amortized over the lease period.

Leasehold land	50 Years
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2.8 Impairment of non-financial assets

At each end of reporting period, the group reviews the carrying amounts of its property, plant and equipment, intangible assets and investment in subsidiary to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group determines the cash-generating unit (CGUs) and estimates the recoverable amount of the CGUs to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

2.9 Financial Assets & Liabilities

Financial assets and financial liabilities are recognized when the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured initially at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss).

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets have expired or settled and the group has transferred substantially all risks and rewards of ownership of the financial assets to another party. The group derecognizes a financial liability when the obligation specified in the contract is discharged, is cancelled or expires.

At the end of each reporting period financial instruments are measured at amortized cost using the effective interest method.

At the end of each reporting period, the group assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the impairment loss is recognized in profit or loss immediately.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average method.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

2.11 Trade Receivables

Trade receivables are amounts due from customers for sale of goods in the ordinary course of business. Collection is expected in the normal operating cycle of the business (within one year or less) and the receivables are classified as current assets. Trade receivables are recognized initially at fair value (invoice value) and subsequently measured at the original invoice value less provision for impairment.

The group assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired. Objective evidences of impairment for trade receivables include the group's past experience in collecting payments and number of default payments. Trade receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment. Trade receivables are assessed individually for impairment.

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, term deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

2.13 Contributed Capital

Contributed capital represents the initial capital paid out of the consolidated fund.

2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in the normal operating cycle of the business (within one year or less). If not, they are classified as non-current liabilities.

Trade payables are recognized initially at fair value (transaction price) and subsequently measured at the transaction price.

2.15 Government Grants

Grants from the government including non-monetary grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Non-monetary grants are measured at carrying value of the non-monetary asset and account for both grant and asset at the carrying value.

2.16 Borrowings

The group's borrowings include term and hypothecation loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method. Floating rate borrowings are measured in each subsequent period at amortized cost using floating interest rate (effective interest rate) prevailing in the period. Legal and documentation fees are recognized as transaction costs of the borrowings.

Foreign exchange gains and losses arising from measurement of carrying value of loans at amortized cost at each reporting period end are recognized in the statement of comprehensive income.

2.17 Payable to Treasury

Payable to Treasury comprise of Bonds issued by the Treasury on behalf of CWE which is born through the settlement of six commercial bank loans and interest payable accrued therewith issued in form Bonds to respective banks have also been undertaken to repay by the Treasury. The total liability undertaken by the Treasury on behalf of CWE has been stated at the carrying value of the present obligation as payable to the Treasury.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

2.18 Borrowing Costs

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2.19 Leases

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

2.20 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the group operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

2.21 Employee benefits

The group has both defined benefit and defined contribution plans.

(a) Defined Contribution plan

A defined contribution plan is a post employment benefit plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The group contributes 12% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

(b) Defined benefit plan

The defined benefit plan entitles retired employee to receive payment equal of 1/2 month of final salary multiplied by the number of completed year of service. The defined benefit obligation is measured annually using 1/2 month of final salary multiplied by the number of completed year of service.

The retirement benefits obligation is not externally funded.

(c) Short-term employee benefit

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

2.22 Provisions and Contingent Liabilities

Provisions for legal claim and other operational expenses are recognized when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of goods in the ordinary course of group's activities, stated net of Value Added Taxes (VAT) and Nation Building Tax (NBT). The group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the group.

The group applies the revenue recognition criteria set out below to each identifiable major types of revenue.

(a) Sale of Goods

Revenue arises from sale of goods is recognized at the point that the risks and rewards of the goods have passed to buyer, which is the point where goods are delivered from stores.

(b) Rendering of Services

Revenue is recognized in the period in which the services are rendered based on completion of job or transaction and assessed on the basis of the actual services rendered.

(c) Rent Income

Lease and rental income from rented properties is recognized on an accrual basis over the term of lease.

(d) Interest Income

Income is recognized using the effective interest method.

(e) Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

(f) Dividend Income

Dividend income is recognized when the right to receive payment is established.

(g) Other Income

Other income is recognized on an accrual basis.

2.24 Expenses

Expenditures incurred in the running of the operation are to income in arriving at the profit for the reporting period.

2.25 Events Occurring after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.26 Commitments

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

2.27 Significant Accounting Estimates and judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

I. The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

II. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful life time of depreciable assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER		Group		CWE	
	Note	2012	2011	2012	2011
3 Revenue					
Whole Sale and Retail Revenue		217,220,666	127,325,994	217,220,666	127,325,994
Service Income (Labour Supplying)		101,140,926	58,275,101	-	-
Revenue on Sub-Contracting		5,814,146	-	-	-
		324,175,737	185,601,094	217,220,666	127,325,994
4 Cost of Sales					
Inventories as at 01 January		29,249,885	14,856,019	29,249,885	14,856,019
Purchases		168,410,063	117,481,516	168,410,063	117,481,516
Direct Expenses	4.1.1	98,756,185	53,970,150	11,824,193	(2,076,889)
Inventories as at 31 December		(27,553,999)	(29,249,885)	(27,553,999)	(29,249,885)
		268,862,135	157,057,799	181,930,142	101,010,761
5 Other Operating Income					
Profit on Transport Services	5.1	(8,180,547)	(1,978,247)	(8,180,547)	(1,978,247)
Rent Income		186,576,358	122,770,713	186,576,358	122,770,713
Profit on Disposal of Property, Plant and Equipment		5,892,489	3,071,400	5,892,489	3,071,400
Commission - Crates	5.2	831,994	2,420,044	831,994	2,420,044
- Construction		1,448,965	9,522,441	1,448,965	9,522,441
- Sugar Operation		371,250	-	371,250	-
- Janitorial Service		934,138	853,304	-	-
Exchange Gain		352,090	-	352,090	-
Sponsorship Fee		524,900	-	-	-
Management Fee		483,093	200,000	-	-
Others		3,664,102	4,490,912	3,650,308	4,490,612
		192,898,831	141,350,568	190,942,906	140,296,964
5.1 Profit on Transport Services				Group / CWE	
				2012	2011
Services Rendered				20,709,033	13,995,311
Direct Expenses	5.1.1			(28,889,581)	(15,973,558)
				(8,180,547)	(1,978,247)
5.2 Commission - Crates					
Revenue - Crates				12,800,040	35,355,438
Cost of Sales				(12,800,040)	(35,355,438)
				-	-
The CWE is paid commission by crates suppliers on crates sales during the year. The rates of commission is based on the size of the crates as 5.5%, 6%, 7.5%, Rs. 100/- and Rs. 50/- per crate.					
6 Profit from Paddy Operation				Group / CWE	
				2012	2011
Revenue (Rice)				1,293,315,431	183,844,368
Cost of Sales	6.1			(1,069,481,914)	(134,659,753)
				223,833,517	49,184,615
Direct Expenses					
Milling				121,119,510	-
Packing				14,984,556	2,491,305
Transport	6.1.1			63,502,705	8,920,234
				199,606,772	11,411,539
By-Product Income				24,226,745	37,773,076
Profit on Paddy Operation	6.2			12,730,688	2,630,250
				36,957,433	40,403,325
6.1 Cost of Sales					
Inventories as at 01 January - (Rice)				12,385,298	15,014,452
Inventories as at 01 January - (Paddy)				-	1,350,480
Raw Material Consumed					
Purchases - Paddy				1,322,759,432	130,680,120
Inventories as at 31 December - (Paddy)				(253,054,635)	-
				1,082,090,095	147,045,051
Inventories as at 31 December - (Rice)				(12,608,182)	(12,385,298)
				1,069,481,914	134,659,753

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

		Group / CWE	
		2012	2011
	Note		
6.2 Profit on Paddy Operation			
Management Fee		3,014,527	605,614
Milling Income		15,415,250	15,117,351
By-Product Income		12,730,688	2,630,250
Transport Reimbursement (Net)	6.3	(14,274,009)	(1,134,905)
Gain on Over Production		20,070,978	23,185,015
		36,957,433	40,403,325
6.3 Transport Reimbursement (Net)			
Expense Reimbursed from the Project		49,228,696	7,785,329
Expense Allocation		(63,502,705)	(8,920,234)
		(14,274,009)	(1,134,905)
7 Provisions for Impairment			
Long-Term Investments - Sathosa Retails Limited		171,928,690	-
Trade Receivables		(12,583,276)	-
Rent Receivables		8,718,044	-
Amount Due from Related Entities		(31,974,206)	-
Deposits and Advances		29,653,693	-
Other Receivables		37,939,008	-
Statutory Receivables - National Security Levy (NSL)		174,321,615	-
		378,003,569	-
9 Net Finance Cost			
		Group	CWE
		2012	2011
Finance Income			
On Fixed Deposits and Short-Term Deposits		5,185,960	4,478,286
On FCBU Account		63,473	-
On Staff Loans		19,440	-
		5,268,872	4,478,286
Finance Cost			
Overdraft Interest		104,647	-
On Treasury Bonds		323,812,668	323,812,668
On Borrowings		24,840,000	21,000,000
		348,757,315	344,812,668
		343,488,443	340,334,382
		343,518,141	340,352,311
11 Income Tax Expenses			
Current Tax Expense for the Year	11.1	14,607,451	68,351
		13,200,000	-
11.1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit.			
Accounting Profit Before Taxation		(649,409,877)	1,052,148
Aggregate of Disallowable Expenses		773,714,549	30,935
Aggregate of Allowable Expenses		(31,176,955)	(37,058)
Other / Exempted Income		(11,522,601)	(17,929)
Adjusted Business Profit / (Loss)		81,605,116	1,028,096
Other Income Liabilities for Tax		5,205,399	17,929
Statutory Income		5,205,399	1,046,025
Tax Losses Utilized		(25,720,193)	(366,109)
Assessable Income / Taxable Income		(20,514,794)	47,021,756
Income Tax on Statutory Tax Rate of 28%		13,166,092	-
Income Tax on Statutory Tax Rate of 10%		1,403,887	66,199
Income Tax on Statutory Tax Rate of 12%		3,564	2,152
Adjustment to Provision		33,908	-
Current Tax on Ordinary Activities for the Year		14,607,451	68,351
		13,200,000	-
Tax Losses			
Loss Brought Forward		10,505,398,027	766,895
Loss Utilized		(25,720,193)	(366,109)
Loss Carried forward		10,479,677,834	10,479,677,834

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

12 Property, Plant and Equipment Group	Lands	Buildings	Partitions	Plant and Machinery	Motor Vehicles	Furniture and Office Equipment	Computer Accessories	Warehouse Equipment	Tools and Equipment	Total
Cost										
Balance as at 01 January 2011	955,510,235	321,091,370	-	88,163,606	39,475,999	47,790,122	76,376,117	49,955,807	45,516,613	1,623,879,869
Additions	-	10,806,565	2,868,090	127,000	22,588,950	13,190,312	2,011,785	196,750	8,273,546	60,062,998
Disposals	-	-	-	-	(12,082,000)	-	-	-	-	(12,082,000)
Balance as at 31 December 2011	955,510,235	331,897,935	2,868,090	88,290,606	49,982,949	60,980,434	78,387,902	50,152,557	53,790,159	1,671,860,867
Additions	-	4,540,952	1,660,582	3,442,975	64,122,450	7,210,323	1,230,551	-	1,313,414	83,521,247
Disposals - (Note 11.2)	(226,680,000)	(6,408,731)	-	-	(7,673,000)	-	-	-	-	(240,761,731)
Balance as at 31 December 2012	728,830,235	330,030,156	4,528,672	91,733,581	106,432,399	68,190,757	79,618,453	50,152,557	55,103,573	1,514,620,383
Depreciation										
Balance as at 01 January 2011	203,841,771	-	-	87,928,645	7,474,800	46,471,350	75,573,550	49,588,546	44,661,854	515,540,516
Charge for the Year	14,918,003	143,405	215,712	7,895,200	4,201,628	721,471	19,675	385,218	28,500,311	28,500,311
Disposals	-	-	-	-	(3,181,400)	-	-	-	-	(3,181,400)
Balance as at 31 December 2011	218,759,774	143,405	88,144,357	12,188,600	50,672,978	76,295,022	49,608,221	45,047,072	540,859,427	540,859,427
Charge for the Year	15,352,785	535,896	185,343	14,476,610	7,460,754	903,341	19,755	736,848	39,671,333	39,671,333
Adjusted to Retained Earnings	(143,405)	286,809	-	-	-	-	-	-	143,405	143,405
Disposals	(4,385,322)	-	-	-	(5,721,400)	-	-	-	-	(10,106,722)
Balance as at 31 December 2012	229,583,832	966,110	88,329,700	20,943,810	58,133,732	77,198,363	49,627,976	45,783,919	570,567,442	570,567,442
Net Carrying Values							Note	2012	2011	
Land								728,830,235	955,510,235	
Buildings								100,446,324	113,138,162	
Partitions								3,562,562	2,724,685	
Plant and Machinery								3,403,881	146,249	
Motor Vehicles								85,488,589	37,794,349	
Furniture and Office Equipment								10,057,024	10,307,456	
Computer Accessories								2,420,090	2,092,880	
Warehouse Equipment								524,581	544,336	
Tools and Equipment								9,319,654	8,743,087	
								944,052,941	1,131,001,439	

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

12 Property, Plant and Equipment Contd.....										
CWE	Lands	Buildings	Partitions	Plant and Machinery	Motor Vehicles	Furniture and Office Equipment	Computer Accessories	Warehouse Equipment	Tools and Equipment	Total
Cost										
Balance as at 01 January 2011	955,510,235	321,091,370	-	88,163,606	39,475,999	47,778,931	76,270,112	49,955,807	45,494,529	1,623,740,589
Additions	-	10,806,565	2,868,090	127,000	22,588,950	13,190,312	1,995,550	196,750	8,273,546	60,046,763
Disposals	-	-	-	-	(12,082,000)	-	-	-	-	(12,082,000)
Balance as at 31 December 2011	955,510,235	331,897,935	2,868,090	88,290,606	49,982,949	60,969,243	78,265,662	50,152,557	53,768,075	1,671,705,352
Additions	-	4,540,952	1,660,582	3,442,975	64,122,450	7,210,323	880,071	-	1,313,414	83,170,767
Disposals - (Note 11.2)	(226,680,000)	(6,408,731)	-	-	(7,673,000)	-	-	-	-	(240,761,731)
Balance as at 31 December 2012	728,830,235	330,030,156	4,528,672	91,733,581	106,432,399	68,179,566	79,145,733	50,152,557	55,081,490	1,514,114,389
Depreciation										
Balance as at 01 January 2011		203,841,771	-	87,928,645	7,474,800	46,469,112	75,574,944	49,588,546	44,657,321	515,535,139
Charge for the Year		14,918,003	143,405	215,712	7,895,200	4,201,628	690,536	19,675	385,218	28,469,376
Disposals		-	-	-	(3,181,400)	-	-	-	-	(3,181,400)
Balance as at 31 December 2011		218,759,774	143,405	88,144,357	12,188,600	50,670,740	76,265,480	49,608,221	45,042,539	540,823,115
Charge for the Year		15,352,785	535,896	185,343	14,476,610	7,458,516	855,135	19,755	732,431	39,616,472
Adjusted to Retained Earnings		(143,405)	286,809	-	-	-	-	-	-	143,405
Disposals		(4,385,322)	-	-	(5,721,400)	-	-	-	-	(10,106,722)
Balance as at 31 December 2012		229,583,832	966,110	88,329,700	20,943,810	58,129,256	77,120,615	49,627,976	45,774,970	570,476,269
Net Carrying Values							Note	2012	2011	
Land								728,830,235	955,510,235	
Buildings								100,446,324	113,138,162	
Partitions								3,562,562	2,724,685	
Plant and Machinery								3,403,881	146,249	
Motor Vehicles								85,488,589	37,794,349	
Furniture and Office Equipment							12.3	10,050,310	10,298,503	
Computer Accessories								2,025,117	2,000,181	
Warehouse Equipment								524,581	544,336	
Tools and Equipment								9,306,520	8,725,536	
								943,638,120	1,130,882,236	

11.1 Physical verification and valuation of the entirety of property, plant & equipment except motor vehicles has been initiated on 3 June 2015 and is being carried out. The outcome of this verification and valuation will be adopted on the accounts in the year 2014. It is envisaged that the verification exercise is being carried out to facilitate the financial statements to be presented in conform to the SLFRSS.

11.2 The property bearing assessment No.440 Union Place Colombo-02 vested with CWE, by a cabinet decision, has been handed over to the Colombo Divisional Secretariat in the year 2006. The land's carrying value as reported in the books of accounts in CWE amounting to Rs.226,680,000 representing the revalued amount as a result of revaluation, then carried out, has been adjusted to reflect the transfer. Similarly the building situated on the said property also has been adjusted accordingly. As a result the depreciation recognized from the year 2006 up to the year 2011 has been reversed (eliminated). The depreciation charge for the year on "Partitions" also includes denreciation for the year 2011.

11.3 The motor vehicles as classified above comprise of freehold and leasehold vehicles.

Figures in brackets indicates deductions.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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FOR THE YEAR ENDED 31 DECEMBER 2012

12.3	Leasehold Assets Contd...					
Summary of Net Book Value			Balance as at	Additions	Balance as at	
Description			01 Jan. 2012		31 Dec. 2012	
Cost						
Motor Vehicles			9,585,000	64,122,450	73,707,450	
Description			Balance as at	Charge for the	Balance as at	
			01 Jan. 2012	Year	31 Dec. 2012	
Depreciation						
Motor Vehicles			-	5,753,750	5,753,750	
Net Book Value			9,585,000		67,953,700	
13	Prepaid Leasehold Lands					
Summary of Net Book Value			Balance as at	Additions	Balance as at	
Description			01 Jan. 2012		31 Dec. 2012	
Initial Cost						
Prepaid Rental			2,311,930	-	2,311,930	
Description			Balance as at	Charge for the	Balance as at	
			01 Jan. 2012	Year	31 Dec. 2012	
Amortization						
Prepaid Rental (Charge for the Year and Previous Years)			-	620,712	620,712	
Net Book Value			2,311,930		1,691,219	
Details of Land on Lease and Lease Arrangements :						
Name of the Lessor		Initial Amount (Rs.)	Payment Terms	Agreement No.	Remaining Lease Term	Date of Commencement
The Urban Development Authority of Sri Lanka		165,000	Rs. 1000 per Acre. Renewable Everv 5 Year	861	31 Year	03 Nov. 1993
The Urban Development Authority of Sri Lanka		1,500,000	Rs. 1000 per Acre. Renewable Everv 5 Year	884	35 Years	30 March 1998
14	Intangible Assets					
Summary of Net Book Value			Balance as at	Additions	Balance as at	
Description			01 Jan. 2012		31 Dace. 2012	
Cost						
Computer Software			108,962	1,040,500	1,149,462	
Description			Balance as at	Charge for the	Balance as at	
			01 Jan. 2012	Year	31 Dec. 2012	
Depreciation						
Computer Software			36,321	39,738	76,059	
Net Book Value			72,642		1,073,403	
15	Investment in Subsidiaries					
			No. of Shares	Holding [%]	Group / CWE	
					2012	2011
CWE Economic Centre Services (Pvt) Ltd (Formally known as CWE						
Security & Janitorial (Pvt) Ltd)			1	100%	10	10
CWE Construction and Engineering (Private) Limited			1	100%	10	-
					20	10

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER			Group / CWE	
	Note		2012	2011
16 Other Investments				
Available-for-Sale (AFS) Financial Assets				
Quoted Shares	16.1		10	10
Others				
INGRIN Institute of Printing & Graphics Sri Lanka LTD (28% - 992,371 No of Shares)	15.2		9,923,710	9,923,710
Sathosa Retails Limited	15.3		171,928,690	171,928,690
			181,852,410	181,852,410
Provision for Impairment			(171,928,690)	-
			9,923,720	181,852,410
16.1 Quoted Shares	No. of Shares	Market Value Per Share		
Sathosa Motors PLC	2	222.30	445	510
15.2	In the year 1997, INGRIN Institute of Printing & Graphics - Sri Lanka LTD has been registered as a public unquoted company and the premises were given to the institute. 992,371 number of shares were issued at Rs.10 each in favour of CWE on 27.07.1999.			
15.3	A liquidator was appointed on 20.02.2007 to commence liquidation proceeding on Sathosa Retail Limited based on a court case No 182 / C.O filed in District court of Colombo. Accordingly, in the year 2013 the said company has been fully wound up. Hence impairment provision for entirety of the carrying value of the said investment has been recognised.			
17 Advance for Investment			Group / CWE	
			2012	2011
Lanka Sathosa Limited			121,708,711	121,708,711
The above represent cost of the capital assets given amounting to Rs 54.7 Mn and amount receivable as rent for the period from the year 2006 up to 31 March 2011 amounting Rs.66.9Mn , to/ from Lanka Sathosa Limited.				
18 Inventories			Group / CWE	
			2012	2011
Finished Goods (Wholesale)			27,553,999	29,249,885
Paddy Operation - Paddy with Millers & CWE Stores	6.1		253,054,635	-
- Rice - CWE Stores	6.1		12,608,182	12,385,298
Projects Related Inventories	18.1		-	91,630,172
General Stocks	18.2		4,597,545	4,597,545
			297,814,360	137,862,900
18.1 Projects Related Inventories				
Crates Stocks			-	61,830,650
Department of Co-operative Development - (Fund)			-	29,799,522
			-	91,630,172
There is no closing stock as at 31 December 2012 relating to the consumer project funded by Department of Co-operative Development. Although crates stocks have been recognized in the previous year, the stock remaining during the current year have not been recognized due to the fact that the stocks have not been purchased by CWE and belongs to the suppliers based on the working arrangements entered into between CWE and the suppliers.				
18.2 General Stocks				
Building Department Stock			4,143,032	4,143,032
Packing Materials			454,513	454,513
			4,597,545	4,597,545
19 Trade and Other Receivables			Group	
			2012	2011
Trade Receivables	19.1	18.1.1	199,885,590	79,050,289
Rent Receivables	19.2	18.2.1	87,104,696	48,483,144
Project / Services Receivables	19.3	18.3.1	534,299,709	111,999,764
Amount Due from Related Entities	19.4		44,854,713	2,291,116
Deposits and Advances	19.5	18.5.1	-	30,355,030
Staff Loans and Advances			7,392,305	11,521,429
Short Term Advances			1,000,000	-
Other Receivables	19.6	18.6.1	26,723,849	48,580,931
			901,260,861	332,281,702
			CWE	
			2012	2011
Trade Receivables			178,277,031	67,876,452
Rent Receivables			87,104,696	48,483,144
Project / Services Receivables			534,299,709	111,999,764
Amount Due from Related Entities			46,465,342	5,051,745
Deposits and Advances			-	30,355,030
Staff Loans and Advances			7,238,555	11,507,429
Short Term Advances			1,000,000	-
Other Receivables			25,129,105	47,298,933
			879,514,438	322,572,495

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER		Group		CWE	
Note	Sub Note	2012	2011	2012	2011
19.1 Trade Receivables					
Current / Performing Balances		204,918,623	94,430,025	178,277,031	80,459,727
Long Outstanding Balances		1,803,438	1,803,438	1,803,438	1,803,438
		206,722,061	96,233,463	180,080,470	82,263,166
Provision for Impairment		(6,836,472)	(17,183,174)	(1,803,438)	(14,386,714)
		199,885,590	79,050,289	178,277,031	67,876,452
Current year impairment provision represents specifically identified long outstanding balances, a general provision made in the year 2008 against the total outstanding i.e., 10% on the total closing balance at that year now has been reversed. The provision reversed amounts to Rs. 12,583,276.					
19.2 Rent Receivables					
		Group / CWE			
		2012	2011		
Current / Performing Balances		87,104,696	39,270,991		
Long Outstanding Balances		77,257,552	77,751,660		
		164,362,248	117,022,652		
Provision for Impairment		(77,257,552)	(68,539,508)		
		87,104,696	48,483,144		
Current year impairment provision represents specifically identified long outstanding balances, An additional provision of Rs.6,029,590 has been made during the year when compare to the proviosn made in the previous year.					
19.3 Project / Services Receivables					
		Group / CWE			
		2012	2011		
Crates		7,596,030	8,492,458		
Paddy Operation - Government Institutions		503,165,942	121,372		
Department of Co-operative Development - (Funded Project)		16,432,131	103,367,298		
Transport Services		7,105,605	18,636		
		534,299,709	111,999,764		
19.4 Amount Due from Related Entities					
		Group		CWE	
		2012	2011	2012	2011
Sathosa Retails Limited		142,408,758	242,194,452	142,408,758	142,408,758
Sathosa Retails Limited - Welisara		5,999,113	-	5,999,113	-
Sathosa Retails Limited - Debtor		5,093,913	-	5,093,913	-
Lanka Sathosa Limited		24,202,985	24,202,985	24,202,985	24,202,985
CWE Economic Centre Services (Pvt) Ltd (Formally known as CWE Security & Janitorial (Pvt) Ltd)		2,231,649	2,735,284	3,842,278	5,495,913
		179,936,418	269,132,721	181,547,048	172,107,656
Provision for Imapirment		(135,081,705)	(167,055,911)	(135,081,705)	(167,055,911)
		44,854,713	102,076,810	46,465,342	5,051,745
Consequent to the winding up of Sathosa Retail Limited, CWE has received Rs. 42,623,064.07 in the year 2013 as a full and final settlement against the amounts due from Sathosa Retail Limited, reported as above. Since CWE has already made an adequate provision for impairment against total dues, the remaining balance irrecoverable amounting to Rs 110,878,720 arising from the liquidation has been accomadeted from the provision made.					
Provision for impairment also includes entire amount of Rs.24,202,985 receivable from Lanka Sathosa Limited. Over provision of Rs.31,974,206 has been reversed during the year when compared to the provision made in previous years.					
19.5 Deposits and Advances					
		Group / CWE			
		2012	2011		
Current / Performing Balances		-	752,700		
Long Outstanding Balances		29,653,693	29,602,330		
		29,653,693	30,355,030		
Provision for Imapirment		(29,653,693)	-		
		-	30,355,030		
19.6 Other Receivables					
		Group		CWE	
		2012	2011	2012	2011
Current / Performing Balances		26,723,849	10,641,923	25,129,105	9,359,925
Long Outstanding Balances		145,632,158	145,632,158	145,632,158	145,632,158
		172,356,007	156,274,081	170,761,263	154,992,083
Provision for Imapirment		(145,632,158)	(107,693,150)	(145,632,158)	(107,693,150)
		26,723,849	48,580,931	25,129,105	47,298,933
Provision has been made for the entire amount shown as long outstanding balances, consequently Rs.37,939,008/- has been made as an additional provision during the current year when compared to provision made in previous years.					

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

		Group / CWE	
		2012	2011
Note			
20	Other Non-Financial Assets		
	Prepaid Expenses	2,050,834	640,881
	Statutory Receivables		
	National Security Levy (NSL)	234,321,615	234,321,615
	Economic Service Charges (ESC)	-	2,330,788
	Withholding Tax (WHT)	-	748,431
		234,321,615	237,400,834
	Provision for Impairment	(234,321,615)	(60,000,000)
		2,050,834	178,041,714
21	Cash and Cash Equivalents		
		Group	CWE
		2012	2011
	Favorable Cash and Cash Equivalents Balance		
	Current Accounts	17,687,724	8,681,275
	Savings Accounts / Call Deposits	140,776,549	167,130,528
	Foreign Currency Accounts	3,076,435	2,660,872
	Cash in Hand	2,031,895	21,294,478
		163,572,602	199,767,152
	Unfavorable Cash and Cash Equivalents Balance		
	Bank Overdrafts	(50,443,618)	(34,410,165)
		(50,268,009)	(34,410,165)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	113,128,984	165,356,987
22	Contributed Capital		
		Group / CWE	
		2012	2011
	Initial Capital Invested	1,056,590	1,056,590
23	Reserves		
	Capital Reserve	32,444,879	32,444,879
	General Reserve	94,477,411	94,477,411
	Loan Redemption Reserve	300,289,603	300,289,603
	Vehicle Replacement Reserve	72,218,000	72,218,000
	Revaluation Reserve	974,706,008	1,201,386,008
	Restructuring Reserve	1,781,563,583	2,323,728,130
		3,255,699,484	4,024,544,031
24	Payables to Treasury		
	On Converted Loans	24.1	4,397,000,000
	On CWE Treasury Bond Interest Payments	24.2	2,806,167,798
		7,203,167,798	6,879,355,130

In the year 2003 Government of Sri Lanka has undertaken to repay the loans, overdraft facilities and interest outstanding thereon of CWE payable to several government and private banks by issuing Bonds to the face value of Rs.4,397Mn. CWE has agreed that the interest payment referred to the aforesaid Bond liability will take the form of "Zero coupon CWE Bond" issued to the respective banks as the Bond holders for each such interest payments. The directive issued on 28 February 2008 by the Secretary to the Treasury, the Government has undertaken to settle the Bonds issued by CWE on account of interest payments. The Government has settled the CWE bond to the redemption value of 2,806 Mn as at 31 December 2012. The total CWE bonds undertaken to settle by the Government will be redeemed in November 2016.

Details of restructuring of CWE banking facilities and CWE bonds issued on account of interest undertaken for settlement by the Government are tabulated below.

		Rupees in Million				
24.1	Financial Institution	Total Liability		Total Restructured Liability	Restructured Liability	
		Loans with Interest	Overdraft		To Bond	By Cash
	Bank of Ceylon (BOC)	1,852	-	1,852	1,700	100
	HSBC	889	75	964	733	100
	Peoples' Bank	932	52	984	625	100
	Commercial Bank	778	-	778	600	100
	Hatton National Bank					
	PLC (HNB)	550	100	650	489	100
	Seylan Bank	265	-	265	250	-
		5,266	227	5,493	4,397	500
						596

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

24.2 Financial Institution			Total CWE Bonds Issued As At		Total CWE Bonds Issued As At	
			31 Dec. 2012		31 Dec. 2012	
		Bank of Ceylon (BOC)	1,126,753,200		1,001,558,400	
		HSBC	485,829,468		431,848,416	
		Peoples' Bank	414,247,500		368,220,000	
		Commercial Bank	397,677,600		353,491,200	
		Hatton National Bank PLC (HNB)	324,107,244		288,095,328	
		Seylan Bank	165,699,000		147,288,000	
			2,914,314,012		2,590,501,344	
		Settlements Made By CWE	(108,146,214)		(108,146,214)	
		Settlements Made By the Government Treasury	2,806,167,798		2,482,355,130	
25 Retirement Benefit Obligations			Group / CWE			
			2012	2011		
		Balance as at 01 January	30,112,068	26,193,505		
		Charge for the Year	4,247,629	4,437,033		
		Payments Made During the Year	(659,080)	(518,470)		
		Balance as at 31 December	33,700,618	30,112,068		
26 Borrowings						
		Hatton National Bank PLC (HNB)	17,000,000	29,000,000		
		Peoples Bank	33,931,254	56,031,255		
		Bank of Ceylon (BOC)	94,500,000	98,100,000		
		Peoples Bank - Import Loan	207,050,943	207,050,943		
		Accrued Interest	267,631,461	242,791,461		
	26.1		620,113,658	632,973,659		
26.1 Movement of Borrowings						
		Balance as at 01 April	657,813,658	659,073,659		
		Settlements Made	(37,700,000)	(26,100,000)		
		Balance as at 31 March	620,113,658	632,973,659		
		Current Portion	510,682,404	485,842,404		
		Non-Current Portion	109,431,254	147,131,255		
			620,113,658	632,973,659		
27 Finance Lease Obligations						
		Gross Liability as at 01 January	32,642,845	-		
		Obtained During the Year	86,563,656	30,563,883		
		Adjustment	(6,532,825)	6,834,021		
		Repayments During the Year	(15,777,175)	(4,755,059)		
		Gross Liability at End of the Year	96,896,501	32,642,845		
		Finance Charges Allocated to Future Periods	(32,024,193)	(7,995,294)		
		Net Liability at End of the Year	64,872,308	24,647,551		
		Current Portion	10,454,344	8,590,451		
		Non-Current Portion	54,417,964	16,057,100		
			64,872,308	24,647,551		
28 Trade and Other Payables			Group		CWE	
	Note	Sub Note	2012	2011	2012	2011
Trade Payables	28.1	27.1.1	19,260,830	13,656,140	2,549,262	10,948,634
Project Payables	28.2	27.2.1	1,347,089,170	687,754,273	1,347,089,170	687,754,273
Amounts Due to Related Entities		27.2.1	-	-	10	-
Other Payables	28.3	27.2.1	390,823,392	401,048,523	390,823,392	401,048,523
Refundable Deposits		27.3.1	28,938,958	28,594,103	28,006,958	27,341,226
			1,786,112,350	1,131,053,040	1,768,468,792	1,127,092,656
28.1 Trade Payables						
		Current / Performing Balances	6,364,212	6,517,881	3,106,292	3,810,375
		Retention / to Subcontractors	13,453,648	-	-	-
		Long Outstanding Balances	(557,030)	7,138,259	(557,030)	7,138,259
			19,260,830	13,656,140	2,549,262	10,948,634

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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FOR THE YEAR ENDED 31 DECEMBER 2012

Group / CWE
2012 2011

28.2 Project Payables

Paddy Operation - Paddy Purchase (Paddy Marketing Board)	962,585,013	95,831,317
- Millers	70,643,179	-
- Packing Material	12,757,032	-
- Transport	10,657,962	-
- Refundable Deposits (Millers)	3,000,000	-
- Treasury Advances	254,149,693	254,149,693
Department of Co-operative Development - (Funded Project)	-	28,951,050
Department of Co-operative Development - (Fund)	19,926,051	220,078,867
Crates	13,370,241	88,743,346
	1,347,089,170	687,754,273

28.3 Other Payables

Current / Performing Balances	7,223,465	17,448,570
Long Outstanding Balances	383,599,927	383,599,954
	390,823,392	401,048,523

29 Other Non-Financial Liabilities

	Sub Note	Group		CWE	
		2012	2011	2012	2011
Accrued Expenses	28.1.1	27,369,673	23,882,611	18,544,490	18,857,978
Statutory Payables					
Value Added Tax (VAT)		44,774,935	36,927,278	42,678,474	36,306,934
Stamp Duty Payable		59,525	20,625	59,525	20,625
Current Tax (Net of Tax Credits)		11,242,719	60,026	9,775,242	-
Nation Building Tax (NBT)		8,607,236	6,930,707	8,170,358	6,690,506
		92,054,088	67,821,247	79,228,090	61,876,043

30 Capital and Other Commitments

There were no material capital expenditure or other financial commitments approved by the Board of Directors as at the reporting period end.

31 Events Occurring after Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the 31 December reporting date and the date of authorisation.

32 Related Party Disclosures

The company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and key management personnel.

32.1 Transactions with Key Management Personnel (KMPs)

According to the Sri Lanka Accounting Standards LKAS.24 "Related Party disclosures" Key Management Personnel are those having responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors, General Manager and Operational Managers have been classified as Key Management Personnel.

Transactions with Key Management Personnel	Group		CWE	
	2012	2011	2012	2011
Remuneration and Other Short-Term Employee Benefits	120,000	1,140,308	-	1,021,308

32.2 Related Party Transactions

Details of significant related party transactions that company carried out are as follows:

Transactions with Government of Sri Lanka and State-Owned Enterprises and Other Government Related Entities

The Government of Sri Lanka is only the capital holder of the company and thus has control over its operation. Accordingly company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties.

Related Parties	Nature of Transactions	Transaction Value (Rs.)	Amount Due from / (to)
Government of Sri Lanka	Rent Income (Performing)	30,521,719	29,693,359
	Treasury Bonds issued by CWE and Settled by Treasury	323,812,668	7,203,167,798
	Project Receivables - Crates		51,713
	Sales of Rice		14,129,256
	Transport Services Rendered		128,070
	Other Receivables		100,000,000
	Other Payables on SRL		(200,000,000)

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
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(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

Related Party Transactions Contd.....

Related Parties	Nature of Transactions	Transaction Value (Rs.)	Amount Due from / (to)
State-Owned Enterprises	Rent Income (Performing)	129,113,490	47,878,025
	Paddy Purchases	1,322,759,432	(962,585,013)
	Sale of Goods		173,874,650
	Sales of Rice	1,293,315,431	489,036,687
	Short-Term Loans		1,000,000
	Bank Current Accounts		5,255,090
	Savings Accounts / Call Deposits		3,077,100
	Settlement of Borrowings	37,700,000	(603,113,658)
	Settlement of Lease Obligations		(46,716,573)
	Purchases and Services Obtained		(1,214,349)
	Other Payables		(5,739,567)
	Funding of MCPS Project		(19,926,051)
	Rent Deposits		(6,359,849)
	Transport Services Rendered		6,977,536
Local Government Bodies	Advances on Paddy / Rice Purchases		254,149,693
	Other Receivables		12,645,150
	Rent Income (Performing)	3,516,822	-
Other Government Related Entities	Project Receivables - Crates		7,544,318
	Project Receivables - MPCs		16,432,131
	Rent Income (Performing)	61,961	-

Transactions with Other Related Entities (Including Subsidiaries)

Related Parties	Nature of Transactions	Transaction Value (Rs.)	Amount Due from / (to)
CWE Economic Services (Pvt) Ltd	Centre Working capital requirements, Obtained security and Janitorial services.	1,652,076	3,842,278
Sathosa Retails Limited	Working capital requirements	-	153,501,784
Lanka Sathosa Limited	Working capital requirements	-	24,202,985

33 Litigation

There are several court cases pending as at the reporting date filed in favour / against CWE. The details of court cases pending are stated below.

Court	No. of Pending Cases
Supreme Court cases	2
Commercial High Court	3
High Court Cases	1
District Court	10
Magistrate Courts	2
Labour Department	2
Industrial Arbitration Cases	1
Labour Department Inquiries	7

The CWE may have contingent liabilities in respect of legal claims arising in the ordinary course of business. CWE will recognise such claims as and when those prove to be realised in the year in which the court decision is awarded by the respective courts. Hence, no provision has been made in the financial statements for legal claims if any, of the above cases. This position taken is in consistent with legal advices of the CWE's legal division.

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group		CWE	
	2012	2011	2012	2011
4.1.1 Direct Expenses				
Clearing Charges	23,986	-	23,986	-
Custom Duty	3,955,050	-	3,955,050	-
Import Charges	5,558,512	-	5,558,512	-
Rice & Processing Charges	337,243	-	337,243	-
SLSI Charges	50,479	-	50,479	-
Weight Bridge Charges	166,950	2,500	166,950	2,500
Fumigation Expenses	134,979	34,699	134,979	34,699
Loading & Unloading Charges	1,074,647	229,069	1,074,647	229,069
Packing Materials	199,698	-	199,698	-
Cotton Thread Expenses	15,000	-	15,000	-
Production Cost	-	17,750	-	17,750
Stock Adjustment	-	(2,360,907)	-	(2,360,907)
Stock Damages	307,649	-	307,649	-
Security Personnel Expenses	81,742,877	51,206,893	-	-
Telephone - walky-Yalky	369,985	370,392	-	-
Vehicle Allowance	378,500	300,000	-	-
Fuel Allowance	1,190,067	623,599	-	-
Telephone Allowance	130,667	99,000	-	-
Vehicle Maintenance	263,811	138,000	-	-
Printing & Statioery	240,934	44,022	-	-
Gift & Rewards to Security	-	2,500	-	-
Visiting Officers Overtime	-	303,218	-	-
Provision for Bad Debts	2,236,573	2,796,460	-	-
Security Travelling & Fuel	86,183	46,826	-	-
Security Consumables	93,386	22,129	-	-
Training Programme - Security Staff	27,700	94,000	-	-
Repair & Maintenance	23,688	-	-	-
Entertainment	27,096	-	-	-
ETF Surcharge	19,169	-	-	-
Bad Debts written off	101,356	-	-	-
	98,756,185	53,970,150	11,824,193	(2,076,889)

5.1.1 Direct Expenses	Group / CWE	
	2012	2011
Fuel	9,581,688	1,527,642
Repair and Maintanance - Transport	3,558,152	1,255,300
Rent Expenses - Transport	-	-
Registration Charges - Transport	24,075	-
Insurance	340,028	199,435
Lease Interest	2,498,671	466,624
Depreciation	4,401,687	3,283,584
Salaries	2,608,580	5,617,058
Employees' Provident Fund	218,631	528,720
Employees' Trust Fund	54,658	122,336
Overtime	1,029,870	1,130,642
Casual Wages	336,451	1,842,217
Employees' Provident Fund	28,372	-
Employees' Trust Fund	7,093	-
Overtime	41,089	-
Salary - Daily Pay	3,254,560	-
Employees' Provident Fund	251,203	-
Employees' Trust Fund	62,801	-
Overtime	601,121	-
Insurance Claim Receipt	(9,150)	-
	28,889,581	15,973,558

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

Group / CWE

2012 2011

6.1.1 Transport

Fuel			17,034,111	854,147
Repair and Maintenance			6,325,604	701,006
Rent Expenses			12,127,185	-
Registration Charges			42,800	-
Insurance			604,494	111,372
Lease Interest			4,442,082	259,526
Depreciation			7,825,222	1,833,676
Salary - Daily Pay			4,637,475	3,136,776
Employees' Provident Fund			388,677	295,257
Employees' Trust Fund			97,169	68,317
Overtime			1,830,880	631,393
Casual Wages			598,135	1,028,763
Employees' Provident Fund			50,440	-
Employees' Trust Fund			12,610	-
Overtime			73,047	-
Salaries - Permanent Staff			5,785,884	-
Employees' Provident Fund			446,584	-
Employees' Trust Fund			111,646	-
Overtime			1,068,660	-
			63,502,705	8,920,234

8.1.1 Administrative Expenses

Allowances	2,088,204	961,832	616,704	839,832
Bonus	2,773,729	214,000	2,773,729	214,000
Employees' Provident Fund	5,264,026	4,389,876	4,680,160	4,137,977
Employees' Trust Fund	1,315,737	1,149,700	1,170,041	1,086,725
Fuel Allowances	2,149,634	563,710	1,796,414	-
Leave Encashments	1,951,492	-	1,951,492	-
Professional Fee	1,064,650	87,135	1,064,650	87,135
Director's Emoluments	120,000	1,140,308	-	1,021,308
Staff Cost	12,694	-	12,694	-
Overtime	6,100,834	3,413,493	6,045,764	3,363,908
Salaries - Permanent Staff	42,544,967	60,879,633	37,048,274	58,564,205
Staff Treatment Expenses	1,389,679	-	1,389,679	-
Uniform Allowance	153,900	50,975	153,900	50,975
Accommodation Expenses	5,340	21,081	5,340	21,081
Advertisements	926,484	1,006,591	780,322	1,006,591
Renewal	471,694	11,200	471,694	11,200
Audit and Tax Consultancy Fee	764,000	43,000	664,000	-
Casual Wages	24,678,336	-	24,678,336	-
Janitorial Service	-	-	1,600,450	2,193,342
Data Processing Fee	46,467	-	46,467	-
Consultancy Fee	105,769	30,000	105,769	30,000
Depreciation	27,444,423	23,406,032	27,389,562	23,375,097
Amortization of Intangible Assets	39,738	-	39,738	-
Dialog Tv	86,702	11,691	86,702	11,691
Director Allowances	151,500	-	151,500	-
Board Meeting Expenses	4,310	-	4,310	-
Director Fee	1,079,400	13,500	1,079,400	-
Electricity	16,076,454	16,897,246	16,076,454	16,897,246
Entertainment	415,047	438,336	415,047	438,336
Fuel Charges	1,230,660	-	1,230,660	-
Gratuity	4,247,629	4,437,033	4,247,629	4,437,033
Amortization of Leasehold Lands	40,426	-	40,426	-
Insurance	-	266,137	-	266,137
Internet	102,851	-	94,788	-
Labour Charges	1,112,089	-	1,112,089	-
Licence Fee	252,141	-	252,141	-
Luxury Tax	100,000	-	100,000	-
Office Maintenance	242,879	-	242,879	-
Penalty Charges	6,918	3,933	6,918	3,933
P.A. Y.E.	8,398	13,662	8,398	13,662
Periodical Expenses	40,905	-	40,905	-
Balance C / F	146,610,106	119,450,102	139,675,425	118,071,413

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Group		CWE	
		2012	2011	2012	2011
Balance B / F		146,610,106	119,450,102	139,675,425	118,071,413
Photocopy		8,165	-	8,165	-
Postage		94,521	37,258	94,521	34,835
Printing & Stationery		1,613,211	2,251,220	1,544,463	2,106,798
Registration & Renewal Fees		569,566	-	569,566	-
Rent		2,195,824	498,732	2,195,824	498,732
Repair & Maintenance		14,570,770	24,951,116	14,568,370	24,945,403
Salaries - Casual Wages		4,556,716	-	4,556,716	-
Security		1,922,121	2,299,771	1,973,747	2,384,729
Staff Welfare		1,330,875	1,106,736	1,330,875	1,106,736
Subsistence Allowance		1,042,558	1,500	1,042,558	-
Supervisory Allowance		39,980	-	39,980	-
Staff Compensation		-	219,590	-	219,590
Secretarial Fee		90,000	90,000	-	-
Tax & Rates		7,205,342	5,987,062	7,205,342	5,987,062
Telephone		1,953,014	1,225,870	1,845,285	1,155,427
Local Training		56,000	-	56,000	-
Travelling Allowances		380,000	757,684	380,000	757,684
Travelling		269,933	13,084	-	-
Local Travelling		825,632	167,702	825,632	167,702
Vehicle Allowance - Senior Executive		2,969,375	2,946,610	2,609,375	2,586,610
Water		1,114,678	1,237,751	1,114,678	1,237,751
Bank Charges		316,253	770,457	171,638	714,767
Donation		129,680	201,435	100,680	201,435
Vehicle Repair & Maintenance		-	58,061	-	-
Legal		1,147,996	742,541	1,147,996	742,541
NBT		2,708,861	961,972	870,710	853,038
Other Expenses		733,302	20,994	723,102	-
Audit & Management Community Allowance		20,500	-	20,500	-
VAT		-	5,712,361	-	5,712,361
Hotel Projects		171,427	-	171,427	-
Miscellaneous Expenses		11,854	1,011,970	11,854	989,517
Office Maintenance		6,400	545,286	6,400	545,286
Service Charges		700	8,062	700	8,062
Treatment Allowance		-	1,056,456	-	1,056,456
		194,665,359	174,331,382	184,861,530	172,083,935
8.1.2 Selling and Distribution Expenses					
Salary - Daily Pay		519,580	2,019,715	519,580	2,019,715
Employees' Provident Fund		35,395	-	35,395	-
Employees' Trust Fund		8,849	-	8,849	-
Overtime		-	-	-	-
Salaries Casual Wages		91,273	-	91,273	-
Employees' Provident Fund		7,082	-	7,082	-
Employees' Trust Fund		1,771	-	1,771	-
Overtime		-	-	-	-
Salaries - Permanent Staff		7,342,490	-	7,342,490	-
Employees' Provident Fund		567,789	-	567,789	-
Employees' Trust Fund		141,947	-	141,947	-
Overtime		700,970	-	700,970	-
Advertising		12,000	-	-	-
Packing Charges		-	69,306	-	69,306
Treatment Allowance		8,993,227	6,096,040	8,993,227	6,096,040
		18,422,373	8,185,061	18,410,373	8,185,061

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group		CWE	
	2012	2011	2012	2011
18.1.1 Trade Receivables				
Current Balances				
KEELS FOOD PRODUCTS PLC	1,032,236	1,236,286	1,032,236	1,236,286
LANKA SATHOSA LTD	183,499,850	83,285,019	172,399,683	78,265,434
ARPICO SUPER CENTRE	207,764	263,452	207,764	263,452
SRI LANKA COOPERATIVE MARKETING FEDERATION	580,464	694,555	580,464	694,555
THENUWARA TRADING (PVT) LTD	3,162,382	-	3,162,382	-
LANKA SATHOSA LTD - PACKETING	894,503	-	894,503	-
THE CO-OPERATIVE WHOLESALE ESTABLISHMENT	184,178	156,956	-	-
OTHER STATE-OWNED ENTERPRISES	6,921,841	3,577,394	-	-
OTHER GOVERNMENT ENTITIES	5,563,855	3,938,191	-	-
OTHERS	2,871,550	1,278,171	-	-
	204,918,623	94,430,025	178,277,031	80,459,727
Long Outstanding Balances				
N N BANDARA	167,170	167,170	167,170	167,170
P. JAYANTHE	6,850	6,850	6,850	6,850
S.B DISSANAYAKA	2,336	2,336	2,336	2,336
SHIRAN ENTERPRISES	725,000	725,000	725,000	725,000
RUWANI FARM SHOP	392,296	392,296	392,296	392,296
SHALOM DRIED FISH	125,475	125,475	125,475	125,475
A.N.A TRADERS	163,812	163,812	163,812	163,812
ARCHIE FOODS PRODUCTS	10,500	10,500	10,500	10,500
CARGILLS CEYLON LTD	210,000	210,000	210,000	210,000
	1,803,438	1,803,438	1,803,438	1,803,438
	206,722,061	96,233,463	180,080,470	82,263,166
PROVISION FOR IMPAIRMENT	(6,836,472)	(17,183,174)	(1,803,438)	(14,386,714)
	199,885,590	79,050,289	178,277,031	67,876,452
18.2.1 Rent Receivables				
Current Balances				
A.A.J. ABEYSINGHA			148,169	43,204
ABANS LIMITED			5,244,675	4,554,146
ABANS RESTAURANT			1,235,574	2,782,962
ANTHONEY JERAD - RENT			44,288	12,384
ANUPAMA LOKUGONADUWA			32,673	16,359
BATA SHOE COMPANY			313,646	112,094
BHELCOM LANKA (PVT) LTD			346,417	282,327
CEYLON FERTILIZER COMPANY			7,426	160,170
CEYLON FISHERIES CO-OPERATION - RENT			137,358	133,801
CHULA SHANTHA			4,101	3,331
CONSUMER AFFAIRS AUTHORITY			2,726,364	848,202
CO-OPERATIVE INSURANCE - RENT			557,218	455,738
D D T AMARASEKARA - RENT			134,850	57,221
DEPARTMENT OF TEXTILE			135,789	51,332
G D SAMARASINGHA - RENT			6,668	17,176
G D WIMALADASA - RENT			12,281	28,421
ISHANA SPICE EXPORT			397,824	874,005
J. F. WARNAKULASOORIYA-RENT			40,578	80,946
K M M ALLIE - RENT			68,110	12,384
L M C THUSHARA DE MEL - RENT			98,338	50,072
LONDREY MART PVT LTD			63,805	144,051
M I M RASHMI - RENT			15,567	19,685
M.ANANDA PIYARATHNE - RENT			50,134	212,829
MAHAPOLA SCHOOLERSHIP FUND			43,636	281,836
MAXIES COMPANY - RENT			30,490	129,076
MINISTRY OF CO-OP. AND INTERNAL TRADE RNT			29,693,359	9,976,715
P R WEERASINGHA - RENT			41,035	42,453
PADDY MARKETING BOARD - RENT DEBTOR			14,326,793	-
PERERA AND SONS LTD			113,920	331,008
R.T. FOODS RENT			210,253	128,455
RATHNAPURAYA MPCS (RENT DEBTOR)			220	-
S. SIVA KUMAR			-	-
SRI LANKA BUREAU OF FOREIGN EMPLOYMENT			85,500	23,093
Balanace C / F			56,367,056	21,865,476

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

CWE
2012 2011

Balance B / F

STATE PHARMACIUTICAL CORPORATION	56,367,056	21,865,476
SATHOSA MOTORS	-	6,708,334
SHAMMI ABEYWICKRAMA - RENT	1,559,360	888,987
SHANTHA KUMARAGE - RENT	76,214	78,398
STATE PRINTING CORPORATION	125,001	150,003
STATE TRADING CORPORATION (SC)	-	162,951
SUPPIAH NARAYANSAMY - RENT	445,814	46,327
TYRE HOUSE TRADING (PVT) LTD	12,517	8,233
U R S SHANTHA - RENT	-	-
WESCO LIMITED	18,537	25,525
WHEELS (PVT) LTD.	208,475	1,885,087
Y. M. DISSANAYAKA MANIKE	-	448,872
YOHAN SEBASTHIYAN - RENT	11,424	6,739
AGRICULTURAL AND AGRARIAN SER. BOARD	73,753	36,876
CANTEEN-C W E/BILL	3,735,203	3,765,388
CIC COMPANY LTD	98,810	71,736
CO-OPERATIVE DEVELOPMENT DEPT - RENT	(387,291)	132,691
EVERY COMPANY - RENT	2,486,128	2,486,128
KUMARAVELU	-	148,494
LANKA SATHOSA LTD	41,403	41,403
NATIONAL INSURANCE TRUST FUND	19,955,322	-
P.D. SAMARASINGHE	2,276,970	230,077
P.D. WIMALADASA	-	15,693
	-	67,575
	87,104,696	39,270,991

Long Outstanding Balances

A K ISHAK	225,098	225,089
A K ISHAK - 02	9,016	9,016
A K ROHITHA	49,032	49,032
A SEKAR	101,222	101,222
A V K BANDULA	110,730	110,730
ABDUL HALIK	86,551	86,551
ADHIHETTI	73,688	73,688
ANJEEWA PUSHPAKUMARA	6,693	6,693
ANURADHA PAHIYANGALA	6,106	6,106
BANDULA AMARAWEEERA	50,490	50,490
CARAVAN FOODS	184,205	184,205
CHANDARA MOHAN	151,947	151,947
COLLECT CLEANERS LTD	42,000	42,000
D M DISSANAYAKA	2,194	2,194
D V WIMALASIRI	157,585	157,585
D W K HETTIARACHHI	7,545	7,545
DAMBULU VEGETABLE	96,224	96,224
DEVEA BURAIN	109,667	109,667
DIAMOND BEST FOOD	158,634	158,634
DUDLEY SIRISENA	44,738	44,738
ESSENTIAL COMMODITIES	326,337	326,337
G M ALL CEYLON EXCERSISE BOOK MANUFACT	87,763	87,763
G M KUMARASINGHA	91,935	91,935
G V SUBRAMANUM	29,650	29,650
GOVISHKTHI RICE MILLING LTD	9,622	9,622
HOT BAKERS - MALIGAWATHTHA	635,204	635,203
J H D JAYAWARDHANA	25,273	25,273
J JALABDEEN	14,441	14,441
J S S FERNANDO	52,612	52,612
J SYRIL	5,589	5,589
JAGATH HEWAGE	70,774	70,774
JANAKI AMARASINGHA	53,172	53,172
K G WEERASINGHA	146,273	146,273
K K PREMARATHNE	23,624	23,624
K KARTHIKESU	219,629	219,629
K KARUPAIYA	30,386	30,386
K MAHINDA RATHNE	115,223	115,223
K W PIYASIRI	110,196	110,196
Balance C / F	3,721,069	3,721,060

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	CWE	
	2012	2011
<i>Balalnce B / F</i>	3,721,069	3,721,060
K W PIYASIRI 02	16,915	16,915
KARUPUSAMI MASHWARAN	48,689	48,689
KOTHEMALE BUDGET SHOP	119,464	119,464
KRISHAN PERERA	130,266	130,266
KRISHANTHA PERERA	69,501	69,501
LANKA BELL COMPANY LTD	613,410	613,410
M A M A KURESH	47,638	47,638
M M RATHNAYAKA	25,619	25,619
M S S N RAMS	164,052	164,052
M WIJEKUMAR	84,133	84,133
M WIJEKUMAR 02	99,998	99,998
MAXSI PERERA	-	-
METHSIRI WIJESINGHA	70,133	70,133
MUDITHA PERERA	49,295	49,295
N E T SUNDARAN	395,027	395,027
N PERINKAYGAN	74,405	74,405
NATIONAL LOTARIES BOARD	6,250	6,250
P K C RAJAPAKSHA	114,817	114,817
P T NADAN	140,963	140,963
PALITHA VITHANA	255,540	255,540
PRABATH THUSHARA	44,221	44,221
PRADEEP SAMPATH KUMARA	121,124	121,124
PRIYANTHA JAYALAL PERIES	79,290	79,290
R A C DE ALWIS	20,774	20,774
RAIGAM PRODUCTS	66,819	66,819
RATHNAYAKA	146,273	146,273
REX FERNANDO	140,485	140,485
RUWAN MADURAPPRIYA	72,541	72,541
SRILANKA ARMY	28,053,675	28,686,300
S C VEGITABLE SHOP	114,008	114,008
S FERNANDO	89,351	89,351
S K THENUWARA	99,658	99,658
S M MISNER	5,589	5,589
S RAGUNADAN	29,285	29,285
S SIWAM	98,104	98,104
SARATH PUSHPA KUMARA	46	46
SARDA RASAPUTHTHARAN	38,408	38,408
SPELMEN FERNANDO	12,096	12,096
SPICE ALLIED AND MARKE BOARD	74,870	74,870
SUDATH SAJNJEWA	51,472	51,472
THAIMANA SUNDARAM	69,842	69,842
THISSA WICKRAMASINGHA	4,854	4,854
UDAYA NIYATHAPALA	134,631	134,631
W A WIMALADASA	5,841	5,841
W A WIMALASIRI	6,704	6,704
W M A C WIJESORIYA	3,714	3,714
W M A PUSHPA KUMARA	18,737	18,737
W M A SARATH PUSHPA KUARA	65,295	65,295
W M WIMAL FERNANDO	42,491	42,491
W M WIMALADASA 02	13,683	13,683
WEST ESTERN PVT LTD	25,000	25,000
WIJESIRI GAMLATH	52,164	52,164
A V SIRIPALA	14,661	14,661
AGRICULTURE INSURANCE BOARD 2	8,323,071	8,323,071
ASHOKA EXPORT LTD	587,208	587,208
CEYLON ORIENT SEA FOODS	1,230,040	1,230,040
CEYLON SUISAN PVT LTD	499,032	499,032
COLOMBO GROCERY PVT LTD	569,934	569,934
D J SNACK BAR	36,000	36,000
DY MINISTER OFFICE	364,407	364,407
EVERY MARKETING (PVT) LTD	55,990	55,990
FOOD PROCURMENT AND MONTORING COMMITTEE	580,966	580,966
<i>Balalnce C / F</i>	48,309,538	48,942,154

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	CWE	
	2012	2011
<i>Balance B / F</i>	48,309,538	48,942,154
INSTITUTE OF PRINT AND GRAPHIC	1,293,750	1,293,750
J MERKIDS	29,400	29,400
K A PRIYANTHA	10,378	10,378
K N A HARAS	54,667	54,667
K W A WEERASINGHA	82,421	82,421
K W A WEERASINGHA 02	138,642	138,642
K. ANADARAJAN	217,201	217,201
K. KASTHURIARACHCHI	200,929	200,929
LALITHA SANJEEWA	34,954	34,954
LANKA SPICE LTD	320	320
LANKA YOUTH BUSINESS PROMOTION	1,127,795	1,127,795
M M P D SILVA	28,391	28,391
M.M. AUFER	13,800	13,800
MALAYAGU SASHIKUMAR	2,042,336	2,042,336
MENDIS CO LTD	38,164	38,164
MINARAL SPRING SERVO DISTRIBUTORS	614,643	614,643
MINISTRY OF HEALTHCARE AND NUTRITION	2,768	2,768
MINISTRY OF TEXTILE DEVELOPMENT	1,959,090	1,959,090
MINISTRY OF TRADE AND COMMERCE	2,939,544	2,939,544
MOHANDAS	98,497	98,497
MUTHUVINAYAGAM	527	527
NATIONAL DEVELOPMENT BANK	88,200	88,200
ORBIT CARGO	839,500	839,500
P M CHITHRA	58,650	58,650
PARAMOUNT EXPORT	170,293	170,293
PETTHA ENTERPRISES	177,429	177,429
POLICE STATION - WELISARA	1,255,124	1,134,315
RAMBODA TEA ESTATE PVT LTD	6,393,375	6,393,375
RANGIRI DAMBULU AGRI TRADERS	1,805,329	1,805,329
RATHNA MOTERS	22,168	22,168
S A KULAARDENA	19,650	19,650
S K FOODS	112,664	112,664
S T PARAMESHWARI	627,006	627,006
SECRATORY OFFICE	677,352	659,654
SHALOM ENTERPRISES	692,940	692,940
SIRIPALA AMARASINGHA	245,177	245,177
SKYLINE VENTURES	437,388	437,388
SRI LANKA NATIONAL CO-OP BOARD	91,814	91,814
T AMARASEKARA	207,287	207,287
T JOSEPHIN NALLTNY	16,066	16,066
THE MACCRTH INTERNATIONAL	604,343	604,343
THUSHARA DE ALWIS	903	903
V. KUMARAVELU	90,596	90,596
WALISARA FG STORES	7,000	7,000
POLICE STATION - KADANA	161,084	161,084
S SIWAKUMAR/B	-	-
S T. PARAMESHWARAN	4,800	4,800
WALISARA - BUDJET SHOP RENT	34,253	34,253
LANKA SALUSALA LIMITED	3,179,405	3,179,405
	77,257,552	77,751,660
	164,362,248	117,022,652
PROVISION FOR IMPAIRMENT	(77,257,552)	(68,539,508)
	87,104,696	48,483,144

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

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18.3.1 Project / Services Receivables

Creates Receivables

MANAGER - EMBILIPITIYA ECONOMIC CENTRE	1,224,588	-
MANAGER - NARAHENPITA ECONOMIC CENTRE	799,588	150,003
MANAGER - PILIYANDALA ECONOMIC CENTRE	32,313	-
MANAGER - RATHMALANA ECONOMIC CENTRE	346,335	-
MANAGER - WELISARA ECONOMIC CENTRE	616,001	-
MANAGER - DAMBULLA ECONOMIC CENTRE	443,861	648,093
MANAGER - VEYANGODA ECONOMIC CENTRE	588,333	711,750
MANAGER- KEPPETIPOLA ECONOMIC CENTRE	271,219	-
R.W. BANDARA - MANAGER N/E ECON. CENTRE	3,222,082	6,982,613
SL ARMY AGRICULTURAL PROJECT	51,713	-
	7,596,030	8,492,458

Paddy Operation

SRI LANKA CONSUMER CO-OP FEDERATION SOCIETY	669,935	121,372
MINISTRY OF CO-OP. AND INTERNAL TRADE	14,129,256	-
LANKA SATHOSA LTD	488,366,752	-
	503,165,942	121,372

Department of Co-operative Development - (Funded)

PROJECT RECEIVABLE FROM MPCS	-	29,143,050
RECEIVABLES FROM MCPS	16,432,131	74,224,248
	16,432,131	103,367,298

Transport Services Provided

LANKA SATHOSA LTD	6,977,536	-
MINISTRY OF MUSLIM RELIGIOUS AND CULTURA	128,070	18,636
	7,105,605	18,636
	534,299,709	111,999,764

18.6.1 Other Receivables

	Group		CWE	
	2012	2011	2012	2011
Current Balances				
LC MARGIN A/C - DB1003LC1203988	5,968	-	5,968	-
PASSENGER GOODS CLEARING CENTRE	1,259,250	-	1,259,250	-
THE MAYOR , MUNICIPAL COUNCIL	5,985,150	-	5,985,150	-
STATE TRADING (CWE) - RECURRENT EX. REIM	6,660,000	-	6,660,000	-
ST. ANNES COLLAGE - KURUNAGALA (MAHAPOLA	3,846,317	2,473,992	3,846,317	2,473,992
LEAKAGE RECOVERY	1,917,591	84,717	1,917,591	84,717
BUILDING MATIRIALS CO-OPERATION - LOAN	5,454,829	6,801,216	5,454,829	6,801,216
OTHERS	1,594,744	1,281,999	-	-
	26,723,849	10,641,923	25,129,105	9,359,925
Long Outstanding				
PRE PAYMENT AND ADVANCE	31,441,577	31,441,577	31,441,577	31,441,577
DISHONORED CHEQUE	3,830,707	3,830,707	3,830,707	3,830,707
DAY SHEET CONTROL A/C	1,375,438	1,375,438	1,375,438	1,375,438
EXESS DEBIT	32,842	32,842	32,842	32,842
POSTAGE AND PETTY CASH IMPREST	2,042,553	2,042,553	2,042,553	2,042,553
SMART CARD	(23,453)	(23,453)	(23,453)	(23,453)
CLAIM RECEIVABLE	6,932,494	6,932,494	6,932,494	6,932,494
DUES FROM TREASURY	100,000,000	100,000,000	100,000,000	100,000,000
	145,632,158	145,632,158	145,632,158	145,632,158
	172,356,007	156,274,081	170,761,263	154,992,083
PROVISION FOR IMPAIRMENT	(145,632,158)	(107,693,150)	(145,632,158)	(107,693,150)
	26,723,849	48,580,931	25,129,105	47,298,933

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group		CWE	
	2012	2011	2012	2011
27.1.1 Trade Payables				
Current Balances				
SWITZ LANKA (PVT) LTD	249,636	527,752	249,636	527,752
NOORANI ESTATES LIMITED	435,847	406,477	435,847	406,477
HAJI HABIB COMPANY CEYLON LTD	225,000	225,025	225,000	225,025
J D VENTURES	6,892	-	6,892	-
STAR TRADING COMPANY PVT LTD	809,892	564,892	809,892	564,892
MAXIES & COMPANY (PVT) LTD	1,379,025	2,086,229	1,379,025	2,086,229
NOTES TO THE FINANCIAL STATEMENTS	550,471	550,471	-	-
OTHER GOVERNMENT RELATED ENTITIES	2,140,667	1,351,862	-	-
OTHERS	556,782	805,173	-	-
RETENTION PAYABLE	11,121,583	-	-	-
SUB-CONTRACTORS	2,342,065	-	-	-
	19,817,860	6,517,881	3,106,292	3,810,375
Long Outstanding				
CHILAW PLANTATION	600,000	600,000	600,000	600,000
PULSES INDUSTRIES	(2,828,782)	-	(2,828,782)	-
EXPOLANKA COMMODITIES LTD	(109,585)	-	(109,585)	-
GAYAN STORES	164,373	35,568	164,373	35,568
GREENWAY TRANSPORT PVT LTD	79,091	79,091	79,091	79,091
KUMARA ENTERPRISES	48,603	48,603	48,603	48,603
M MICHLE	55,350	55,350	55,350	55,350
MAKADURA FG STORES	1	-	1	-
N B FOODS	24,670	24,670	24,670	24,670
NEW BENSON TRADING	(4,312)	-	(4,312)	-
NIHOR ENTERPRISES	265,005	265,005	265,005	265,005
RANJITHA TRADERS	17,755	17,755	17,755	17,755
RELIC INTERNATIONAL	34,250	2,252	34,250	2,252
S E S FOOD PRODUCTS PVT LTD	714,807	2,818,374	714,807	2,818,374
SEWANAGALA SUGER INDUSTRY LTD	1,265,000	1,265,000	1,265,000	1,265,000
STATE TRADING(CO - OP WHOLESALERS EST) CO	404,457	(6,329,748)	404,457	(6,329,748)
T G C TRADERS	17,226	17,226	17,226	17,226
W A N NUWAN KUMARA	132,025	132,025	132,025	132,025
W D R SAMARAKOON	-	995	-	995
WILSON TRADING COMPANY	(101,568)	2,854,276	(101,568)	2,854,276
YATIYANA STORES	(1,091,891)	-	(1,091,891)	-
AIR FROST (PVT) LTD	-	749,775	-	749,775
JAYAS TRADING LTD	(243,505)	-	(243,505)	-
CEYLON WEIGHING MACHINES LIMITED (SC)	-	103,917	-	103,917
GLOBAL TRADING LANKA (PVT) LTD	-	45,500	-	45,500
INFOCUS	-	25	-	25
JOHNKEELLS OFFICEAUTOMATION (PVT)LTD	-	53,359	-	53,359
MINISTRY OF DEFENSE & URBAN DEVELOPMENT	-	8,493	-	8,493
ORIENT POLYSACKS COOPERATION (PVT) LTD	-	25	-	25
R.S.IMPORTERS (PVT) LTD	-	17,500	-	17,500
REFLIHINIYA	-	25	-	25
SHAKISHA TRUCK LORRY BODY BUILDERS	-	5,000	-	5,000
SRI LANKA TELECOM PLC	-	14,158	-	14,158
STC GENERAL TRADING COOPERATION LTD	-	134,651	-	134,651
UNION ASSURANCE PLC	-	34,422	-	34,422
FOOD PURCHASING AND INSPECTION UNIT	-	(283,191)	-	(283,191)
FOREIGN EMPLOYMENT BEARUE	-	(23,046)	-	(23,046)
G.S.DRYFISH	-	128,805	-	128,805
MAKANDURA FG STORE	-	2,306,510	-	2,306,510
NATIONAL INSURANCE TRUST FUND	-	836,112	-	836,112
SPECIAL EYE SOLUTIONS	-	(2,103,567)	-	(2,103,567)
SRI LANKA COOPERATIVE MARKETING FEDERATION	-	694,555	-	694,555
CARETRADING	-	2,136,288	-	2,136,288
J.K.MARKETING(PVT)LTD	-	(206,500)	-	(206,500)
SHARON INTERNATIONAL TRADING COMPANY	-	(169,624)	-	(169,624)
PAYABLE FOR POLY SACK BAGS	-	768,626	-	768,626
	(557,030)	7,138,259	(557,030)	7,138,259
	19,260,830	13,656,140	2,549,262	10,948,634

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

Group / CWE

2012

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27.2.1 Project Payables

Paddy Project Creditor

ALEX RICE MILL - MILLING CHARGES	831,532	-
ASMATH RICE MILL	6,718,400	-
CAPTAIN RICE MILL - PADDY SUB CONTRACTS	7,727,211	-
CHANDRASIRI RICE MILL	2,229,669	-
CITY RICE MILL	894,719	-
PATHIRANA RICE MILL	3,895,320	-
DULARA RICE MILLS	780,934	-
FIRA INTERNATIONAL - PADDY SUB CONTRACT	1,214,542	-
HAKMANA RICE MILL - SUB CONTRACT	635,289	-
HARLIK RICE MILL	8,864,952	-
IRESHA RICE MILL	249,958	-
JAYARATHNE RICE MILL	2,043,167	-
KEYAS RICE MILL	1,493,354	-
KHALEefa RICE MILL	6,204,014	-
M A R RICE MILL	2,869,624	-
MEGA RICE MILL	72,771	-
NAVEEN RICE MILL	2,019,087	-
NEW LANKA RICE MILL	810,459	-
NEW PMB RICE MILL	1,728,310	-
NEW STS RICE MILL	2,243,946	-
PATHUMA RICE MILL	534,290	-
PRAGATHEE RICE MILL	249,583	-
RATHNAYAKA RICE MILL	529,329	-
RICE LANKA PROCESSING LTD	5,444,594	-
SAMAN RICE MILL	1,074,072	-
SAMARASEKARA RICE MILL	677,870	-
SANJEEWA RICE MILL	2,103,502	-
SUPUNA RICE MILL	3,070,222	-
TORKY RICE MILL	1,892,466	-
YATIYANA RICE MILL	1,539,992	-
	70,643,179	-
PACKING CHARGES PAYABLE A/C	12,757,032	-
TRANSPORT EX PAYABLE A/C - PADDY PROJECT	10,657,962	-
	94,058,172	-
PADDY MARKETING BOARD	962,585,013	95,831,317
REFUNDABLE DEPOSIT - RICE MILLS	3,000,000	-
TREASURY ADVANCE - PADDY	254,149,693	254,149,693
	1,313,792,878	349,981,010
Department of Co-operative Development - (Funded)		
CWE - CO-OP CREDITOR	-	28,951,050
COOPRATIVE DEPARTMENT	19,926,051	220,078,867
Creates	19,926,051	249,029,917
NILKAMAL ESWARAN PLASTIC (PVT) LTD	1,418,016	-
NIPPON PLASTIC INDUSTRIES	284,212	2,238,575
PHOENIX INDUSTRIES LTD	11,668,013	86,504,771
	13,370,241	88,743,346
	1,347,089,170	687,754,273

27.2.1 Other Payables

Current Balances

CONSTRUCTION PAYABLE A/C	3,380,291	8,369,072
SECURITY DEPOSIT FUND	2,846,929	2,908,539
STAR COMPUTER SYSTEMS (PVT) LTD (SC)	71,142	(128,858)
DESIGN POINT (PVT) LTD	(297,457)	3,818,332
CASE - 44013/MR-S.S. INTERNATIONAL	1,209,036	2,392,154
JANASETHA MARKETING SERVICES (JKM AGENT)	10,494	-
BUILDING MAINTENANCE	-	89,300
FINES	3,030	30
	7,223,465	17,448,570

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

Group / CWE

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27.2.1 Other Payables Contd...

Long Outstanding

CALCULATION ERROR	1,050,494	1,050,493
CONSOLIDATED FUND	375,000	375,000
EXCESS COLLECTION	208,797	208,797
EXPENDITURE 1460402	941,821	941,821
FOOD COMMISSIONER DEPT	5,739,567	5,739,567
GIFT VOUCHER ISSUES	1,000	1,000
OTHERS	920	920
REMITTANCE CONTROLS	795,329	795,329
REVENUE	102,878,173	102,878,173
SUNDRY CREDITORS - SALARY	307,094	307,094
SURCHARGES	36,924	36,952
SUSPENSE	3,368,598	3,368,598
TRANSPORT FACILITY	45,496	45,496
UN IDENTIFIED OPENING BALANCE	1,050,493	1,050,493
VRS 1460307	436,761	436,761
BOOK KEEPING	66,363,460	66,363,460
PAYABLE AMONUT TO GOVT SL - SRL	27.2.1.1 200,000,000	200,000,000
	383,599,927	383,599,954
	390,823,392	401,048,523

27.2.1.1 The liability to Treasury has been derived as a result of settling Sathosa Retail Limited 's (SRL) liabilities in the following manner.

Liabilities of SRL

Creditors	655,000,000	655,000,000
Banks Liabilities - HSBC, Commercial Bank & HNB	225,000,000	225,000,000
	880,000,000	880,000,000

Mode of Settlement

Less :Sales Proceeds Received from SRL	(680,000,000)	(680,000,000)
Funded by the Treasury	200,000,000	200,000,000

27.2.1 Amounts Due to Related Entities

CWE CONSTRUCTION AND ENGINEERING (PRIVATE) LIMITED

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27.3.1 Refundable Deposits

	Group		CWE	
	2012	2011	2012	2011
A A ALIKHAN	4999	4,999	4,999	4,999
A B M MUSTHAPA	15000	15,000	15,000	15,000
A C ABDUL MAJEED	15000	15,000	15,000	15,000
A C M AKEEL	5000	5,000	5,000	5,000
A C S MOHOMAD	15000	15,000	15,000	15,000
A M AMEEN	25000	25,000	25,000	25,000
A M M NALEER	5000	5,000	5,000	5,000
A N MUHAMMED	5000	5,000	5,000	5,000
ALLIED HOTEL MANAGEMENT PVT LTD	24600	24,600	24,600	24,600
ANANDA NANAYAKKARA	150000	150,000	150,000	150,000
BARED INTERSHION PVT LTD	40750	40,750	40,750	40,750
BRITAINA CLEANING SERVICES PVT LTD	12300	12,300	12,300	12,300
BROWNS AND COMPANY	15000	15,000	15,000	15,000
C M MAHINDARATHNE	5000	5,000	5,000	5,000
G H A DE SILVA	25000	25,000	25,000	25,000
G N M NISTHAR	5000	5,000	5,000	5,000
GLOBEL CREATION	1090	1,090	1,090	1,090
H S L SENARATHNE	150000	150,000	150,000	150,000
HALIN RICE MILL	5000	5,000	5,000	5,000
I.L. AHAMADULEBBE	5000	5,000	5,000	5,000
J.M. SUBAIEER	5000	5,000	5,000	5,000
K ADAMKANI	5000	5,000	5,000	5,000
L. MITHRAPALA	5390	5,390	5,390	5,390
M. SUNIL SHANTHA	5000	5,000	5,000	5,000
M.J.A. FAURD	457500	457,500	457,500	457,500
M.S. AYUB	15000	15,000	15,000	15,000
Balance C / F	1,021,629	1,021,629	1,021,629	1,021,629

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group		CWE	
	2012	2011	2012	2011
Balance B / F	17,510,096	17,510,096	1,021,629	1,021,629
M.S.M. HARIJ	5,000	5,000	5,000	5,000
MCRAN INTERNATIONAL TRADING COMPANY	195,840	195,840	195,840	195,840
N. JEEWARATHNAM	15,000	15,000	15,000	15,000
N.K.G.A. ASWIN	1,400,000	1,400,000	1,400,000	1,400,000
NOON INDUSTRIES	26,250	26,250	26,250	26,250
PROPLANKA (PVT) LTD	5,000	5,000	5,000	5,000
REFUNDABLE DEPOSIT - OTHER	14,841,377	14,841,377	14,841,377	14,841,377
REFUNDABLE DEPOSIT - RENT	19,170	19,170	19,170	19,170
ROYAL RICE MILL	20,000	20,000	20,000	20,000
S.M. MADURI	5,000	5,000	5,000	5,000
SABURDEEN	5,000	5,000	5,000	5,000
SAFNA RICE MILL	15,000	15,000	15,000	15,000
SOUTHERN RICE MILL	940,800	940,800	940,800	940,800
SRI LANKA FOOD LINK (PVT) LTD	1,000,000	1,000,000	1,000,000	1,000,000
TASMA INTERNATIONAL MULTY SERVICES	7,820	7,820	7,820	7,820
UNITED STORES	5,000	5,000	5,000	5,000
V.R. CHANDRASIRI	15,000	15,000	15,000	15,000
W. GUNAPALA	5,000	5,000	5,000	5,000
	19,547,886	19,547,886	19,547,886	19,547,886
TENDER DEPOSITS	299,223	1,085,007	299,223	1,085,007
	19,847,109	20,632,893	19,847,109	20,632,893
RENT ADVANCE	2,232,000	652,878	1,800,000	-
RENT DEPOSIT - STATE PHARMACEUTICAL CO-OPERATIVE	6,359,849	6,708,333	6,359,849	6,708,333
SECURITY DEPOSITS	500,000	600,000	-	-
	9,091,849	7,961,211	8,159,849	6,708,333
	28,938,958	28,594,103	28,006,958	27,341,226

28.1.1 Accrued Expenses

SALARIES & ALLOWANCES CONTROL-CONTRACT & DAILY PAY	8,931,777	6,627,308	1,825,223	2,607,423
STAFF SALARY DEDUCTION	3,835,521	3,095,209	2,515,888	2,353,781
AUDIT FEES / TAX CONSULTANCY	1,974,000	1,226,323	1,871,000	1,163,323
ADVERTISING EXPENSES	252,000	430,047	252,000	430,047
ALLOWANCE	-	180,000	-	180,000
BOUNUS EXPENSES	2,773,729	214,000	2,773,729	214,000
CASUAL WAGES	-	1,752,447	-	1,752,447
CLEANING EXPENSES - ADMINISTRATI	142,750	94,000	142,750	94,000
ELECTRICITY	2,817,327	2,567,174	2,817,327	2,567,174
ENTERTAINMENT ALLOWANCE	45,000	30,000	45,000	30,000
FUEL ALLOWENCES	77,000	58,661	-	7,500
FUMIGATION EXPENSES	-	36,961	-	36,961
LABOR CHARGES	-	9,450	-	9,450
LEAVE ENCASHMENT A/C	1,951,492	4,593,903	1,951,492	4,593,903
LEGAL & PROFESSIONAL EXPENCES	495,334	12,000	495,334	12,000
OFFICE ONAMENT EXPENSES	35,000	45,128	2,000	-
OVER TIME PAYMENT	1,368,867	465,684	1,366,091	460,469
PRINTING & STATIONERY	95,767	4,100	95,767	4,100
RENT EXPENSES	246,000	30,000	216,000	-
REPAIRE AND MAINTANANCE	1,406,440	64,695	1,406,440	64,695
SECURITY CHARGES	64,551	185,475	64,551	185,475
SUBSISTANCE ALLOWANCE	31,648	78,152	31,648	78,152
TAX AND RATES	-	1,214,570	-	1,214,570
TELEPHONE ALLOWENCE	49,564	11,176	38,564	2,176
TELEPHONE EXPENSES	222,868	108,503	161,137	77,637
TRANSPORT EXPENSES	-	63,775	-	63,775
TRAVELING ALLOWANCE	21,284	1,364	21,284	1,364
TRAVELLING EXPENCES LOCAL	52,656	-	52,656	-
WATER	343,709	653,555	343,709	653,555
LICENCY FEES / OTHERS	95,389	28,950	54,900	-
	27,329,673	23,882,611	18,544,490	18,857,978

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

34 Reconciliation of Reclassification of Balances

		Balance As Per Audited Financial Statements 31 Decce. 2011	Reclassifications From	Reclassifications To	Re-Stated Balance 31 Decce. 2011
STATEMENT OF FINANCIAL POSITION AS AT					
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	I	1,133,266,808	(2,384,572)	-	1,130,882,236
Prepaid Leasehold Lands		-	-	2,311,930	2,311,930
Intangible Assets		-	-	72,642	72,642
Investment in Subsidiaries	II	-	-	10	10
Other Investments		181,852,410	-	-	181,852,410
Advance for Investment	II	-	-	121,708,711	121,708,711
Total Non-Current Assets		1,315,119,218	(2,384,572)	124,093,292	1,436,827,939
Current Assets					
Inventories		137,862,900	-	-	137,862,900
Advance Payments and & Receivables	III	31,738,018	(31,738,018)	-	-
Short-Term Loans and Other Receivables	IV	229,248,540	(229,248,540)	-	-
Trade and Other Receivables	II / III	489,033,342	(120,160,900)	220,592,215	322,572,495
Other Non-Financial Assets	III / IV	-	-	178,041,714	178,041,714
Cash at Bank	V	175,491,153	(175,491,153)	-	-
Cash in Hand and Bank	VI	28,927,667	(28,927,667)	-	-
Cash and Cash Equivalents	II/V/VI	-	-	199,443,619	199,443,619
Total Current Assets		1,092,301,620	(585,566,278)	598,077,548	837,920,729
Total Assets		2,407,420,838	(587,950,850)	722,170,840	2,274,748,668
EQUITY AND LIABILITIES					
Equity					
Contributed Capital		1,056,590	-	-	1,056,590
Reserves		1,700,815,901	(1,700,815,901)	4,024,544,031	4,024,544,031
Re-Structuring Reserve		2,323,728,130	(2,323,728,130)	-	-
Retained Earnings		(10,541,319,225)	-	-	(10,541,319,225)
Total Equity		(6,515,718,604)	(4,024,544,031)	4,024,544,031	(6,515,718,604)
Non-Current Liabilities					
Treasury Grant for Bond Interest	VII	2,482,355,130	(2,482,355,130)	-	-
Bond Liability	VIII	4,597,000,000	(4,597,000,000)	-	-
Related Party Transaction	IX	161,559,988	(161,559,988)	-	-
Payables to Treasury		-	-	6,879,355,130	6,879,355,130
Retirement Benefit Obligations		30,112,068	-	-	30,112,068
Bank Borrowings - (Non-Current Portion)	X	-	-	147,131,255	147,131,255
Finance Lease Obligation - (Non-Current Portion)		17,813,530	-	-	16,057,100
		7,288,840,716	(7,240,915,118)	7,026,486,385	7,072,655,553
Current Liabilities					
Trade and Other Payables	X	1,196,678,438	(489,664,650)	420,078,867	1,127,092,656
Loan Payable to Co-Operative Commissioner		220,078,867	(220,078,867)	-	-
Bank Loans	XI	183,131,255	(183,131,255)	-	-
Bank Borrowings - (Current Portion)	X	-	-	485,842,404	485,842,404
Finance Lease Obligation - (Current Portion)	X	-	-	6,834,021	8,590,451
Other Non-Financial Liabilities	X	-	-	61,876,043	61,876,043
Bank Overdrafts		34,410,165	-	-	34,410,165
Total Current Liabilities		1,634,298,725	(892,874,772)	974,631,335	1,717,811,719
Total Equity and Liabilities		2,407,420,838	(12,158,333,921)	12,025,661,751	2,274,748,668

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

34 **Reconciliation of Reclassification of Balances Contd...**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED		Balance As Per Audited Financial Statements 31 Dec. 2011	Reclassifications From	Reclassifications To	Re-Styled Balance 31 Dec. 2011
Revenue	XII	313,800,611	(186,474,617)	-	127,325,994
Cost of Sales	XIII	(261,061,999)	160,053,738	(2,500)	(101,010,761)
Gross Profit		52,738,612	(26,420,879)	(2,500)	26,315,233
Other Operating Income	XIV	183,633,557	(27,363,037)	(15,973,556)	140,296,964
Profit from Paddy Operation	XII/XIII/XV	-	-	40,403,325	40,403,325
Administrative Expenses		(165,586,679)	-	(6,497,256)	(172,083,935)
Selling and Distribution Expenses	XV	(38,067,612)	29,882,551	-	(8,185,061)
Profit from Operation		32,717,878	(23,901,365)	17,930,014	26,746,526
Net Finance Cost	XVI/XIV/XVII	(22,510,995)	1,510,995	(319,352,311)	(340,352,311)
Treasury Bond Interest	XVII	(323,812,668)	323,812,668	-	-
Profit / (Loss) Before Taxation		(313,605,785)	301,422,297	(301,422,297)	(313,605,785)
Income Tax Expenses		-	-	-	-
Profit / (Loss) for The Year		(313,605,785)	301,422,297	(301,422,297)	(313,605,785)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income / (Expense) for the Year		(313,605,785)	301,422,297	(301,422,297)	(313,605,785)
I	Reclassified from	Reclassified to		Amount (Rs.)	
	Property, Plant and Equipment	Prepaid Leasehold Lands		2,311,930	
		Intangible Assets		72,642	
				2,384,572	
II	Trade and Other Receivables				
	Other Receivables	Investment in Subsidiaries		10	
	Trade Receivables - Lanka Sathosa LTD	Advance for Investment		121,708,711	
		Cash and Cash Equivalents		(1,547,821)	
				120,160,900	
III	Advance Payments and & Receivables	Trade and Other Receivables			
		Deposits and Advances		30,355,031	
		Staff Loans and Advances		60,000	
				30,415,031	
		Other Non-Financial Assets			
		Withholding Tax (WHT)		682,107	
		Prepaid Expenses		640,881	
				1,322,987	
				31,738,018	
IV	Short-Term Loans and Other Receivables	Other Non-Financial Assets			
		National Security Levy (NSL)		234,321,615	
		Economic Service Charges (ESC)		2,330,788	
		Provision for Impairment		(60,000,000)	
				176,652,403	
		Trade and Other Receivables			
		Other Receivables		148,458,788	
		Staff Loans and Advances		11,447,429	
		Provision for Impairment		(107,310,079)	
				52,596,138	
				229,248,540	

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Reclassified from	Reclassified to	Amount (Rs.)
V	Cash at Bank	Cash and Cash Equivalents	175,491,153
VI	Cash in Hand and Bank	Cash and Cash Equivalents	25,500,287
		Trade and Other Receivables	
		Other Receivables	3,427,380
			<u>28,927,667</u>
VII	Treasury Grant for Bond Interest	Payables to Treasury	2,482,355,130
VIII	Bond Liability	Payables to Treasury	4,397,000,000
		Trade and Other Payables	
		Other Payables	200,000,000
			<u>4,597,000,000</u>
IX	Related Party Transaction	Trade and Other Receivables	
		Amount Due from Related Entity	161,559,988
X	Trade and Other Payables	Bank Borrowings	449,842,404
		Finance Lease Obligations	6,834,021
		Other Non-Financial Liabilities	61,876,043
		Trade and Other Receivables	(28,887,818)
			<u>489,664,650</u>
XI	Bank Loans	Bank Borrowings	183,131,255
XII	Revenue	Profit from Paddy Operation	
		Revenue (Rice)	183,844,368
		By-Product Income	2,630,250
			<u>186,474,617</u>
XIII	Cost of Sales	Profit from Paddy Operation	
		Cost of Sales	134,659,753
		Adjustment of Duplication	
		Packing	2,491,305
		Milling Income	15,117,351
		Transport Income	7,785,329
			<u>160,053,739</u>
XIV	Other Operating Income	Profit from Paddy Operation	
		Expense Reimbursed from the Project	7,785,329
		Milling Income	15,117,351
			<u>22,902,680</u>
		Net Finance Cost - Interest Income	4,460,357
			<u>27,363,037</u>
XV	Selling and Distribution Expenses	Other Operating Income	
		Expense Allocated to Transport Division	15,506,934
		Profit from Paddy Operation	
		Expense Allocated to Transport	8,660,708
		Administrative Expenses	5,712,411
			<u>29,880,052</u>
XVI	Net Finance Cost	Administrative Expenses	784,845
		Profit from Paddy Operation - Transport Expenses	259,526
		Other Operating Income - Transport Expenses	466,624
			<u>1,510,995</u>
XVII	Treasury Bond Interest	Net Finance Cost	323,812,668

Figures in brackets indicates deductions

TCM/C/CWE/1/12/19

09 September 2016

The Chairman,
Co-operative Wholesale Establishment.

Report of the Auditor General on the Financial Statements of the Co-operative Wholesale Establishment for the year ended 31 December 2012 in terms of the Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Co-operative Wholesale Establishment for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under any 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 6 of the Co-operative Wholesale Establishment (Amendment) Act, No. 12 of 1969. My comments and observations which I consider should be published with the Annual Report of the Establishment 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 furnish to the Chairman of the Establishment on 29 January 2016.

1.2 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.

1.3 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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). 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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Establishment's preparation and fair presentation of 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 Establishment'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 the 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.

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Co-operative Wholesale Establishment as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Establishment

In view of the diminution of the net assets to a negative value of Rs.7,418,347,555 by 31 December 2012 as the Establishment had incurred losses continuously from the year 2000 to the year under review, and the existence of a long term bond liability of Rs.4,397,000,000 and continuously increasing current liabilities of Rs.2,419,101,639, it is indicated that an uncertainty appears in the going concern of the Establishment without the Treasury or other Government financial assistance.

2.2.2 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

Even though income and expenditure should not be set off against each other unless otherwise allowed or authorized by the Accounting Standards, the finance income of Rs.5,239,174 had been set off against the finance expenditure of Rs.348,757,315 and the net value only had been shown in the financial statements.

(b) Sri Lanka Accounting Standard 08

Even though the non-current assets costing Rs.241,593,577 fully depreciated had been in use continuously as the useful life of the non-current assets had not been reviewed annually, action had not been taken to revise the estimated error.

(c) Sri Lanka Accounting Standard 40

Even though a sum of Rs.186,576,358 had been shown as the lease rent income in the income statement, the buildings related to earning income had not been recognized as the investment property in the Statement of Financial Position.

2.2.3 Accounting Deficiencies -----

The following observations are made.

- (a) In view of the following weaknesses existing in the accounting system, it was not possible to ascertain the accuracy of the data and information included in the financial statements.
- (i) In the preparation of the financial statements of the Establishment, the financial year ends on 31 December while in the preparations of the financial statements of its Subsidiary Companies, the financial year ends on 31 March. In the preparation of the financial statements of the Group as at 31 December 2012, due attention had not been paid to the period related to the financial year of the income, expenditure, assets and liabilities included in the financial statements of Subsidiary Companies of the Establishment prepared as at 31 March 2013 audited by the Private Auditors.

- (ii) The payment vouchers and receipts had not been posted to the cash book systematically and as such the non-existence of any receipts and payments not brought to account cannot be ruled out in audit.
 - (iii) An examination of the trial balance for the year under review revealed that the debit balances totalling Rs.27,584,061,602 related to 168 Assets and Expenditure Accounts and the credit balances totalling Rs.30,129,471,178 related to 110 Liabilities and Income Accounts did not agree with the financial statements. This position would have an impact on the balancing of the financial statements.
- (b) Action had not been taken to repay the loan of Rs.275,000,000 granted by the General Treasury in the year 2006 for the commodity purchase and that had been included in the Restructure Reserve, instead of being shown as a loan repayable.
- (c) Instead of showing the accrued audit fees up to 31 December 2012 amounting to Rs.10,174,170 , a sum of Rs.1,871,000 only had been shown as a balance payable under the current liabilities in the Statement of Financial Position. Accordingly, current liabilities amounting to Rs.8,303,170 had been omitted from the financial statements for the year under review.
- (d) Even though the profit from the sale of motor vehicles amounted to Rs.5,101,356, it had been shown in the financial statements as Rs.5,892,489. As such, the profit from the sale of motor vehicles had been overstated by a sum of Rs.791,133 in the financial statements.
- (e) According to the letter dated 13 October 2014 of the Manager of a State Bank in connection with a short term loan obtained by the Establishment from a State Bank, a penalty of Rs.29,504,364 payable as at 31 December 2012 was revealed and the total interest payable on the loan and the interest related to the year amounted to Rs.151,697,824 and Rs.27,166,711 respectively. Action had not been taken either to account for or adjust this expenditure in the year under review.

2.2.4 Unexplained Differences

The following observations are made.

- (a) The total quantity of white sugar received by the Packing Division up to 31 December 2012 amounted to 883,951 kg and the quantity packeted up to that date had been 713,832 kg. The reasons for the difference of 170,119 kg had not been revealed.
- (b) According to the statement of the Chairman dated 21 February 2013, the total quantity of sugar packeted up to 31 December 2012 had been 717,788 and the number of packets furnished according to the lines had been 694,274. As such a difference of 23,514 packets was observed.
- (c) The charges receivable for packeting sugar by 31 December 2012 should have been Rs.882,879 (packets 717,788 x Rs.1.23) whereas according to the invoice issued that amount was to Rs.864,429.
- (d) According to the financial statements of the Paddy Marketing Board for the year 2012, a sum of Rs.1,587,080,892 payable by the Establishment to the Paddy Marketing Board had been disclosed. Nevertheless, the amount payable disclosed in the financial statements of the Establishment amounted only to a sum of Rs.962,585,013. Action had not been taken to identify and settle this difference.
- (e) Even though the balance of the short term loan obtained by the Establishment from a State Bank, as at the end of the year under review amounted to Rs.207,050,943 whereas according to the confirmation sent by the Bank, the balance amounted to Rs.207,097,942. The difference had not been identified and settled.

2.2.5 Lack of Evidence for Audit

The following transactions could not be satisfactorily vouched or accepted in audit due to the non-submission of evidence related thereto.

- (a) The documents related to disposals, title deeds, Registers of Fixed Assets, lease agreements, investment certificates and the confirmation of balances relating to the balances of 10 Assets Accounts totalling Rs.2,010,153,232 , balances of 5 Liability Accounts totalling Rs.8,971,636,580 , balances of 5 Revenue Accounts totalling Rs.54,843,226, Reserves amounting to Rs.1,781,563,583 and the disposal of fixed assets amounting to Rs.240,761,731 appearing in the financial statements.
- (b) The audited financial statements as at 31 December 2012 and related schedules in support of income amounting to Rs.106,955,071, non-current assets amounting to Rs.414,802, Current assets amounting to Rs.41,262,131 equity amounting to Rs.11,031,768 , current liabilities amounting to Rs.30,645,165 , gross profit amounting to Rs.86,931,993 and the net profit of Rs.10,785,423 appearing in the accounts relating to the other Companies of the Group.
- (c) The management had failed to identify specifically the balances of 16 accounts totalling Rs.183,599,926 appearing under the current liabilities in the Statement of Financial Position of the Establishment as accounts payable.
- (d) The particulars of Security Officers and the Duty Rosters relating to the payment of Rs.167,900 made to the Sathosa Economic Services (Private) Ltd relating to the security services provided to the different Divisions of the Establishment in October 2012.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken even by 30 March 2016 for the recovery of money for the assets valued at Rs.126,156,746 that existed in the stores complex at Welisara and transferred to the Lak Sathosa.
- (b) Action had not been taken even by the end of October 2015, the date of audit, for the recovery of rent income receivable by the Establishment from 149 institutions and persons amounting to Rs.77,257,552 remaining receivable over periods exceeding 4 years.
- (c) The bid security loan amounting to Rs.207,050,943 granted to the Establishment by a State Bank in the years 2004 and 2005 on Treasury bonds for the import of rice and wheat flour remained outstanding even by 31 December 2012.
- (d) The packeting charges amounting to Rs.864,429 receivables in respect of 4 months ended 31 December 2012 had not been recovered from the Lak Sathosa even by 28 February 2016.
- (e) Action had not been taken even by the end of the year under review either for the recovery or for adjustment in the accounts the sum of Rs.71,561,640 recoverable from the Lanka Sathosa Company as the annual lease rent and the foreign liquor licence fees.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations
and Management Decisions

Non-compliance

(a) Section 2.2(a) of the Co-operative
Wholesale Establishment
(Amendment) Act, No. 31 of 1991

Investment of the money of the
Establishment can be made only in the
existing public companies. Nevertheless, a
State Company called Sathosa Economic
Centres Services (Private) Ltd had been
established by making a nominal investment
of Rs.10 and officers drawing salaries from
the Establishment had been deployed.

(b) Public Enterprises Circular No.
PED/12 of 02 June 2003

(i) Section 6.5.1

Even though action should have been taken
to furnish a Draft Annual Report together
with the financial statements, it had not been
so done.

(ii) Section 8.3.9

Expenditure totalling Rs.1,366,958 had been
incurred on behalf of the Line Ministry and
03 other institutions, contrary to the
provisions in the Circular.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the net loss of the Co-operative
Wholesale Establishment for the year ended 31 December 2012 amounted to
Rs.661,602,751 as compared with the corresponding net loss of Rs.313,605,785 for the
preceding year. Accordingly, the net loss of the Establishment had increased by

Rs.347,996,966 or 111 per cent. Even though the other operating income for the year under review had increased by Rs.50,645,942 or 36 per cent as compared with the preceding year, the operating expenditure had increased by Rs.404,172,306 or 78 per cent and that had been the reason for such increase in the net loss. The impairment loss of Rs.378,003,569 had been the reason for the increase in the operating expenses and that represented 94 per cent of the increase in the operating expenditure.

3.2 Analytical Financial Review

(a) Comprehensive Income Statement

Certain significant ratios according to the Comprehensive Income Statement presented are given below.

Profitability Ratios	2012	2011
-----	-----	-----
- Gross Profit Ratio (Percentage)	16	21
- Net Profit Ratio (Percentage)	(305)	(246)

It was observed that in view of the decrease of the gross profit for the year under review as compared with the preceding year by 5 per cent and the increase of the net loss by 59 per cent the financial results of the Establishment had deteriorated.

(b) Statement of Financial Position

Certain significant ratios according to the Statement of Financial Position presented are given below.

Liquidity Ratios	2012	2011
-----	-----	-----
- Current Ratio	0.54:01	0.48:01
- Quick Assets Ratio	0.42:01	0.40:01

- (i) As the Current Ratio and the Quick Assets Ratio of the Establishment for the year under review had been 0.54:01 and 0.42:01 respectively, existence of the inability to settle the short term liabilities or liquidity crisis was reflected.
- (ii) The retained earnings had converted to a negative value due to the continuous losses incurred by the Establishment. The equity capital had eroded continuously resulting in a high gearing situation.

4. Operating Review

4.1 Management Inefficiencies

- (a) Even though the Embilipitiya shop had earned a sum of Rs.27,668 as commission from the sale of plastic baskets during the first 06 months of the year 2012, loss of Rs.108,628 had been incurred due to the cost of salary alone in that connection being Rs.136,296.
- (b) Even though 32 shops and stores buildings belonging to the Establishment had been leased out to a State Company called Lanka Sathosa Ltd, a valuation report in regard to the building rent had not been obtained from the Government Valuer.
- (c) Even though the Establishment had transferred assets valued at Rs.51,718,227 to the Lak Sathosa Ltd, by 03 November 2010, the recoveries in that connection had not been settled.

- (d) Even though electric motors of 12 container machines valued at Rs.5,097,455 had been misplaced, action had not been taken for determining the custody of assets and assignment of responsibilities, identification of the parties responsible by conducting a formal inquiry and taking legal action against them.
- (e) Even though the Establishment had invested a sum of Rs.9,923,710 in the Ingrin Institute of Printing and Graphics Company in the year 1999, the Company had been dissolved in accordance with a Courts decision dated 23 October 2006 due to the continuous losses incurred by the Company. As such, there was an uncertainty in the recovery of the money invested.
- (f) Even though the Establishment had invested a sum of Rs.171,928,690 in Sathosa Retail Company in the year 1999, the Establishment had not received any dividends whatsoever during the years from 1999 to 2012.

4.2 Operating Inefficiencies

Even though the income of the Packeting Division for the period ended 31 December 2012 amounted to Rs.864,429 , a sum of Rs.2,101,077 had been paid as salaries and allowances to the employees of the Division for the year under review.

4.3 Transactions of Contentious Nature

The following observations are made.

- (a) Salaries and allowances amounting to Rs.1,139,279 and Rs.1,311,943 had been paid in the preceding year and the year under review respectively for the post of Working Director for which no provision had been made in the Act of incorporation of the Establishment or any other written law and not included in the approved cadre of the Establishment. That amount had increased to Rs.4,691,272 by the date of audit in August 2015.

- (b) Two Rice Mills costing Rs.78,978,504 had been constructed in 2 stores of the Department of Food Commissioner situated in Hingurakgoda and obtained on rent basis, without obtaining the approval of the Department of Food Commissioner.

4.4 Apparent Irregularities

The following observations are made.

- (a) Payment for goods valued at Rs.105,725 purchased in the years 2010 and 2011 from the Buildings Materials Corporation Ltd, had been made in installments on 12 November 2012 and 03 December 2012 based on the photocopies of invoices without ensuing that the goods had been received by the Establishment.
- (b) Salaries and overtime had been paid for the first 06 months of the year 2012 to 3 Security Officers deployed for the private residence of the Chairman of the Establishment, thus causing a loss of Rs.656,311 to the Establishment. Action for the recovery of that amount had not been taken even by 28 February 2016.
- (c) A sum of Rs.131,670 had been overpaid to a newly recruited officer due to the grant of salary increments contrary to the prevailing rules and regulations. That amount had increased to Rs.506,000 by the date of audit in September 2015.
- (d) A sum of Rs.25,000 had been given in January 2012 to the Officer in charge of the Wholesale Store at Ratnapura as a petty cash advance without identifying the daily expenditure requirements. The expenditure incurred up to 09 August 2012 amounted to Rs.6,251 and the officer keeping the money in custody failed to produce the balance sum of Rs.18,749 to the Audit Officers at the cash Verification. The management had failed to inform the course of action taken in this connection to the audit even by November 2015.

- (e) A Stores Assistant recruited outside the recruitment procedure in the year 2011 on contract basis had been appointed for stores work. Even though the stock operations of the store concerned had been ceased by the end of the year 2012, salaries for the year 2012 amounting to Rs.210,480 at the rate of Rs.17,540 per month had been paid to the officer even though he had not reported for duty.

4.5 Uneconomic Transactions

Despite the Establishment had obtained the service of 4 Accountants in the year 2015 and paid a sum of Rs.3,244,869 as salaries and allowances, the services of a Firm of Chartered Accountants had been obtained with the approval of the Board of Directors in the year 2015 for the preparation of the financial statements for the year 2012 for a sum of Rs.613,520.

4.6 Restructuring Transactions

The following matters were observed.

The restructure of the Establishment had been commenced in the year 2003 and the 6 commercial Banks to which a sum of Rs.5,493 million was payable as at 01 December 2003, had agreed to settle that loan by paying Rs.4,397 million. Accordingly, Treasury Bonds to be matured in 13 years had been issued to those commercial Banks thereon.

It had been agreed to settle those Treasury Bonds in the year 2005 from the sale proceeds of assets valued at Rs.1,800 million out of the fixed assets belonging to the Establishment, through the Public Enterprises Reform Commission. It had also been agreed to pay the half yearly interest on those loans and to meet 50 per cent of such interest by the Treasury and to meet the balance 50 per cent from the rent income received by renting out the properties of the CWE to the Sathosa Retail Company Ltd. Nevertheless, no transfer of assets to the Public Enterprises Reform Commission had been made for the settlement of liabilities in respect of Treasury Bonds under the restructure. Even though a decision No. 04/0103/136/007/EPC/710 dated 03 February

2004 had been taken by the Cabinet of Ministers to dissolve and privertise the Establishment, it had been terminated in accordance with the decision No. 04/0892/012/001 dated 11 August 2004 of the Cabinet of Ministers.

Accordingly, a total sum of Rs.4,597 million comprising the net present value of Treasury Bonds amounting to Rs.3,173 million as at 31 December 2012 under the discount factor of 8.5 per cent and a discount value of Rs.1,224 million totalling the maturity value of Rs.4,397 million and a sum of Rs.200 million payable to the Treasury in respect of the payments made by the Treasury to creditors of the Sathosa Retail Company Ltd and three commercial Banks out of the above six Banks for the settlement of loans, had been shown as bond liabilities in the financial statements.

Bond interest liabilities amounting to Rs.2,806,167,798 payable to the Treasury in this connection had been shown as "Payable for CWE Bonds" under the Non-current Liabilities in the financial statements.

Further, the Management had failed to get confirmation from the Treasury that the balance of Rs.200 million out of the payables amounting to Rs.4,597 million was receivable to the Treasury and a sum of Rs.66,363,460 had been shown as Restructures under Other Creditors. As such, it was evident that the restructuring transaction had not been properly disclosed or adjusted. The restructuring value had been shown as Bookkeepings in the Statement of Financial Position.

4.7 Build up of a Fund for the Provisions made for Employees Gratuity

Even though provisions amounting to Rs.33,700,618 had been made for gratuities in terms of the Payment of Gratuity Act, No. 12 of 1983, the provision had not been invested to meet the future payments.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements of the Establishment should be presented to audit within 60 days after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements of the Establishment for the year 2012 had been presented for audit only on 05 August 2015, that is, after a delay of 2 ½ years.

5.2 Corporate Plan

Even though a Corporate Plan covering the period 2012-2014 had been prepared with a view to achieving the vision and mission of the Establishment in terms of Section 5 of the Public Enterprises Circular No. PED/12 of 02 June 2003, it had not been periodically reviewed.

5.3 Action Plan

Even though an Action Plan for the year 2012 had been presented to audit, it had not been prepared in terms of the National Budget Circular No.142 of 31 December 2008.

5.4 Internal Audit

An adequate internal audit had not been carried out as the supporting staff of the Internal Auditor had not been appointed. Any copies of Internal Audit Queries or Reports for the year under review had not been furnished to audit.

5.5 Audit Committee

Even though the Audit Committee should meet at least once every in three month in terms of Public Enterprises Circular No. PED/31 of 01 July 2005, only 02 meetings had been held in the year 2012.

5.6 Unresolved Audit Paragraphs

One hundred and forty Rice Processing machines imported in September 2006 by the Establishment at a cost of Rs.14,501,998 remained idle in the Establishment premises even by November 2015

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Establishment from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Fixed Assets Control
- (c) Stock Control
- (d) Recovery of Lease Rental Income
- (e) Personnel Management
- (f) Internal Audit
- (g) Legal Affairs

H.M.Gamini Wijesinghe
Auditor General

Answers for the Auditor General's Report on Financial Statements of Co-operative Wholesale Establishment (CWE) as at 31st December 2012 in terms of the section 14(2) (c) of the Finance Act No. 38 of 1971

2.2 Comments on Financial Statements

2.2.1 Continuous Existence of the Organization

I wish to state that, although net assets have been indicated minus value of Rs. 7.4 billion at 31.12.2012, subsequent to the revaluation of the property, plant and equipment of the institution it has been decreased up to Rs. 2.1 billion by 31.12.2014. A bond value of Rs. 4397 billion is available by 31.12.2012 and the General Treasury has issued bonds to make respective payments at the maturity of the bonds. Hence, General Treasury has taken measures to make payments at the maturity of the said bonds as per the agreement (A copy of the agreement has been attached herewith).

Although the value of current liabilities is Rs. 2.419 billion, current assets are of Rs. 1.323 billion.

Further, as per the Articles of Association at the commencement of Lanka Sathosa, CWE should be given the priority of purchasing goods through Lanka Sathosa and CWE started to issue canned fish, white raw rice, red raw rice, shopping bags, tea, brown sugar by 2015 based on that condition. Expeditious measures have been taken to financially stabilize the institution without other financial aid of the government. Further, CWE will start the activities related to importing under the Treasury bonds from May 2016 in order to supply goods for Lanka Sathosa.

In addition, discussions with relevant stakeholders are in progress to export betel to Pakistan from May 2016.

2.2.2 Accounting Standards of Sri Lanka

(a), (b), International Accounting Standards have been followed when preparing accounts as at 31.12.2014. I wish to inform that all assets, liabilities and accounts are presented on fair value and accounts of 2014 have been submitted for auditing in terms of the International Accounting Standards all the matters you have pointed out, have been corrected.

2.2.3 Accounting Deficiencies

- (a) (i) The reports audited with the Chartered Accountants; Dayananda Samarawickrama & Company have been attached as Annexure 01
- (ii) Busy Accounting System was from July 2012 and vouchers of the early months of the year were entered into the system. However I wish to state that all the payments have been entered into the Cash Book. Further, measures have been taken to prepare

Reconciliation Statements on respective payments and to submit to the Superintendent of the Government Audit.

(iii) Relevant to the answer of the above (ii).

(iv) Answers will be provided having obtained relevant schedules.

- (b) CWE has imported wheat flour under 10 Million USD of bonds issued by General Treasury to the People's Bank and since CWE delayed settling payments of the People's Bank for that, General Treasury settled it by directly making the payment of Rs. 275 Mn. to the People's Bank in 2005. At that moment, respective Charge Account was "debited" while "credited" in the Restructuring Account. I wish to inform that regular accounting would be carried out after receiving relevant documents from People's Bank and the General Treasury.
- (c) It has become difficult to find the invoices in respect of accrued audit fees issued by the Auditor General's Department, in CWE. Hence, although the original documents related to accrued audit fees have been requested from the Auditor General's Department, they are yet to be received and they have not been entered into accounts. I wish to inform you that accounting will be done after receiving the relevant documents.
- (d) Will send replies after receiving relevant details from the Government Audit Division.
- (e) There are no such two invoices and, it has been corrected later as per the goods received notes of Lanka Sathosa. Included documents are correct.
- (f) The said two invoices have been corrected as per the documents sent by Lanka Sathosa giving proof for the received quantity of goods.
- (g) The rent to be received for the year 2011 has been "debited" to the account of Lanka Sathosa while "credited" to Rent Revenue Account "and rent has been charged through Lanka Sathosa. Further, shares will be released by Lanka Sathosa on behalf of the rent in arrears and transferring the assets of Sathosa from the year 2005 and shares of 22.7 Million has already been released for a part of rent in arrears. It has been indicated in the accounts of 2014.

2.2.4 Unexplained changes

- (a) Relevant documents will be studied and answered.
- (b) Reconciliation of payments has been finalized for the bulks of paddy obtained from the Paddy Marketing Board and their cost and it is a change as per pricing. The balance indicated through accounts.

2.2.5 Receivable and Payable Accounts

- (a) Such handed over assets and rent in arrears worth Rs. 121 Mn. This consists of the receivable rent revenue and the value of fixed assets. Transactions on the removal of the fixed assets in the accounts of 2005 have been adjusted in respect of that. Further, all the receivable values have been stated under No. 17 "Advance for Investment " of the Financial Statements. However, assets were physically verified again, valued by the chartered values and entered into the accounts of 2014.
- (b) It is difficult to find copies of the agreement or invoices to recover this rent. But, Internal Auditor has sent balance confirmation letters to the to the parties that have ability of finding addresses to confirm the balances. However, Administrative Division is taking measures with regard to obtaining rent on revenue while I wish to inform you that actions are will be taken to obtain a report through Actg. General Manager to recover this debts in arrears.
- (c) The above answer (b)
- (d) People's Bank has granted loans on treasury bonds to import wheat flour in 2004 and 2005 and the financial statements of previous years indicate that import of wheat flour has occurred losses. Hence, it seems that these payments became residuum. However, People's Bank has sent balance confirmation letters giving evidence that Rs. 50 Mn has been paid to the General Treasury in 2014, but, although we requested details of the said payments they are yet to be received. Therefore, accounting on the payment of Rs. 50 Mn. has not been done in the Financial Statement.
- (e) Although fine has been included only in the letter of balance confirmation, it has not been accounted yet since we have not still received relevant calculations. Accrual interest has been entered into accounts annually.

2.2.6 Absence of evidence for Auditing

- (a) Measures are taken to send relevant details for auditing. Respective officers have been informed in this regard and relevant letters have been attached herewith.

Further, lease agreements of motor vehicles have been sent to the Audit Division and herewith sent the relevant documents on computing bulks.

- (b) Will examine and send answers.
- (c) These balances in the accounts have been carried forward for years and it has been cited in the note No. 27.2.1 of the Financial Statements as "Long out standing".

However, details on Rs. 200 Mn out of this Rs. 383 Mn that is payable to the government has been stated under the note No. 27.2.1.1 of Financial Statements.

2.2.7 Non- compliance to the Rules and Regulations and the Management Decisions

- (a) This institution is a subsidiary company of CWE. Its accounts have been in cooperated with the accounts of CWE. Officers have been deployed for monitoring.
- (b)
- (l) Powers have been vested in terms of F.R. 135 .
- (ii) Actions have been taken as per F.R. 231 (1) and (2) .Details of the payment vouchers have not been attached are given in the files.
- (iii) Please refer 2.2.3 (a) ii .

Vouchers have been filed including the voucher No. given by the old AS 400 accounting system and the voucher No. given by the new Busy computerized system.
- (iv) All the payments have been accounted in the cash book in the same month in terms of F.R. 262 (1) . Measures have been taken to enter the vouchers into accounts on the same day itself.
- (c) (i) Noted.
- (ii) I wish to inform you that information relevant to the stated Rs. 1,366,958/- will be sent soon after receiving from the Audit Division.

3 Financial Review

3.1 Financial Results

Preliminary cause for this loss are reserving of Rs. 378 Mn as Provisions for impairment and the interest value paid by The General Treasury for the bond of Rs. 323.8 Mn on behalf of CWE . (Note No. 09 of Financial Statements)

3.2 Analytical Financial Review

I have taken this into consideration.

4 Operating Review

4.1 Management Inefficiencies

- (a) Economic Centre was a rent free building had been given to CWE and it has already been returned.
- (b) Carried out under the supervision of the Ministry. Ministry of Co-operative and Internal Trade hand the task of charging money for giving plastic umbrellas on credit basis.
- (c) I noted it.
- (d) A valuation has been obtained from a Chartered Valier.

A committee has been appointed by Secretary to the Ministry of Cooperative and Internal Trade to settle the relevant situation and part of was issued. Lanka Sathosa has informed that, already applied to issue the balance.

- (f) All EPF of 2012 has been paid.
- (g) Has taken action in this regard as per the instructions given by the COPE committee on 07.03.2014 and has been reported to the Secretary of the COPE with a copy to the Auditor General.

4.2 Controversial Transactions

- (a) Number of reminders have been sent to recover debts. Presently Lanka Sathosa is in the progress of examining documents related to making payments in order to regularized relevant payments.
- (b) Presently, Rs.123 is paid for one packing and discussions are in progress to increase this value. This project has been stated to deploy the surplus of cadre.
- (c) It is difficult to give a definite answer since the relevant post has not been mentioned. Approval of the Department of Management Services has been received for an approved cadre of CWE in April 2013.
- (d) I noted it. Answers will be given in future.

4.3 Visible Irregularities

- (a) I noted. I will investigate and send replies.
- (b) I noted. I will investigate and send replies.
- (c) This was taken into discussion at the Audit and Management Committee of the Ministry and it has been advised to suspend the due salary increments (equal to the overpaid amount)
- (d) Respective petty cash has been duly settled and I wish to inform that answers will be sent after examining the relevant audit queries.

4.4 Inactive and under-utilized assets

Since CWE possesses a number of stores and work stations, recruitments have been made on the requirement and relevant store and person are not definite, it is difficult to answer.

4.5 Non-economic transactions

I noted.

4.6 Transactions on Restructuring

Note No. 24 in the accounts of 2012 indicates the bond value as 4397, not as 4597. Since it was difficult to find a file or any other documents relevant to Rs.66 Mn, its values and payable parties have not been revealed and it has been included to other payments of the Financial Statement.

4.7 To build up a Fund for Gratuity of Employees

I noted and will carry out in 2016.

5 Accounting and Good Governance

5.1 Submission of the Financial Statements

Relevant activities have been corrected from the year 2015. Auditors have not given comments for audit reports continuously for many years and I wish to inform you that the delays occurred as measures were taken to submit correct reports on accounts.

5.2 Cooperative Plan

As per the matters pointed out by the Audit Superintendent, measures have been taken to correct from the year 2014.

5.3 Action Plan

Has been corrected and responsible persons have been named for each activity.

5.4 Internal Auditing

Relevant management reports have been submitted to the internal auditor and it was taken into discussion at the audit and management meeting.

5.5 Audit Committees

Two audit committees were conducted during the year.

5.6 unsolved Audit Paragraphs

A report has been obtained from the Institute of Post-Harvest Technology (IPHT) and it is expected to get the advice of the Ministry to take future measures on these machines.

6 System and Administration

I noted it.