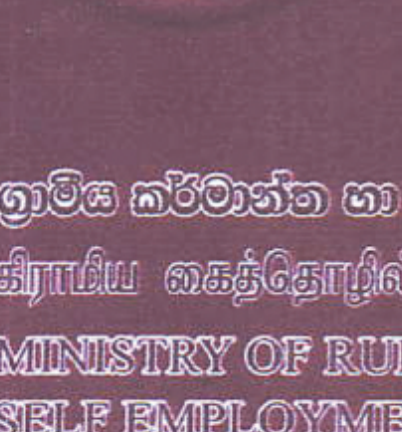


வார्षிக வர்வாவி - 2009
வருடாந்த அறிக்கை - 2009
ANNUAL REPORT - 2009



லக்ஷ்மி
லக்ஷ்மி
LAKSHMI

தாவத துரவதே திசுதீதீதீதீ
 அதி உயர் தேசிய சாத்து
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Ministry of Rural Industries & Self
Employment Promotion

SRI LANKA HANDICRAFTS BOARD

Annual Report 2009



LAKSALA

Excellence of national Heritage

**The State Owned Emporium for
Sri Lanka Arts & Crafts**

VISION

**PROSPEROUS CRAFTS COMMUNITY THROUGH
DYNAMIC MARKETING**

MISSION

**TO BUILD AN ECONOMICALLY VIABLE, SOCIALLY
RESPONSIVE MARKETING ORGANIZATION FOR
PRESERVING & DEVELOPING THE TRADITIONAL SKILLS
OF THE CRAFTSMEN & CONTRIBUTING TO THE PRESERVATION OF CRAFTS
WHICH FORM AN INTEGRAL
PART OF THE NATIONAL HERITAGE**



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CORPORATE INFORMATION

NAME OF THE BOARD

Sri Lanka Handicrafts Board

Under
Ministry of Rural Industries & Self Employment Promotion

LEGAL FORM

Statutory Board incorporated by National Crafts Council &
Allied Institution Act. No. 35 of 1982

HEAD OFFICE

No. 60, York Street, Colombo 01.

Tel : 011 - 2323513 /4
Fax : 011 - 2446582
Email : laksala@itmin.com
Web : www.laksala.lk

SALES INQUIRES

Local : 011 - 2329247
Export : 011 - 2323635

BANKERS

People's Bank
Bank of Ceylon

AUDITORS

Auditor General's Department

BRANCH / REGIONAL OFFICE NET WORK

Laksala Outlets

Fort	- # 60 York Street, Colombo - 01	011 - 2323513/4, 2323635
Thummulla	- # 215, Bauddhaloka Mw; Thummulla, Colombo 7	011 - 2580579
Bambalapitiya	- # 06, Govt. flats, Colombo - 04	011 - 2505021
Galle	- # 7A, Sea Street, Galle	091 - 2222783
Kandy	- # 05, Sangaraja Mw; Kandy	081 - 2222087
Matara	- # 55, Dharmapala Mw; Matara	041 - 2222734
NuwaraEliya	- Udupussellawa Rd, NuwaraEliya	052 - 2222575
Katubedda	- # 282, Galle Rd, Katubedda, Moratuwa	011 - 2605600
Moragalle	- # 23, Galle Road, Moragalla, Aluthgama	034 - 2277138
Katunayake	- # 53, International Airport Departure Walkway	011 - 2260167
Thangalle	- # 75, Main Road, Thangalla	047 - 2241280
Molagoda	- Kandy Road, Molagoda, Kegalla	035 - 2230394
Waragoda	- # 739, Waragoda Road, Galborella, Kelaniya	011 - 5633563
Battaramulla	- Folk Art Center, Battaramulla	011 - 2786026

Projects

Carpentry	- # 282, Galle Road, Katubedda, Moratuwa	011 - 2605638
Light Engineering	- SriJinaMawatha, Keselwatta, Panadura	038 - 2299814

OBJECTIVES OF THE BOARD

- 1 Promote the expansion of the production of Handicrafts in Sri Lanka & the improvement of their quality.

- 2 Promote the sales & marketing of Handicrafts of Sri Lanka both in Sri Lanka & abroad.

CORPORATE OBJECTIVES

- ❖ To be the leader in the Sri Lanka handicrafts market and foreign market and sustain this position
- ❖ To maintain an adequate rate of growth of the organization
- ❖ To achieve a planned growth expansion of activities and performance levels
- ❖ To continue to sustain the financial viability of the organization
- ❖ To achieve efficiency the utilization and management of resources
- ❖ To foster, protect and uplift the crafts and improve living standards of the crafts community
- ❖ To provide training facilities to rural youth to gain skills in domestic crafts by utilization of raw materials available locally & to assist them to encourage in self employment to alleviate Poverty.

POWERS, FUNCTIONS & DUTIES OF THE BOARD

- ❖ Establish, maintain and operate and assist in the establishment, maintenance & operation of centers, workshops or other institutions for the purpose of creating or adopting designs to be used in the production of handicrafts and the marketing of goods produced at such centers, workshops or other institutions.
- ❖ Provide machinery, equipment and raw materials required for the production of handicrafts.
- ❖ Procure, Provide and distribute raw materials required for the production of handicrafts
- ❖ Give such assistance as may be necessary by way of medium term and short term credit facilities to craftsmen.
- ❖ Provide for the training of craftsmen
- ❖ Expand the production of handicrafts and to improve the quality of the raw material used for such production and of the finished products.
- ❖ Co - operate with scientific and technical institutions, organizations and agencies for the improvement of crafts materials and craft materials and craft production techniques
- ❖ Maintain shops and showrooms both in Sri Lanka and abroad for display and sale of handicrafts and to conduct displays, exhibitions and sale to do all things incidental to such sales.
- ❖ Promote the sale of handicrafts both in Sri Lanka and abroad and their export
- ❖ Appoint such officers and servants as may be necessary for carrying out the work of the Board.
- ❖ Establish a provident fund and provide welfare and recreational facilities, houses, hostels and like accommodation for persons employed by the Board.
- ❖ Make rules in respect of the administration of the affairs of the Board.
- ❖ Acquire hold, take or give on lease on hire, mortgage, pledge, sell or otherwise dispose of any movable or immovable property.
- ❖ Charge fees for any services or facilities provided by the Board.
- ❖ Do all such acts or things as are incidental consequential upon the exercise, performance, discharge of its powers, duties and functions.

MEMBERS OF THE BOARD

01.	Mrs. SomakumariThennakoon	Chairperson	January - April
02.	Mr. Prasad Galhena	Chairman	June - December
03.	Mr. P. A. S. Athula Kumara	Treasury Representative	
04.	Mr. ArunaGunawardena	Member	January - April
05.	Mr. W. T. B. Wijekoon	Member	January - April
06.	Mrs. W. M. K. Balachandran	Trade Ministry resprentative	
07.	Mr. SanjeewaSenarathne	Member	January - April
08.	Mr. MadaraKannangara	SEMA	Since October 2009
09.	Mrs. ShanikaGopallawa	SEMA	Since October 2009
10.	Mrs. ChandaniWeerapitiya	Peoples Bank (International).	Since October 2009

SENIOR MANAGEMENT STAFF

- | | | |
|---|---|--------------------------|
| ❖ | Managing Director (Covering)
Executive Director (finance) | Mrs. L.M.E. Perera |
| ❖ | Executive Director
(Administration) | Mr. K.P.P.S.K. Pathirana |
| ❖ | Executive Director
(Local Seles) | Mrs. S.R.M. Perera |
| ❖ | Executive Director (Covering)
(Purchase & Product Development) | Mr. A.U.D. Perera |

MANAGEMENT STAFF

❖ Assistant Directors

Mr. C. N. Dahanayake	Administration / project
----------------------	--------------------------

❖ Senior Managers

Senior Manager (Internal Audit	Mr. J.K.D.S.K. Jayaneththi
Mrs. MalaniSiriwardena	Sales
Mrs. H. Sonnadara	Purchasing
Mrs. S. S Jayasinghe	Sales
Mrs. K.A.D.N Authkooral	Sales
Mr. C. Manamperi	Sales (Galle)
Miss R.P.L Ranasinghe	Sales (Kandy)

REPORT OF THE BOARD

Report of the Directors of the Sri Lanka Handicrafts Board for the year ended
31 st December 2009

- **Review of the Year**

The Sri Lanka Handicrafts Board better known as "Laksala" began its operation on 04th November 1964. Upon its corporation its incorporation by National Crafts Council & Allied Institution Act No.35 of 1982 the Sri Lanka Handicrafts Board was under the purview of the Ministry of Rural Industries and Self - Employment Promotion.

- **Finance Structure**

The capital structure of the Sri Lanka Handicrafts Board is as follows.

	2009 <u>Rs.000'</u>	2008 <u>Rs.000'</u>
Capital	609	609
Revaluation Reserves	164.4	159.8
Profit (Loss) Carried Forward	(183.5)	(176.6)

REPORT OF THE BOARD Cont ...

Performance

- **Purchasing Division**

During the year review, handicrafts valued Rs. 80.8 million was purchased from the registered craftsman, as compared with the purchased of Rs.55.5 million in the previous year. This is approximately 45.5% Increase in purchasing when compared with the previous year break down.

- **Marketing Division**

The sales network of the Board during the year under review was comprised of 16 outlets including the main emporium in Colombo Fort. Sales revenue collected through this network was Rs. 125.4 million during the year and the percentage decrease over the last year is 19.5%.

Sales Turnover and Achievement of sales target during the year 2009 is as follows.

	Actual - 2009 Rs.000'	Actual - 2008 Rs.000'
Local Sales	125.45	103.31
Export	6.55	2.48

Exports Sales

The Sri Lanka Handicraft Board has recorded an export turnover of Rs. 0.6 during the year.

REPORT OF THE BOARD Cont...

Development steps undertaken during the period under review

- ❖ Up graduation of main building at Fort.
- ❖ Product development.
- ❖ A design department established commenced crafts demonstration in Laksala Fort.
- ❖ Improved the display arrangements in main Emporium and other main branches in order to make more attraction.
- ❖ Put up a new showroom at Thummulla.

REPORT OF THE BOARD Cont...

Product Units

Velona Carpentry Project

About 80 youth are being trained annually in Advanced Carpeting who completed their basic training at various provincial centers. High quality household and office furniture are currently produced for the market. This is a special cabinet approval to supply all the necessary furniture and fittings to all of government institutions from Katubadda. Carpentry workshop project is fully equipped with modern machineries and also with provide accommodation facility to the student who are going under carpentry training.

Keselwatthe Project

Conducts two years course in Light Engineering work as self employment and same as carpentry project/Government departments/Institution to purchase their requirement from this project and are also hope full of orders from public and foreign companies project equip with a modern machineries and can manufacture and installation of any kind of iron works.

REPORT OF THE BOARD Cont...

The turnover for the year 2009 compared with previous two years as follows.

	2009 Rs.000'	2008 Rs.000'
General Trading	125,447	103,310
Export	655	2,475
Gross Profit (Loss)	67,367	46,716

General Division

The turnover of the General Trading for the year 2009 was Rs. 125.4 million Gross profit margin as General Trading for the year 2009 was 53% as compared to 41% in 2008.

Administration Division

The Administration Division is responsible for the management of Human Resources of the Sri Lanka Handicrafts Board and the Crafts Training Division.

Total Employer Strength

	2009	2008
Executives	34	20
Clerical and Allied Cadre	114	297
Main : Asst. & Others	34	41
Casual	03	-
Total	<u>185</u>	<u>358</u>

CHANGES MADE DURING THE YEAR

01. Since 05th May 2009 as per president Directive Sri Lanka Handicrafts Board Management. Coming under the supervision of the Strategic Enterprises Management Agency and appointed new chairman and the Board at the Directors from date to date. (No. 1601/34 15th May Friday Extraordinary Gazette notification)
02. As per decision made by the Cabinet on 2008/12/23 at the transactions relating to the Crafts Training Division which was managed by Sri Lanka Handicrafts Board handed over to the National Crafts Council inclusive of movable & immovable Assets and the human resources attached to that division.
03. Under the New management other than the main business of Handicrafts decided to form the Engineering Division under Sri Lanka Handicrafts Board, having main objective to provide "Total Interior Solutions" together with design and build capabilities to high-end quality with the expected time frame.

REPORT OF THE BOARD Cont...

Acknowledgement

I would like to take this opportunity of expressing our appreciation to Hon. S.B. Navinna, Minister of Rural Industries & Self Employment Promotion, whose leadership and advice assisted this Board throughout his tenure as our Minister, we also take this opportunity to thank Chairman of Strategic Enterprises Management Agency Mr. Willie Gamage and our secretary and the official of the Ministry who were available for us with their guidance at all times.

We also, wish to thank our employee without their support and efforts our Board would not have been able to product the results presented in this report. Finally, I wish to thank our members of the Board of Directors for the guidance given by them to put the organization in to a firm footing.

Prasad Galhena,
Chairman
SRI LANKA HANDICRAFTS BOARD

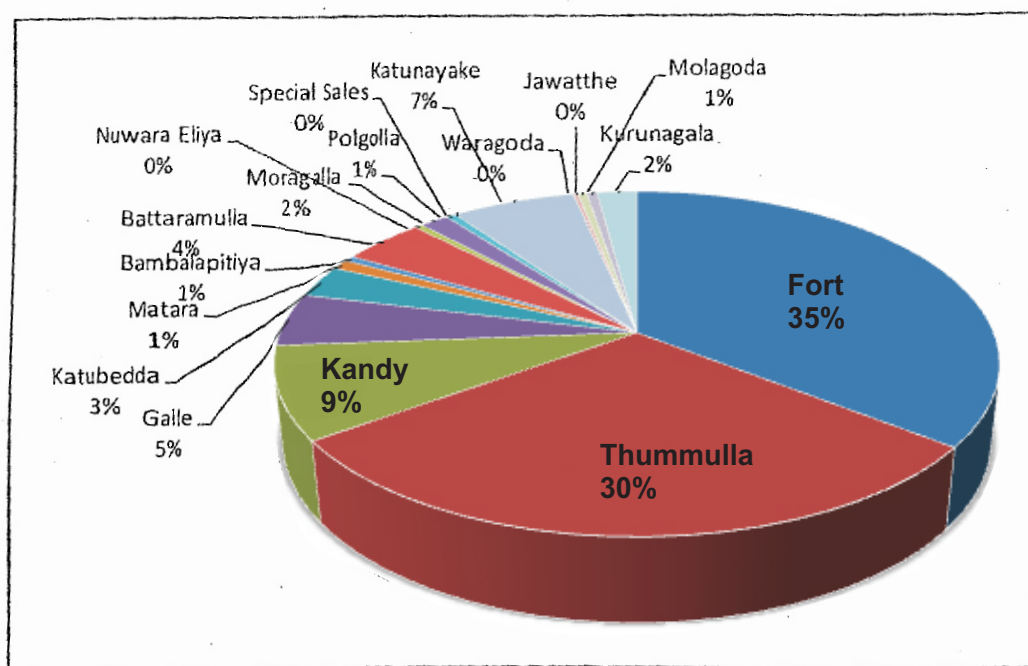
THE YEAR IN BRIEF
SRI LANKA HANDICRAFT BOARD

Turnover	2009 Rs.000'	2008 Rs.000'
General Trading	125,447	103,310
Export	655	2,475
Gross Profit/ (Loss)	67,367	46,716
Operating Expenses	77,251	71,185
B.T. T.	1,251	1,033
Income from Other Sources	6,389	2,362
Net Profit (loss) Before Income Tax	(6,017)	(24,882)

SALES PERFORMANCE

Laksala Branches	2009 (Rs)	2008 (Rs)
Fort	44,541,989	42,093,076
Thummulla	37,192,382	21,818,903
Kandy	10,892,450	10,448,269
Galle	6,029,584	7,040,475
Katubedda	3,830,074	3,882,970
Matara	1,154,026	1,318,041
Bambalapitiya	645,884	1,520,289
Battaramulla	5,517,317	6,311,926
NuwaraEliya	701,917	1,057,975
Moragalla	1,912,502	1,918,833
Polgolla	650,515	741,529
Special Sales	-	818,600
Katunayake	8,233,108	826,287
Galadari (S.P.U)		3,252,954
Waragoda	301,188	259,741
Jawatthe	501,115	-
Molagoda	702,113	-
Kurunagala	2,641,302	-
Total	125,447,466	103,309,868

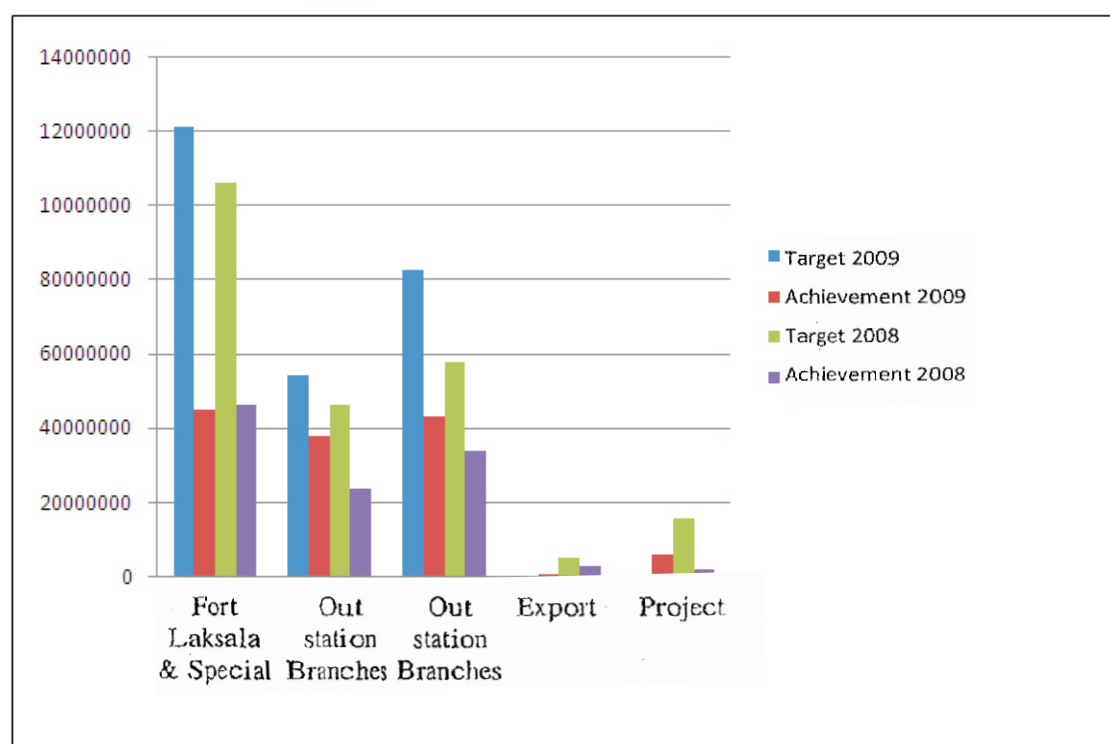
SALES PERFORMANCE 2009



SALES PERFORMANCE

Sales Category	Target (2009)	Achievement (2009)	% (2009)	Target (2008)	Achievement (2008)	% (2008)
Fort Laksala & Special	121,167,000	44,541,989	38.8	106,028,000	46,164,630	43.5
Colombo City Branch	54,234,000	37,838,266	69.8	46,082,000	23,339,192	50.6
Outstation Branches	82,350,100	43,067,211	52.2	57,500,000	33,806,040	58.8
Export	-	655,000	-	5,000,000	2,475,287	49.5
Project	-	5,873,039	-	15,527,000	1,659,660	10.6

SALES PERFORMANCE 2009

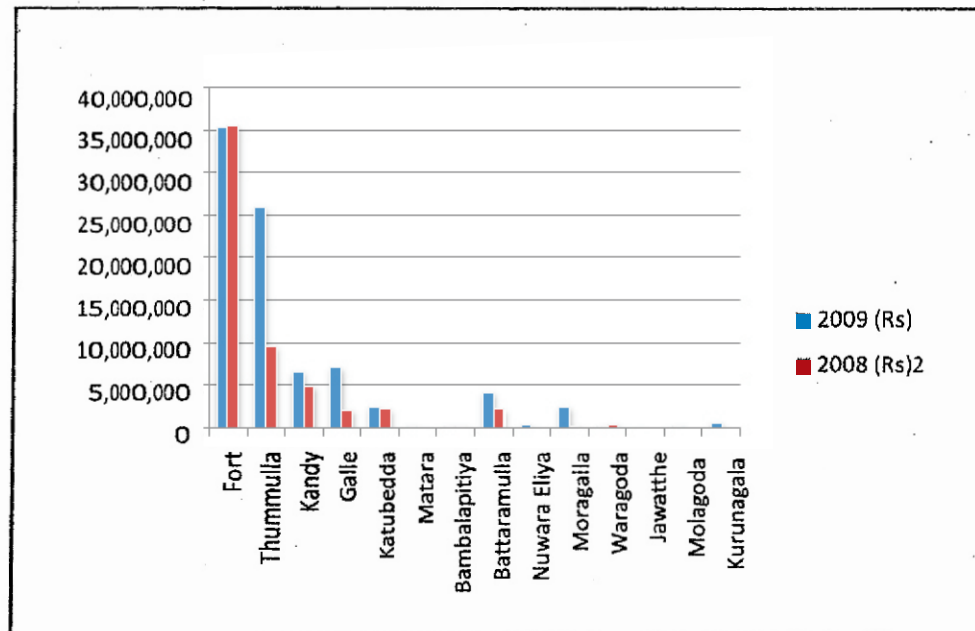


Main Branch	Fort
Colombo City Branches	Thummulla, Bambalapitiya
Outstation Branches	Katubedda, Kandy, Galle, Matara, Bentota, Nuwaraeliya, Kurunegala, Moragalle, Katunayake, Polgolla, Janakala, Warsgoda, Jawatthe, Molagoda
Projects	Katubedda - Furniture, Polgolla - Textile, Waragoda- Ceramic

PURCHASING PERFORMANCE

Laksala Branches	2009 (Rs)	2008 (Rs)
Fort	35,305,977	33,189,526
Thummulla	26,079,679	9,681,597
Kandy	5,714,060	5,007,103
Galle	6,311,201	2,181,120
Katubedda	2,537,809	2,297,268
Matara	278,624	71,876
Bambalapitiya	238,096	301,456
Battaramulla	4,244,182	2,237,179
Nuwara Eliya	377,678	50,222
Moragalla	537,809	254,239
Waragoda	208,922	273,541
Jawatthe	39,219	-
Molagoda	266,562	-
Kurunagala	667,941	-
Total	80,807,759	55,545,127

PURCHASING PERFORMANCE 2009



SRI LANKA HANDICRAFTS BOARD

ACCOUNTING POLICIES

NOTE Notes as Financial Statement for the year ended 31 st December 2009.

A summary of the more important Accounting policies set out below.

1. Corporate Information

2. Introduction

The Sri Lanka Handicrafts Board is a statutory Board in corporate and domiciled in Sri Lanka. The head office of the Board is located at No: 60, York Street, Colombo 01. and the principal place business is situated.

3. Branches

There are 16 branches in all over the island some branches are located in high tourist area in are island like Kandy, Galle, Moragalle, and Katunayake.

4. Principal Activities and Nature of Operation

To establish maintain and operate and assist in the establishment maintenance and operation of centres, work shop or other institution for the purpose of creating or adopting design to be used in the production of handicrafts and the marketing of goods produce at such centres workshop or other institution.

To maintain shops and showrooms both in Sri Lanka abroad for the display and sales of handicrafts and to conduct display. Exhibition, sales and to all things incidental to such sales. Purchase of handicrafts items done under centralized purchasing system.

Summary of Significant Accounting Policies

5. General Policies

6. Basic of Preparation

The Balance sheet, profit & loss account changes in equity and cash flows together with Accounting Policies and notes (Financial Statement) of the Board as at 31 st December 2009 & for the year ended complies with the Sri Lanka Accounting Standards. These Financial statements presented in Sri Lanka Rupees, has been prepared on a historical cost basis.

7. Comparative Information

The Accounting Policies has been consistently applied by the company and consistent with those used in the previous year.

8. Valuation of Assets & Their Measurement Basis.

9. Inventories

Inventories are valued at the lower of cost and net realizable value, after making obsolete and repairable items. Net realizable value is the price at which inventories can be sold in the ordinary course of business.

Damage stock and repair stock are shown under stock schedule.

SRI LANKA HANDICRAFTS BOARD ACCOUNTING POLICIES

10. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated receivable value.

11. Cash and Cash Equivalent

Cash and cash equivalents are defined as cash in hand, and short term highly liquid investment readily convertible to know amounts of cash for the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and net outstanding bank overdrafts, investment with short maturities.

12. Property Plant and Equipment

(a) Cost / Valuation

All items of property, plant & equipment are initially recorded at cost. The cost of purchase or construction together with any incidental expenses thereon. The assets which are transferred by the small industries.

(b) Depreciation

The provision for the depreciation is calculated using a straight line method on the cost of all property, plant & equipment other than freehold land in order to write off such amounts over the estimated useful lifetime.

The principal annual rates used are as follows.

1. Building	-	1%
2. Machinery Equipment	-	10%
3. Inventory Articles	-	10%
4. Motor Vehicle	-	10%

(c) Disposal of Fixed Assets

02 vehicles were disposed by the board.

(d) Investments

Long term investments are stated at cost invested at people's Bank and Bank of Ceylon.

(e) Liabilities and Provisions

14. Retirement Benefit Obligations

Defined Benefit Plan – Gratuity

Gratuity is a defined benefit plan, The board is liable to pay gratuity in terms of the relevant statute. In order to meet this liability a provision is carried forward in the balance sheet equivalent to an amount calculated based on a half months salary of the last month of the financial year of all employees for each completed year of service commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

SRI LANKA HANDICRAFTS BOARD ACCOUNTING POLICIES

15 Pensionable Scheme

Payable to Pensions Department according to cabinet decision made on 6 th July 2000 and the cabinet paper no:amp/00/575/12/004 awarded pension able right to 20 employees by the Government, who were earlier contributed to the E.P.F/E.T.F. The contribution made by the Board (i.e.12% + 3%) has been refunded and which is to be paid to the Pension Department.

16. Defined Contribution Plans.

Employee's Provident Fund & Employee's Trust Fund.

Employees are eligible for Employee's Provident Fund contributions and Employee's Trust Fund contributions in line with respective statutes and regulation. The company contributes 12% and 3% of gross emoluments of employee's to Employee's Provident Fund and Employee's Trust Fund respectively.

17. Income Statement

18. Revenue and Expenses

Revenue is accounted for accrual basis and matched with sales returns and related expenditure. Interest income on fixed deposit interest bearing investments are counted on an accrual basis, in the income statements and such interest accounts are shown in the balance sheet under receivables.

19. Other Income

Other operating income is recognized on an accrued basis. Other Non Current Assets including investments rent income, tender income has been accounted.

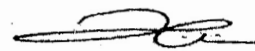
20. Benevolend Fund

Benevolend Fund account also amalgamated with the Head Office Account.

SRI LANKA HANDICRAFTS BOARD CONSOLIDATED BALANCE SHEET

For the Year Ended 31st December 2009

	Head Office	Projects	C/Training	Total 2009	Total 2008
ASSETS					
NON CURRENT ASSETS					
Property, Plant & Equipment	171,767,118	62,883,297	46,298,422	280,948,837	280,006,592
Investment	6,000,000	-	-	6,000,000	18,766,876
	<u>177,767,118</u>	<u>62,883,297</u>	<u>46,298,422</u>	<u>286,948,837</u>	<u>298,773,468</u>
CURRENT ASSETS					
Stocks	41,054,208	1,868,702	-	42,922,910	19,373,558
Debtor Deposits & Prepayments	47,034,954	16,291,261	31,267,711	94,593,926	79,048,735
Cash in hand & at Bank	1,718,553	382,015	83,605	2,184,173	2,251,747
	<u>89,807,715</u>	<u>18,541,978</u>	<u>31,351,316</u>	<u>139,701,009</u>	<u>100,674,040</u>
Total Assets	<u>267,574,833</u>	<u>81,425,275</u>	<u>77,649,738</u>	<u>426,649,846</u>	<u>399,447,508</u>
EQUITY & LIABILITIES					
CAPITAL & RESEVES					
Vested by D.M.E.P.h	69,628,878	-	-	69,628,878	69,628,878
Treasury Grant	4,000,000	-	-	4,000,000	4,000,000
Special Grant	12,000,000	41,951,172	6,806,785	60,757,957	60,757,957
Dept of Smal Industries	-	-	715,446	715,446	715,446
Capital Grant	-	-	48,530,044	48,530,044	48,530,044
Capital Reserves	510,806	-	98,973	609,779	609,779
Revaluation Reserves	134,175,116	21,164,824	9,086,454	164,426,394	159,843,643
Benevolent Fund	6,000,000	-	-	6,000,000	6,000,000
Accumulated Profit / (Loss)	(121,859,754)	(44,218,854)	(17,524,970)	(183,603,578)	(176,552,866)
	<u>104,455,046</u>	<u>18,897,142</u>	<u>47,712,732</u>	<u>171,064,920</u>	<u>173,532,881</u>
NON CURRENT LIABILITIES					
Provision for Taxation	1,517,706	-	-	1,517,706	1,517,706
Provision for Gratuity	25,246,724	-	12,345,384	37,592,108	36,568,702
Provision for Pension	1,675,104	287,431	-	1,962,535	938,630
General Treasury Loan	8,172,000	-	-	8,172,000	8,172,000
National Housing Authority	1,272,089	-	-	1,272,089	1,272,089
Peoples Leasing Company	-	2,035,135	-	2,035,135	2,035,135
JEDB Loan	10,000,000	-	-	10,000,000	-
Industrial Dev. Board	7,500,000	-	-	7,500,000	-
	<u>55,383,623</u>	<u>2,322,566</u>	<u>12,345,384</u>	<u>70,051,573</u>	<u>50,504,262</u>
CURRENT LIABILITIES					
Creditors and Accruals	90,899,246	57,757,973	14,475,754	163,132,973	149,476,350
Bank Overdrafts	16,836,918	2,447,594	3,115,868	22,400,380	25,934,015
	<u>107,736,164</u>	<u>60,205,567</u>	<u>17,591,622</u>	<u>185,533,353</u>	<u>175,410,365</u>
Total Equity & Liabilities	<u>267,574,833</u>	<u>81,425,275</u>	<u>77,649,738</u>	<u>426,649,846</u>	<u>399,447,508</u>


L.M.E Perera
Executive Director of Finance
Sri Lanka Handicrafts Board


Prasad Galhena
Chairman
Sri Lanka Handicrafts Board

SRI LANKA HANDICRAFTS BOARD

CONSOLIDATED PROFIT & LOSS STATEMENT

For the Year Ended 31st December 2009

	Head Office	Projects	C/Training	Total 2009	Total 2008
Sales - Local	125,447,466	5,873,039	-	131,320,505	104,969,528
Export	655,395	-	-	655,395	2,475,287
	<u>126,102,861</u>	<u>5,873,039</u>	<u>-</u>	<u>131,975,900</u>	<u>107,444,815</u>
Less - Turnover Tax	1,250,813	-	-	1,250,813	1,033,099
	<u>124,852,048</u>	<u>5,873,039</u>	<u>-</u>	<u>130,725,087</u>	<u>106,411,716</u>
Cost of Sales	57,484,511	5,984,359	-	63,468,870	65,201,783
Goods transfer from Projects	-	-	-	-	-
Gross Profit (Loss)	<u>67,367,537</u>	<u>(111,320)</u>	<u>-</u>	<u>67,256,217</u>	<u>41,209,933</u>
Grant from the Treasury	-	-	17,700,000	17,700,000	43,550,000
Benevolent fund interest income	-	-	-	-	-
Add Other Operating Income	-	-	-	-	-
Interest on Investment	1,169,569	-	-	1,169,569	1,657,177
Profit on disposal assets	5,219,560	-	-	5,219,560	781,409
	<u>73,756,666</u>	<u>(111,320)</u>	<u>17,700,000</u>	<u>91,345,346</u>	<u>87,198,519</u>
Less					
Administrative expenses	75,081,340	944,022	17,531,766	93,557,128	107,741,562
Sell & distri. Expenses	2,014,984	35,604	-	2,050,588	477,541
Export Expenses	154,936	-	-	154,936	135,857
Monthly stipend & other direct exp	-	-	2,584	2,584	331,775
Profit from Operation	<u>(3,494,594)</u>	<u>(1,090,946)</u>	<u>165,650</u>	<u>(4,419,890)</u>	<u>(21,488,216)</u>
Less					
Finance cost	2,522,334	3,203	2,038	2,527,575	2,781,697
Net profit for the Period	<u>(6,016,928)</u>	<u>(1,094,149)</u>	<u>163,612</u>	<u>(6,947,465)</u>	<u>(24,269,913)</u>
Profit & Loss A/C Balance B/F	(114,643,702)	(34,775,843)	(17,688,582)	(167,108,127)	(142,838,214)
Prior year adjustments	(1,199,124)	(8,348,862)	-	(9,547,986)	(9,444,739)
Profit & Loss A/C Balance C/F	<u>(121,859,754)</u>	<u>(44,218,854)</u>	<u>(17,524,970)</u>	<u>(183,603,578)</u>	<u>(176,552,866)</u>

HEAD OFFICE - PROFIT & LOSS STATEMENT

For the Year Ended 31st December 2009

		2009 Rs	2008 Rs
Sales			
Local	01	125,447,466	103,309,868
Export		655,395	2,475,287
		<u>126,102,861</u>	<u>105,785,155</u>
Less			
Turnover Tax		1,250,813	1,033,099
		<u>124,852,048</u>	<u>104,752,056</u>
Cost of Sales	02	57,484,511	58,035,176
Gross Profit/(Loss)		<u>67,367,537</u>	<u>46,716,880</u>
Add			
Other Operating Income			
Interest on investment		1,169,569	1,657,177
Other Income	07	5,219,560	704,559
		<u>73,756,666</u>	<u>49,078,616</u>
Less			
Administrative Expenses	03	75,081,340	70,874,721
Selling & Distribution Expenses	04	2,014,984	174,738
Export Expenses	05	154,936	135,857
Profit/(Loss) from operation		<u>(3,494,594)</u>	<u>(22,106,700)</u>
Finance Cost	06	2,522,334	2,775,327
Profit/(Loss) for the Period		(6,016,928)	(24,882,027)
Profit & Loss A/C Balance B/F		(114,643,702)	(89,761,675)
Prior Year Adjustment		(1,199,124)	(1,095,877)
Profit & Loss A/C Balance C/F		<u>(121,859,754)</u>	<u>(115,739,579)</u>

HEAD OFFICE - BALANCE SHEET

For the Year Ended 31st December 2009

		2009 Rs	2008 Rs
Assets			
Non Current Assets			
Property, Plant & Equipment	08	171,767,118	169,514,231
Investments	09	6,000,000	18,766,876
		<u>177,767,118</u>	<u>188,281,107</u>
Current Assets			
Stocks	10	41,054,208	18,031,665
Debtors, Deposits & Prepayments	11	47,034,954	33,454,980
Cash in hand & at Bank	12	1,718,553	2,083,092
		<u>89,807,715</u>	<u>53,569,737</u>
Total Assets		<u><u>267,574,833</u></u>	<u><u>241,850,844</u></u>
Equity & Liabilities			
Capital & Reserves			
Vested by D.M.E.P.H.		69,628,878	69,628,878
Treasury Grant		4,000,000	4,000,000
Department of Small Industries		-	-
Special Grant		12,000,000	12,000,000
Capital Grant		-	-
Capital Reserves		510,806	510,806
Benevolent Fund		6,000,000	6,000,000
Revaluation Reserves		134,175,116	129,592,365
Accumulated Profit/(Loss)		(121,859,754)	(115,739,579)
		<u>104,455,046</u>	<u>105,992,470</u>
Non Current Liabilities			
Provision for Taxation		1,517,706	1,517,706
Provision for Gratuity		25,246,724	24,401,080
Provision for Pension		1,675,104	651,199
General Treasury Loan		8,172,000	8,172,000
National Housing Authority		1,272,089	1,272,089
JEDB Loan		10,000,000	-
Industrial Dev.Board		7,500,000	-
		<u>55,383,623</u>	<u>36,014,074</u>
Current Liabilities			
Creditors & Accruals	13	90,899,246	78,626,709
Bank Overdrafts	14	16,836,918	21,217,591
		<u>107,736,164</u>	<u>99,844,300</u>
Total Equity & Liabilities		<u><u>267,574,833</u></u>	<u><u>241,850,844</u></u>

HEAD OFFICE - NOTES TO THE ACCOUNTS

- Note 01 - Sales Analysis

	2009 Rs	2008 Rs
Laksala Main Branch		
Fort	44,541,989	42,093,076
Laksala Branches	-	-
Kandy	10,892,450	10,448,269
Galle	6,029,584	7,040,475
Molagoda	702,113	-
NuwaraEliya	701,917	1,057,975
Matara	1,154,026	1,318,041
Moragalla	1,912,502	1,918,833
Bambalapitiya	645,884	1,520,289
Kurunegala	2,641,302	-
Jawattha	501,115	-
Thummulfa	37,192,382	21,818,903
Katubedda	3,830,074	3,882,970
Galadari (S.P.U.)	-	3,252,954
Polgolla	650,515	741,529
Katunayake	8,233,108	826,287
Waragoda	301,188	259,741
Special Sales (G.S.O.U)	-	818,600
Janakala	5,517,317	6,311,926
Total	125,447,466	103,309,868

HEAD OFFICE
NOTES TO THE ACCOUNTS Cont

• Note 02 - Cost Of Sales

	2009 Rs	2008 Rs
Opening Stock	18,031,665	20,913,621
Add		
Purchases	<u>80,807,759</u>	<u>55,545,127</u>
Repair Stock	98,839,424	76,458,748
Less		
Closing Stock	<u>(41,354,913)</u>	<u>(18,423,572)</u>
	<u>57,484,511</u>	<u>58,035,176</u>

HEAD OFFICE

NOTES TO THE ACCOUNTS Cont

● Note 03 - Administration Expenses

	2009 Rs.	2008 Rs.
Causal Wages	967,883	446,825
Salaries & Allowances	41,844,379	39,563,791
Over time	3,435,273	2,213,168
Incentive & Bonus	90,445	5,120
Warrents & Tickets	72,132	31,749
E.P.F & E.T.P	4,654,689	4,283,241
Pension Contribution	-	308,170
Gratuity	1,263,445	5,702,698
Special Allowances	1,330	-
Staff Welfare	644,163	512,316
Uniform & IDS	216,206	28
Travelling - Local	406,965	02,528
Staff Training	-	4,500
Medical Expenses	644,933	308,895
Director Fees	26,000	17,842
Vehicle Licence Fees	129,004	419,827
Legal Fees	23,175	136,296
Advertisement	59,933	184,135
Security Service	1,465,940	1,324,402
Printing & Stationery	846,162	1,237,812
News Papers & Periodicals	48,669	37,909
Postage / Tele / Telex	1,812,895	953,868
Fuel & Lubricants	1,005,843	2,009,626
Tool & implement	12,188	-
Stock Veification	56,307	243,392
Others Expenses	401,069	530,180
Trade Licence Fees	7,360	26,796
Computer Expenses	211,141	293,371
Chairman Entertainment	13,112	-
Consultancy Fees	-	18,180
Rent / Trade / Tax	2,109,294	782,847
Insurance	205,827	67,757
Water Bill	384,088	118,558
Electricity	4,094,863	3,542,083
Lease Interest charges	-	114,299
Special Order Expences	-	394,577
Rep & Maint - Building	2,486,009	-
Rep & Maint - Machinery	463,980	781,982
Rep & Maint - Vehicle	1,919,111	629,524
Rep & Maint - Others	-	579,852
Depreciation - Building	457,349	79,602
Depreciation - Machinery & Equip	171,784	517,163
Depreciation - Office Equip	1,595,678	1,595,668
Payee	-	118,428
Depreciation - Furniture & Fitting	263,385	235,716
G.S.O.U Expenses	569,331	-
	<u>75,081,340</u>	<u>70,874,721</u>

HEAD OFFICE

NOTES TO THE ACCOUNTS Cont

● Note 04 - Selling & Distribution Expenses

	2009 Rs.	2008 Rs.
Commission & Discount	842,587	66,240
Products Publicity	414,399	1,462
Fairs & Exhibition	538,133	-
Packing Materials Locals	152,197	44,023
Special Services	-	1,000
Rep.& Main. Purchased Goods	40,178	53,210
Rep.& Main. Engraving Goods	-	480
Transport	24,890	8,323
Rep.&Main Silver cutting	2,600	-
Export Promotion	-	-
Sales Promotion	-	-
	<u>2,014,984</u>	<u>174,738</u>

● Note 05 - Export Expenses

Packing Materials	33,466	12,370
Insurance & Freight Charges	121,470	110,045
Gift Samples	-	-
Others	-	13,442
	<u>154,936</u>	<u>135,857</u>

● Note 06 - Finance Cost

Overdrafts Interest	1,987,701	2,343,011
Bank Charges	534,633	432,316
	<u>2,522,334</u>	<u>2,775,327</u>

● Note 07 - Other Income

Rent Income	1,858,160	317,726
Engineering division	3,273,422	-
Miscellaneous Income	87,978	386,833
	<u>5,219,560</u>	<u>704,559</u>

HEAD OFFICE **NOTES TO THE ACCOUNTS Cont**

● **Note 08 - Property, Plant & Equipment**

	Balance as at 01.01.2009	Additions/ Revaluation	Disposal	Balance as at 31.12.2009
At Cost				
Land	109,095,500		-	109,095,500
Building	57,400,813	225,000	-	57,625,813
Machinery & Equipment	15,956,682	-	-	15,956,682
Motor Vehicle	4,955,347	-	-	4,955,347
Inventory Articles	1,740,251	-	-	1,740,251
Furniture Fittings	2,633,857	-	-	2,633,857
Total Value of Assets	191,782,450	225,000		192,007,450
Asset on Lease Building	2,000,000			2,000,000
	193,782,450	225,000		194,007,450
	Balance as at 01.01.2009	Charge for the year	Disposal	Balance as at 31.12.2009
Depreciation				
Land	-	-	-	-
Building	8,715,566	457,349	-	9,172,915
Machinery & Equipment	3,481,560	1,595,678	-	5,077,238
Motor Vehicle	5,143,493	-	-	5,143,493
Inventory Articles	433,544	171,784	-	605,328
Furniture Fittings	711,302	263,385	-	974,687
Total Value of Assets	18,485,465	2,488,196	-	20,973,661
Assest on Lease Building	1,200,004	66,667	-	1,266,671
Net Book Value at Cost	173,296,985		-	171,033,789
On Lease	799,996		-	733,329
				<u>171,767,118</u>

HEAD OFFICE

NOTES TO THE ACCOUNTS Cont

● Note 09 - Investments

	2009 Rs.	2008 Rs.
Peoples Bank 1 st City Branch		
0000003690		3,000,000
0000003383		4,000,000
Bank of Ceylon		5,766,876
Benevolent Fund	6,000,000	6,000,000
	<u>6,000,000</u>	<u>18,766,876</u>
	<u><u>6,000,000</u></u>	<u><u>18,766,876</u></u>

HEAD OFFICE

NOTES TO THE ACCOUNTS Cont

● Note 10 - Physical Verified Stocks

As at 31st December 2009

	2009 Rs	2008 Rs
Fort Showroom		
Section - A	7,924,261	2,415,560
Section - B	2,238,055	1,483,812
Section - C	340,077	517,731
Section - D	1,149,625	578,585
Section - E1&E2	2,405,600	1,056,796
Section - F	4,071,298	2,834,819
SPU	1,566,853	-
Main Stores		
Section - A	-	-
Section - B	-	-
Section - C	-	-
Section - D	-	-
Section - E,G	-	-
Section - E1 & F2	-	-
Export	-	-
Stationery	-	-
Return to Stores	-	552,252
Laksala Outlets		
Kandy	3,333,108	665,528
Galle	1,423,025	653,717
NuwaraEliya	588,650	786,246
Matara	324,050	591,457
Moragalle	1,160,201	589,587
Bambalapitiya	-	499,047
Battaramulla	2,450,245	714,668
Thunmulla	7,072,754	1,821,496
Katubedda	1,465,000	535,189
Waragoda	608,843	734,383
Kurunagala	1,182,865	-
Polgolla	237,389	300,530
Katunayake	1,384,178	695,063
Molagoda	469,090	5,199
Damage Stock	(340,959)	-
Repair Stock	-	-
	<u>41,054,208</u>	<u>18,031,665</u>

HEAD OFFICE

NOTES TO THE ACCOUNTS Cont ...

● Note 11 - Debtors Prepayments & Deposits

	2009 Rs	2008 Rs
Repair Item	1,046,105	1,056,353
Trade Debtors	4,331,333	5,089,192
Receivable Credit Card	4,763,174	649,097
Festival Loan	-	115,200
Staff Loan	7,800	8,795
Three Months Loan	278,557	281,816
Shortages	243,235	204,756
Flood Loan	12,210	-
Receivable Fixed Deposit Interest	266,072	263,972
Receivable Rent	343,940	343,940
Receivable Temporary Pension	30,605	17,605
Ministry of T & R. Ind Development	3,771,422	-
Printing & Stationery	288,000	288,000
Fuel	146,216	132,773
Rent	87,097	87,097
Water	29,016	29,016
Telephone	63,519	63,519
Export Bank Guarantee	104,000	433,320
Security Deposit Parking	45,000	45,000
Abans Finance Ser. Ltd	42,129	37,182
Pur. AD. Mercandise	680,584	680,583
Pur. AD. Non Mercandise	234,692	58,164
Pur Goods by Ins	17,982	17,981
Small Industries	5,849,758	5,849,757
Project C/A	17,552,893	12,157,885
Graduates Salary	98,176	98,175
Suppliers N.S.B	9,000	-
Workers Bank	4,533	4,533
Comm. In. Rev.	69,283	55,290
The Finance Co.	-	92,053
National Housing Authority	172,686	159,316
United Govt. & Service Emp. Uni.	165	165
Interest Suspense	152,398	152,398
Damages	2,854,588	2,617,161
Advance SPU Unit	73,212	73,211
Rep. Vehicle Finance	3,150,000	-
Salary Advance	-	39,988
Ceylinco Insurance	5,398	5,398
N.S.B Housing Loan	45,130	45,130
C.T.C. Eagle	1,145	1,145
Save the Nation Fund	41,490	41,490
Security Refund	5,900	5,900
Head C/A Transfers	-	2,027,500
Receivable Insurance Clem	7,304	7,300
Repair Value Finance	107,207	107,207
Bank Dedution Fur. EmpKatubedda	-	10,616
Special Advance	2,000	-
	<u>47,034,954</u>	<u>33,454,980</u>

HEAD OFFICE
NOTES TO THE ACCOUNTS Cont

Note 12 - Cash in hand & at Bank

	2009 Rs	2008 Rs
Cash at Bank - 1520100384 P/B Kandy	89,542	-
Cash at Bank - 119 P/B N/Eliya	-	61,059
Cash at Bank - 132000502 - 3 Bpitiya	-	-
Cash at Bank - 14201002210 P/B Galle	72,962	-
Cash at Bank - 1519 B/C Bentota	-	11,940
Cash at Bank - 513 P/B Mor	-	7,827
Cash at Bank - 0210872 katunayake	290,734	-
Cash at Bank - 45142 Thangalle	-	390
Cash at Bank - Thunmulla	-	-
Cash at Bank - 207 P/B Kat	-	41,012
Cash at Bank - 151246 Galadari	-	-
Cash at Bank - P/B Waragoda	7,472	5,345
Cash at Bank - Kurunagala	5,355	-
Cash at Bank - C 30000646	-	25,986
Cash in Hand - Head Office	149,052	149,051
Cash in Hand - Fort	133,391	106,984
Cash in Hand - Kandy	108,000	45,000
Cash in Hand - Galle	96,335	51,424
Cash in Hand - Anuradhapura	-	-
Cash in Hand - Bentota	-	-
Cash in Hand - NuwaraEliya	20,000	-
Cash in Hand - Matara	8,999	5,561
Cash in Hand - Moragalla	29,486	6,486
Cash in Hand - Bambalapitiya	13,584	14,197
Cash in Hand - Katunayake	9,350	9,350
Cash in Hand - Kurunegala	21,000	14,000
Cash in Hand - Tangalle	1,883	1,883
Cash in Hand - Sigiriya	15,943	12,386
Cash in Hand - Thunmulla	172,154	162,154
Cash in Hand - Galadari	17,848	17,848

HEAD OFFICE
NOTES TO THE ACCOUNTS Cont

	2009 Rs	2008 Rs
Cash in Hand - F/EM Katubedda	78,481	28,480
Cash in Hand - Export Division	11,999	9,998
Cash in Hand - Battaramulla	15,000	5,000
Cash in Hand	10,000	
Cash in Hand - GSOU	3,691	3,690
Petty Cash Imprest Negombo	5,157	5,156
Petty Cash Imprest P/D Section	5,000	5,000
Tourist Guide Commission - Kandy	23,854	18,925
Tourist Guide Commission	19,090	9,089
Tourist Guide Commission	15,000	5,000
Tourist Guide Commission - N/ Eliya	1,000	1,465
Coin Imprest	-	3,000
Cash in Transist	-	1,127,185
Coin Imprest - Thunmulla	43,536	43,575
Coin Imprest - Katubedda	4,000	-
Coin Imprest - Matara	2,000	2,000
Coin Imprest	3,000	3,000
Coin Imprest - Kandy	10,000	10,000
Coin Imprest - N/Eliya	5,000	5,000
Coin Imprest	1,370	1,370
Coin Imprest - Sigiriya - Common	9,300	9,300
Coin Imprest - Sigiriya - Polonnaruwa	1,000	1,000
Guide Commission - Thangalle	2,000	2,000
Guide Commission	1,465	-
Guide Commission	2,000	2,000
Inventory Sales Bambalapitiya	2,000	2,000
BOC Traproane	143,520	29,976
Petty Cash Imprest (Coir Project)	35,000	-
Petty Cash	2,000	-
	<u>1,718,553</u>	<u>2,083,092</u>

HEAD OFFICE
NOTES TO THE ACCOUNTS Cont

● **Note 13 - Creditors & Accruals**

	2009 Rs	2008 Rs
Trade Creditors	-	7,722
Lease Creditors	112,055	179,288
Trade Creditors	21,611,072	9,996,825
Accrued Charges	33,710,117	30,658,792
Trade Creditors Exhibition	231,579	-
Gov. Drivers Union	2,240	2,240
Other Creditors	2,190,502	2,190,500
Refund of Security Deposit(NSB)	83,543	94,220
W & O.P	340,693	161,563
Central Bank 8%	4,091,228	2,469,972
Lady Lochore.	23,498	23,498
Insurance	413,116	230,239
Laksala Welfare Society	50,054	39,709
Exhibition accrued A/C	2,207,362	-
Rtfundable Tender Deposits	14,310	33,000
J.S.S	41,130	21,625
R.P.S.S.	2,950	2,915
Branch C/A Transfers	-	5,775
Society of Exe.Staff of - S.L.H.B	9,065	4,715
P.A.Y.E	33,007	33,007
Craft Center C/A	12,232,114	10,180,749
Engineering A/C	190,431	-
Bank Deduction	256,013	1,479,395
S.L Freedom Workers Society	63,596	44,498
Export Bank Advance	-	-
General Treasury fund	1,362,000	-
P.S.P.F	1,384	-
Singer Sri Lanka	135,389	135,389
Industrial	-	7,500,000
P/C Set Admin.	-	-
General Treasury Fund	-	1,362,000
Export Bank Guarantee	-	-
NSB Security Deposit	16,284	7,700
Prepayment	-	475,200
Ministry of & Rural Development	11,086,174	11,086,174
Export Advance	200,000	199,999
Small Industries	96,307	-
The Finance Com.	92,033	-
	<u>90,899,246</u>	<u>78,626,709</u>

HEAD OFFICE **NOTES TO THE ACCOUNTS Cont**

● **Note 14 - Bank Overdrafts**

	2009 Rs	2008 Rs
Cash at Bank P/B A/C 162 0387264	6,870,973	13,226,428
Cash at Bank B/C A/C 7470002026526	1,571,440	5,111,812
Cash at Bank - Molagoda	377,673	-
Cash at Bank - Thunmulla	641,646	112,624
Cash at Bank - 609 A/C Matara	295,273	82,921
Cash at Bank - Galadari-Spu	24,737	91,119
Cash at Bank - N/Eliya	34,395	-
Cash at Bank -	941,343	-
Cash at Bank - 1420513388 P/B Kur	-	-
Cash at Bank - 1520100384 P/B kandy	-	264,759
Cash at Bank - P/B 0210872	-	901,252
Cash at Bank - 1420100221 P/B Galle	-	158,399
Cash at Bank - 132000502 -3 B Pitiya	1,664	21,868
Cash at Bank - A/C No 150400	-	4,582
Cash at Bank - Battaramulla	140,719	153,472
Cash at Bank - moragalla	70,518	-
Cash at Bank - 60387264 - A	3,967,740	456,436
Cash at Bank - Katubadda	300,093	-
Cash at Bank - 70000649 - B	310,168	84,172
Cash at Bank - 30000646 - C	25,103	-
Cash at Bank - 50000645 - D	216,582	210,855
Cash at Bank - 0000644 - E	97,744	300,390
Cash at Bank - 0000647 - F	268,477	36,502
Cash at Bank - 2026/16	680,630	-
	<u>16,836,918</u>	<u>21,217,591</u>

HEAD OFFICE
CASH FLOW STATEMENT

Year Ended 31 st December 2009

	2009 Rs	2008 Rs
Cash Flow From Operating Activities		
Net Profit/ (Loss) form operating activities	(6,947,465)	(24,269,913)
Before taxation (except for		
Investment Income & profit		
On sale of p.p& equipment		
Adjusted for		
Depreciation	3,803,955	
Deferred Revenue Rent & Revaluation	(25,551,297)	
Prior year Adjustment	(1,095,877)	
Depreciation for previous year	<u>5,043,061</u>	<u>(22,843,219)</u>
	<u>(1,904,404)</u>	<u>(47,113,132)</u>
Operating profit /loss before		
Working capital change		
(Increase) Decrease in inventories	4,602,097	
(Increase) Decrease in trade & other receivables	(13,651,763)	
(Increase) Decrease in trade & other payables	<u>5,497,877</u>	<u>40,995,746</u>
	<u>50,045,412</u>	<u>50,045,412</u>
Net cash form operating activities	3,593,473	(6,117,386)
Cash flow from operating activities		
Investment Income	1,657,177	
Realization of Investment	18,101,173	
Purchase of P.P.& equivalents	(2,449,771)	
Investment	<u>(18,766,876)</u>	<u>(1,458,297)</u>
Net Cash from financing activities	3,593,473	(7,575,683)
Cash & Cash equivalents		
At the beginning of the year	(23,682,268)	(16,106,585)
Cash & Cash equivalents at the end of the year	<u>(20,088,795)</u>	<u>(23,682,268)</u>
Note	2009	2008
Cash & cash equivalents	(22,220,540)	(25,934,015)
Bank overdrafts	2,131,745	2,251,747
Cash in Hand & at Bank	<u>(20,088,795)</u>	<u>(23,682,268)</u>

**STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR
ENDED 31/12/2009**

	Capital Grant	Accumulated Reserve	Revaluation Reserve	Total
Balance as at 01/01/2009	4,000,000.00	(39,720,070.00)	134,175,116.00	98,455,046.00
Changes in Accounting policy				
Fundamental Error	-	-	-	-
Deferred Expenses	-	-	-	-
Provision for Deferred Depreciation	-	-	-	-
Revaluation Reserve	-	-	-	-
Capital Grant Benvolent Fund	6,000,000.00			6,000,000.00
Treasury Grant	-	-	-	-
Statement of Financial Performance	-	-	-	-
Currency Translation Differences	-	-	-	-
Surplus /Deficit for the Period	-	-	-	-
Balance as at 31/12/2008	-	-	-	-
	10,000,000.00	(39,720,070.00)	134,175,116.00	104,455,046.00

RING ACCOUNT

For the Year Ended 31st December 2009

	2009 Rs.	2008 Rs.
Raw Materials		
OP Stock		
Purchases - Raw Mat.	1,412,405	1,421,221
	<u>2,617,454</u>	<u>2,021,364</u>
	4,029,859	3,442,585
Less		
CL Stock		
Raw Materials Usage	1,006,549	1,412,405
	<u>3,023,310</u>	<u>2,030,180</u>
Add		
Direct Expenses	43,516	-
Piece Rate & Stipend		
Prime Cost	521,861	529,220
	<u>3,588,687</u>	<u>2,559,400</u>
Add : Factory Overheads		
	2,293,274	3,220,237
	<u>5,881,961</u>	<u>5,779,637</u>
Add : OP. W.I.P.		
Less : CL W.I.P.		
	-	53,827
	<u>5,881,961</u>	<u>5,725,810</u>

PROJECTS

PROFIT & LOSS STATEMENT

For the Year Ended 31st December 2009

	Notes	2009 Rs.	2008 Rs.
Sales		5,873,039	1,659,660
Cost of Sales	02	<u>5,984,359</u>	<u>7,166,607</u>
Gross Profit/(Loss)		(111,320)	(5,506,947)
Less: Operating Expenses			
Admin & Est. Expenses	03	944,022	1,551,799
Selling & Dis Expenses	04	35,604	302,803
Finance Expenses	05	<u>3,203</u>	<u>6,240</u>
		982,829	1,860,842
Net Profit/ (Loss) from Operation			
Add: Other Income			
Disposal of Assets		<u>-</u>	<u>75,200</u>
Net Profit/(Loss) for the Year		(1,094,149)	(7,292,589)
Profit & Loss A/C Balance B/F		(34,775,843)	(27,483,254)
Prior Year Adjustments		(8,348,862)	(8,348,862)
Profit & Loss A/C Balance C/F		<u><u>(44,218,854)</u></u>	<u><u>(43,124,705)</u></u>

PROJECTS

BALANCE SHEET

As at 31 St December 2009

	Notes	2009 Rs.	2008 Rs.
Non Current Assets			
Fixed Assets		62,883,297	62,743,699
Current Assets			
Stocks	06	1,868,702	1,099,387
Debtors, Deposits & Prepayments	07	16,291,261	17,296,737
Cash at Bank & in Hand	08	382,015	137,478
		<u>18,541,978</u>	<u>18,533,602</u>
Total Assets		<u><u>81,425,275</u></u>	<u><u>81,277,301</u></u>
Capital & Reserves			
RevaluationReserver		21,164,824	21,164,824
Special Grant		41,951,172	41,951,172
Accumulated Profit / (Loss).		<u>(44,218,854)</u>	<u>(43,124,705)</u>
		18,897,142	19,991,291
Non Current Liabilities			
Provision for Pension		287,431	287,431
Ministry of Rural industries		<u>2,035,135</u>	<u>2,035,135</u>
		2,322,566	2,322,566
Current Liabilities			
Creditors & Accruals	09	57,757,973	57,384,200
Bank Overdrafts	10	<u>2,447,594</u>	<u>1,579,244</u>
Total Equity & Liabilities		<u><u>60,205,567</u></u>	<u><u>58,963,444</u></u>
		<u><u>81,425,275</u></u>	<u><u>81,277,301</u></u>

PROJECTS
NOTES TO THE ACCOUNTS

● **Note 01 - Factory Overheads**

	2009 Rs.	2008 Rs.
Staff Welfare	48,439	-
Salary	1,089,078	1,658,172
Overtime	18,618	45,202
E.P.F. & E.T.F	96,900	82,315
Electricity	256,162	245,261
R/M - Machinery	5,122	9,450
- Building	11,071	-
- Vehicle	28,864	-
Depreciaton - Machinery	-	710,577
- Tools	-	3,632
- Building	-	23,218
Piece Rate	-	340,020
Stipend	-	102,390
Water	69,529	-
Insurance	89,354	-
Security	187,520	-
Staff Training	44,614	-
Postage	64,721	-
Other	118,489	-
Medical	26,114	-
Printing	4,228	-
Rent Rate	1,030	-
Traveling	18,442	-
Warrant	1,575	-
Exam Fees	33,356	-
Advertisement	1,400	-
Fuel	27,955	-
Tool	840	-
Publicity	8,390	-
Transport	350	-
Verification expenses	6,098	-
Packing material	294	-
Bank Charges	7,474	-
Other	27,247	-
	<u>2,293,274</u>	<u>3,220,237</u>

● **Note 02 - Cost of Sales**

Opening Stock	813,442	2,254,239
Add : Goods transfered from Man A/C	<u>5,881,961</u>	<u>5,725,810</u>
	6,695,403	7,980,049
Less : Closing Stock	<u>(711,044)</u>	<u>(813,442)</u>
	<u>5,984,359</u>	<u>7,166,607</u>

PROJECTS
NOTES TO THE ACCOUNTS Cont

● **Note 03 - Administration & Establishment Expenses**

	2009 Rs.	2008 Rs.
Casual Wages		152,360
Salaries	466,748	723,704
E.P.F & E.T.F	41,528	35,278
Overtime	7,980	19,372
Exam Fees	14,295	-
Pension	-	-
Special Allowances	-	-
Staff Welfare	20,760	48,176
Newspapers & Periodicals	-	-
Advertisement	600	12,420
Traveling	7,903	15,851
Staff Training	19,120	28,200
Medical	1,812	-
Insurance	38,294	-
Security	80,366	87,277
Printing	11,192	28,929
Postage/Telephone	27,736	42,323
Other Expenses	50,782	104,152
Water	29,798	140,920
Electricity	109,783	105,112
R/M Machinery	-	4,050
R/M Others	-	-
Rent Rate & Taxes	-	3,675
Dep - Office Equipment	-	-
- Furniture & Fittings	-	-
- Building	-	-
Warrant	675	-
Others	14,650	-
	<u>944,022</u>	<u>1,551,799</u>

● **Note 04 - Selling Expenses**

Rent Rate	442	
Fuel	11,980	55,153
Rep.M.Vehicles	12,370	163,065
Rep.M. Building	4,745	84,585
Rep, M, Machinery	2,195	-
Transport	150	-
Packing Materials	127	-
Product Publicity	3,595	-
	<u>35,604</u>	<u>302,803</u>

● **Note 05 - Finance Charges**

Bank Charges	3,203	6,240
	<u>3,203</u>	<u>6,240</u>

PROJECTS
NOTES TO THE ACCOUNTS Cont

● **Note 06 - Stocks**

	2009 Rs.	2008 Rs.
Pollgolla Project	63,457	63,457
Waragoda Project	269,523	265,605
Velona Project	1,535,722	493,810
Damage	-	276,515
	<u>1,868,702</u>	<u>1,099,387</u>

● **Note 07 - Debtors Deposits & Prepayment**

Trade Debtors - Waragoda	53,319	-
- Velona	342,000	-
- Polgolla	38,798	-
Textile Loan	53,584	34,400
Festival Loan	35,200	-
Staff Loan	-	-
Trade Debtors - Waragoda	-	53,319
Three Months Loan	-	-
Shortages	-	3,918
Damages	159,299	-
Receivable Temporary Pension	7,500	7,500
Contractors Security Deposits	-	-
Defence Fund	-	-
Bank Deduction	35,223	-
Light Engineering	153,798	153,798
Barleet Finance Company	-	-
Project C/A	664,697	662,726
Head Office C/A	8,486,646	10,165,956
Crafts Training C/A	150,567	150,567
Electricity Deposits	8,866	8,866
Purchase Advance	5,224,285	5,140,536
Fuel Deposits	15,000	5,000
Stipend Advance	39,733	19,146
Security Advance	13,487	13,488
Vat Receivable	799,336	799,335
Tender Deposits	-	78,182
Provision for pension	9,923	-
	<u>16,291,261</u>	<u>17,296,737</u>

PROJECTS
NOTES TO THE ACCOUNTS Cont

● **Note 08 - Cash at Bank & in Hand**

	2009 Rs.	2008 Rs.
Waragoda Project	25,548	22,548
Polgolla Project	73,930	53,930
Velona Project	66,000	61,000
Keselwaththa	216,537	-
	<u>382,015</u>	<u>137,478</u>

● **Note 09 - Creditors & Accruals**

Sri Lanka Freedom Society	2,150	890
Unpaid Bonus	-	-
W. & O.P.	11,001	11,001
Central Bank 8%	124,215	139,185
Laksala Welfare Society	23,698	23,138
Commissioner of Inland Revenue	-	-
Compensation Scheme	-	-
Creditor	3,511,243	3,513,094
J.S.S.	2,775	1,675
Bank Deductions	82,050	85,660
Exe. Off. Sec. S.L.H.B.	490	-
CTC Eagle	60	91,292
Staff Loan	1,850	-
Purchasing Goods	1,816	-
Accrued Charges - Polgolla	3,435	1,343
- Waragoda	93,669	106,027
- Velona	1,098,427	1,098,427
Defence Fund	67,676	25,699
Bartleet Finance Company	5,747	5,747
Trade Creditors	-	-
Special Grant	25,467,530	25,467,530
E.O.S.S.L.H.B	-	250
Three month Loan	457	-
Branch C/A	94,726	5,294
Craft Training C/A	3,499,532	3,499,532
Head Office C/A	21,713,526	21,356,515
Project C/A	1,951,900	1,951,900
	<u>57,757,973</u>	<u>57,384,200</u>

● **Note 10 - Bank Overdrafts**

Polgolla	378,341	385,395
Waragoda	170,129	111,417
Keselwaththa	24,557	-
Velona	1,874,567	1,082,432
	<u>2,447,594</u>	<u>1,579,244</u>

CRAFTS TRAINING INCOME & EXPENDITURE STATEMENT

For the Year Ended 31ST December 2009

	Notes	2009 Rs.	2008 Rs.
Income			
Grant from the Treasury	01	17,700,000	43,550,000
Other Income	02	-	1,650
		<u>17,700,000</u>	<u>43,551,650</u>
Expenditure			
Monthly Stipend & Other Direct Expenses	03	2,584	331,775
Administration & Establishment Expenses	04	17,531,766	35,315,042
Financial Expenses		2,038	130
		<u>17,536,388</u>	<u>35,646,947</u>
Expenditure Over Income		<u><u>163,612</u></u>	<u><u>7,904,703</u></u>

CRAFTS TRAINING BALANCE SHEET

As at 31ST December 2009

	Notes	2009 Rs.	2008 Rs.
Non Current Assets			
Property, Plant & Equipment		46,298,422	47,748,662
Current Assets			
Stocks		-	242,506
Staff Debtors	05	527,722	91,130
Advances		675,751	649,496
Deposits & Prepayments		261,784	261,784
Current Accounts - SLHB		12,232,114	22,088,712
Projects		1,706,124	1,755,648
Other Debtors	06	15,864,216	3,366,643
Petty Cash & Coin Imprest		52,428	83,605
Cash at Bank - People Bank		31,177	31,177
		<u>31,351,316</u>	<u>28,570,701</u>
		<u>77,649,738</u>	<u>76,319,363</u>
Total Assets			
Equity & Liabilities			
Capital & Reserves			
Dept. of Small Industries		715,446	715,446
Capital Grant		48,530,044	48,530,044
Special Grant		6,806,785	6,806,785
Capital Reserve		98,973	98,973
Revaluation Reserves		9,086,454	9,086,454
Accumulated Profit/(Loss)		(17,524,970)	(17,688,582)
		<u>47,712,732</u>	<u>47,549,120</u>
Non Current Liabilities			
Provision for Gratuity		<u>12,345,384</u>	<u>12,167,622</u>
		12,345,384	12,167,622
Current Liabilities			
Staff Creditors	07	1,113,470	91,130
Other Creditors	08	8,500,045	8,512,072
Accrued Charges		4,862,239	4,862,239
Cash at Bank - Bank of Ceylon		2,936,028	2,748,753
Cash at Bank Keselwatta		-	208,587
Current A/C Light Engineering		179,840	179,840
		<u>17,591,622</u>	<u>16,602,621</u>
Total Equity & Liabilities		<u>77,649,738</u>	<u>76,319,363</u>

CRAFT TRAINING NOTES TO THE ACCOUNTS

● Note 01 - Treasury Grant Recurrent

	2009 Rs.	2008 Rs.
January	3,100,000	3,600,000
February	3,100,000	3,400,000
March	3,900,000	3,300,000
April	3,900,000	3,700,000
May	3,200,000	3,800,000
June	500,000	3,800,000
July	-	3,800,000
August	-	3,800,000
September	-	3,870,000
October	-	3,690,000
November	-	3,690,000
December	-	3,100,000
	<u>17,700,000</u>	<u>43,550,000</u>

● Note 02 - Other Income

Interest on Staff Loans	-	1,650
Light Engineering Sales	-	-
Non Refundable Tender Deposits	-	-
Auction Income	-	-
	<u>-</u>	<u>1,650</u>

● Note 03 - Stipend & Other Direct Expenses

Raw Materials	-	316,753
Direct Expenses	-	15,022
Stipend Allowances	-	-
Piece Rates	2,584	-
	<u>2,584</u>	<u>331,775</u>

CRAFTS TRAINING
NOTES TO THE ACCOUNTS Cont....

● **Note 04 - Administration & Establishment Expenses**

	2009 Rs.	2008 Rs.
Casual Wages	576,594	1,759,333
Salaries & Allowances	14,704,007	25,953,685
Overtime	-	15,200
Incentive	3,960	-
Warrants & Tickets	79,550	211,772
EPF & ETF	-	197,971
Pension Contribution	35,283	1,062,539
Gratuity	306,416	3,618,954
Special Allowances	-	-
Training Program	-	-
Staff Welfare	-	45,983
Travelling - Local	3,275	37,200
Staff Training	24,000	74,000
Medical Expenses	-	380
License Insurance Vehicle	-	8,000
Legal Fees	-	-
Advertisement	-	9,315
Security Services	99,088	122,758
Printing & Stationery	-	25,302
News Papers & Periodicals	-	-
Post/Tele/Telex	43,889	183,415
Fuel & Lubricants	-	30,386
Tools & Implements	-	368
Other Expenses	-	42,533
Rent, Rate & Taxes	23,881	11,096
Water Bill	71,685	37,651
Electricity	63,499	111,057
Repair & Maintenance - Buildings	-	253,700
- Machinery	4,000	6,415
- Vehicles	-	3,390
- Others	-	-
Depreciation - - Buildings	397,359	397,359
- Machinery & Equipment	801,152	801,152
- Vehicle	-	-
- Office Equipment	44,211	44,211
- Furniture & Fittings	122,695	122,695
- Tools & implements	127,222	127,222
Computer Expenses	-	-
Insurance	-	-
Transport	-	-
	<u>17,531,766</u>	<u>35,315,042</u>

CRAFTS TRAINING
NOTES TO ACCOUNTS Cont

● **Note 05 - Staff Debtors**

	2009 Rs.	2008 Rs.
Festival Loan	523,261	77,661
Three Months Loan	4,461	13,469
	<u>527,722</u>	<u>91,130</u>

● **Note 06 - Other Debtors**

Receivable Temporary Pension	736,292	785,791
BerlgiumReimbursa	30,176	30,175
Refundable Security Deposit	30,609	30,608
Refundable Security Deposit NSB	3,438	85,774
Rajaye Podu Sevaka Sangamaya	0	5
Receivable from SLHB Control	12,015,923	-
U.N.D.P. Project	4,636	4,636
Salary Advance	-	352,185
VAT Receivable	205,882	
With holding Tax	194,594	194,594
Pension Contribution	2,285,105	-
Central Bank 8%	304,945	
J.S.S.	51,666	
Weltara Katubadda	950	
	<u>15,864,216</u>	<u>3,366,643</u>

CRAFTS TRAINING

NOTES TO ACCOUNTS Cont....

● Note 07 - Staff Creditors

	2009 Rs.	2008 Rs.
P.S.P.F	50	
Retund of Security Deposit NSB	12,025	
W&OP	262,378	
Insyrance	11,569	
Lady Lucre Fund	1,024	
Laksala Welfare Society	422,720	
The Finance	6,993	
Acc. Compensation scheme	23,465	
Bank Deduction	368,436	
D.S.I. Madawala society	2,300	
RajayePoduSewakaSangamaya	5	
S.L Freedom Workers Society	635	
Staff Society	1,870	
	<u>1,113,470</u>	<u>91,130</u>

● Note 08 - Other Creditors

	2009 Rs.	2008 Rs.
Payable to Pension Department	4,680,296	4,680,296
Retention Money	387,213	387,213
Stipend Accured	1,298,588	1,298,589
Refundable Tender Deposit	304,069	304,069
Contractor Tunover Tax	100,634	100,634
Adcanve Supply Creditor	85,774	85,775
Molagoda Training Centre	9,200	9,200
Other Creditor C/T	1,634,271	1,634,271
Refund of Security	-	12,025
	<u>8,500,045</u>	<u>8,512,072</u>



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கலாச்சாட்டுத்துறை அமைச்சுத் திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No.

EL/C/SLHE/
FA/2009

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

17 November 2010

The Chairman,
Sri Lanka Handicrafts Board

Report of the Auditor General on the Financial Statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2009 in terms of Section 14(2)(c) of the Finance Act, No. 18 of 1971.

With reference the letter dated 24 September 2010.

02. The English version of the above mentioned report is sent herewith.

H.A.S. Samaraweera
Acting Auditor General

Copies to : The Secretary - President Secretary Office

The Secretary - Ministry of Finance and Planning

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විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வகத் திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
 என் எண்
 My No

SLACSLIN/FA/2009

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 உமது எண்
 Your No.

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 திகதி
 Date

24 September 2010

The Chairman,
 Sri Lanka Handicrafts Board

Report of the Auditor General on the Financial Statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2009 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2009 was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and the Sri Lanka Handicrafts Board Affiliated Act No. 35 of 1982. My comments and observations which I consider should be published with the annual report of the Board in terms of Section 14 (2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was presented to the Chairman on 05 August 2010.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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1:3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Financial Statements

2:1 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2009 presented for audit.

2:2 Comments on Financial Statements

2:2:1 Sri Lanka Accounting Standards

The following observations are made

<u>Standard</u>	<u>Observation</u>
Standard No. 03	Although the financial statements should reveal all the information necessary to the users of the financial statements, the following matters had not been disclosed in the financial statements (i) Benevolent Funds amounting to Rs 6,000,000 had been invested. But, any of the investment income had not been brought to account and any of the expenditure of the Benevolent Society for the year under review had not been disclosed. (ii) Computers and accessories should be shown separately in the balance sheet as assets. But, it had not been done so.
Standard No. 09	Although a cash flow statement should be submitted along with the financial statements, a cash flow statement had not been prepared for the year under review.

Standard No 18

Although adequate rate of depreciation should be provided for buildings and computers, low percentage being 1 per cent for buildings and 10 per cent for computers had been provided

2.2.2 Accounting Deficiencies

The following observations are made

- (a) Although the stocks of the Technical Training Institutes should be included in the value of closing stocks due to not vesting the assets of the Craftsmen Training Division properly in writing to the National Crafts Council, it had not been done as such. According to the verification schedule, the balance of the Keselwatta stock amounting to Rs 181,318 had not been shown under the stock.
- (b) Although the value of the motor vehicle of the Head Office amounted to Rs 4,955,347, the value of the provision for accumulated depreciation amounted to Rs 5,143,493. Accordingly, the depreciation had been computed exceeding the value of the assets by Rs 188,146.
- (c) The Board had not paid the Employees Provident Fund and rates and taxes relating to the year under review as at 31 December 2009. As a result, surcharges thereon amounted to Rs 419,989 and Rs 235,656 respectively and it had not been disclosed in the accounts.
- (d) An export advance amounting to Rs 200,000 received by the Board had been shown under the creditors and accrued expenditure. Although those advances had been settled during the year under review it had not been adjusted in the accounts.

- (e) Gratuities had not been provided for in respect of officers deployed in the services of the Projects of the Handicrafts Board
- (f) Although a sum of Rs 1,019,853 had to be paid during the year review as payment of committed pension at the time of retirement of the officers, it had been omitted from the accounts
- (g) Although the sales according to the Trial Balance of the Katubedda Project amounted to Rs 4,940,641, the sales according to the schedules amounted to Rs 4,648,640. Accordingly, the sales had been understated by Rs 157,999
- (h) Losses of the Projects had been shown under the debtors. Although the losses of the Polgolla Project amounted to Rs 117,217, it had been understated in the accounts.
- (i) The shortage stocks of the Waragoda Project amounting to Rs 3,918 had been added to the stocks and shown in the accounts. As a result, the value of stocks had been overstated by Rs 3,918
- (j) Although according to the revaluation of stocks for the year under review, the balance of the shortage of stock amounted to Rs 80,190, a sum of Rs 63,278 had been debited to the shortage of stock account. As a result, those accounts had been understated by Rs 16,912. Further, the shortage of stock balance amounting to Rs 80,190 had been set off to the balance of excess stocks amounting to Rs 13,726
- (k) Although the balance of the damaged stock of the Handicrafts Board and the Project Account amounting to Rs 2,854,588 and Rs 159,299 respectively and the balance of the shortage of stocks of the Board amounting to Rs 243,235 should be debited to the each relevant account and shown in the final accounts, those had been debited to the debtors, prepayments and deposit accounts. As a result, those accounts had been overstated by totalling Rs 3,257,122. Further, although the opening balance of the damaged goods of the Head Office had been shown as Rs 2,605,057, such a stock had not been made available at the physical verification. The damaged stocks had been auctioned annually. However, those stocks had not been eliminated from the damaged stocks account

- (l) It was informed by the letter No WP(C)/M/914 of the Department of Revenue of the Western Province that the Business Turnover Tax payable by the Board amounted to Rs 3,122,881 whereas it had been shown in the accounts as Rs.283,421.
- (m) Although the construction works of the Kanthedda Hostel had been completed during the year 2008, it had been shown in the final accounts as work in progress on the basis of not paying the final bill. This value of Rs 1,767,189 had also not been shown under the accrued expenditure.
- (n) A cash book or a ledger had not been maintained in respect of People's Bank Account No. 046-1-001-7-038731 maintained by the Handicrafts Board in respect of Death Donation Fund and obtaining spectacles. Similarly, the Bank had recovered a sum of Rs 1,434,974 as bank overdraft interest of this Fund whereas interest income amounting to Rs 783,000 had been received in respect of investment of Rs 6,000,000. Investment amounting to Rs 6,000,000 had only been entered in the final accounts whereas expenditure and income had not been brought to account during the year under review.
- (o) Legal charges amounting to Rs 387,300 payable to the Attorney General's Department since year 2004 had not been brought to account.
- (p) The closing stock of raw materials of the Kesetwatta Project amounting to Rs 181,318 had not been shown in the stock account.
- (q) The stock of the Craftsmen Training Division had not been computed and shown.
- (r) Although the stock of stationery according to the Register of Verification amounted to Rs 255,240, the stocks balance had not been shown in the final accounts. Further, the damaged stock was amounted to Rs 8,373.

- (g) Due to not entrusting the assets and liabilities of the Craftsmen Training Division properly to the National Crafts Council, those assets and liabilities had not been brought to the accounts of the National Crafts Council and those had also been omitted from the accounts of the Sri Lanka Handicrafts Board
- (f) Any of the receipts and payments relating to the "Tape lace" Project for the year under review had not been shown in the accounts
- (u) Outstanding audit fees from the year 1989 to 2008 amounted to Rs 2,930,019 and this had not been shown in the accounts. Action had not been taken to settle those up to the year under review

2:2:3 Accounts Receivable and Payable

- (a) The balance of the trade debtors under the debtors and prepayments of the Head Office amounted to Rs 4,331,333 and of these the loan balance more than 5 years amounted to Rs 3,851,677 and the loan balance between 1 to 5 years amounted to Rs 256,376. The management had not taken action to recover the above loan amount.
- (b) The amount receivable from the sales through the credit cards in respect of sales of the Head Office amounted to Rs 4,763,177 and the management had not taken action to recover the above amount from the relevant institution
- (c) The balance of the trade creditors for the year 2008 under the debtors, deposits and prepayments of the Head Office amounting to Rs 78,182 had been omitted from the accounts for the year under review. It was unable to confirm whether those had been settled during the year

2:2:4 Lack of Evidence for Audit

The following observations are made

- (a) According to the financial statements presented for the year under review, 3 items of assets, 3 items of liabilities, 1 item of revenue and 1 item of expenditure aggregating Rs 498,586,624 could not be satisfactorily audited due to non submission of relevant books and documents to confirm the balances
- (b) An Engineering Division had been established as a Division of the Sri Lanka Handicraft Board with effect from 16 October 2009 and in this connection an Engineer had been recruited on contract basis. This post had not been include in the approved cadre. Although this Division had earned an income of Rs 3,273,422, this Division had failed to submit any documents for audit, thus, the audit could not be carried out
- (c) Although it was informed to submit files and documents for audit examination in respect of repairs of the Laksala Exhibition Centre situated at Thumbulla, those had not been submitted for audit. The advances amounting to Rs 3,150,000 given for those constructions had been shown under the debtors and prepayments. Accordingly, it was unable to ensure whether the activities relating to above constructions had been completed properly by following the relevant tender procedure.

2.2.5 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations etc observed in audit are given below

<u>Reference</u>	<u>Particulars</u>
(a) Section 10 of the Employees Provident Fund Act No 15 of 1958	Although the contribution for the Employees Provident Fund should be remitted before 15 day of the following month, contributions of the Board for the period from May 2008 to December 2009 amounting to Rs 13,814,412 had not been remitted up to the end of the year under review
(b) Treasury Circular No 842 dated 19 December 1978	A Register of Fixed Assets had not been maintained.
(c) Paragraph 7.4.1 of the Circular No PED/12 dated 02 June 2003 of the Department of Public Enterprises	Although the Audit and Management Committee should meet at least once in three months, action had not been taken accordingly and only one meeting had been held during the year 2009.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) FR 387	Although the Bank balance should be sufficient for making payments by cheque 85 cheques valued at Rs 2,645,315 issued during the year under review had been dishonoured due to lack of funds in the account

- (ii) FR 396(d) and FR 394(d) Although action into the cheques not presented for payment more than 06 months should be taken ^{to} revenue, action had not been taken in respect of 290 cheques valued at Rs 9,371,522 remaining since year 2008
- (iii) FR 395 Although the bank reconciliation statements should be prepared before 15 days of the ensuing month in respect of Bank Accounts in terms of FR 395, the bank reconciliation statements in respect of the accounts of 06 Centres had not been prepared for any of the month from the year 2009
- The bank overdraft balance according to the cash book had been shown in the accounts as a result of not preparing the bank reconciliation statement the correctness of those also could not be ascertained
- (e) Treasury Circular No 1A1/2002/02 dated 28 November 2002. A register had not been maintained by the Board in respect of computers, accessories and software.
- (f) Value Added Tax Act No 14 of 2002 The Value Added Tax recovered by the Board had not been remitted to the Commissioner General of Inland Revenue and it had not been shown in the accounts

2.2.6 Identified Losses

The following observations are made

- (a) A sum of Rs 419,989 had to be paid as surcharges due to failure to remit the contribution for the Employees Provident Fund by the Board on due date.
- (b) Surcharges amounting to Rs 235,656 had to be paid during the year under review due to failure to pay the rates and taxes on due date which were payable annually to the Local Authorities and the above amount had not been shown under the accrued expenditure.
- (c) It was observed that the cash control of the Katubedda Carpentry Division had remained at weak level and action had not been taken to provide an iron safe to keep the cash. The cash amounting to Rs 26,400 had been lost on 20 August 2009 and any action had not been taken relating to the above shortage of cash.
- (d) The total loss of the exhibition held at the Bandaranayaka Memorial International Hall during the year under review amounted to Rs 536,432.

3. Financial and Operating Review

3.1 Financial Results

According to the financial statements presented consolidating the Sri Lanka Handicrafts Board, its Project and Craftsmen Training Division, the operation of the Board for the year ended 31 December 2009 had resulted in a net loss of Rs 6,947,465 as compared with the net loss of Rs 24,269,913 for the preceding year. Accordingly, there was a decrease of Rs 17,322,448 in the net loss as compared with the preceding year.

The following matter is also observed

It was the practice of the Board to make significant adjustments to the financial results disclosed in the financial statements of each year in the ensuing years. The value of adjustments made during the year 2009 in respect of the preceding year was Rs 9,444,739. Due to these adjustments done as a practice and due to the accounting errors and omissions shown in this report, the possibility of such similar adjustments in the ensuing years cannot be ruled out. It was unable to satisfy in audit in respect of the correctness of the financial position and the financial results shown in the financial statements for the year under review.

3.2 Performance

The following matters revealed at the examination of the performance of the Board.

- (a) The export income for the year 2008 amounted to Rs 2,475,287 whereas the export income for the year under review amounted to Rs 655,395. Accordingly, the export income had indicated a decrease by Rs 1,819,892.
- (b) Although the export income had been in such manner, the export expenditure for the year 2009 amounted to Rs 154,936 and it was an increase of Rs 19,069 over the expenditure of the preceding year amounting to Rs 135,857. Although the export income had deteriorated significantly, the expenditure had increased in such manner.
- (c) The Bambalapitiya Exhibition Centre of the Handicrafts Board had been closed down from 10 August 2009 without the approval of the Board of Directors. The goods of the above Centres had been sent to the Exhibition Centre affiliated to the Salusala situated at Jawatta without taking action for the proper maintenance of this Exhibition Centre which was situated in a suitable place for the best congested business.

- (d) According to the Cabinet Paper No. CP/08/2322/349/015 the Craftsmen Training Division which was an unit of the Sri Lanka Handicrafts Board had been vested to the National Crafts Council with effect from 23 December 2008. 192 employees belonging to this Division had been reported to work at the National Crafts Council from 01 May 2009 and sums aggregating Rs 12,015,926 to be settled in respect of service rendered by those officers at the Handicrafts Board up to the year under review. Similarly, according to the Cabinet Decision, the assets and liabilities to be vested to the Crafts Council had not been legally vested up to the year under review.

3.2.1 Management Inefficiencies

The following observations are made

- (a) The Handicrafts Board had obtained a loan amounting to Rs 10,000,000 from the Janatha Estate Development Board and a proper agreement had not been entered into in respect of the above loan amount. Accordingly, there was no a proper agreement relating to the manner of repayment of loan and any amount had not been paid up to the end of the year under review.
- (b) A sum of Rs 7,500,000 had been received from the Industrial Development Board for the purchase of waste materials. However, the waste materials had not been given to the above institution up to the year under review as agreed.
- (c) Although the official vehicle of the Institute should not be provided to the members of the Board of Directors, a van had been provided to a member of the Board of Directors from 22 November 2009 whereas this decision had been taken without the approval of the Board of Directors.

- (d) An order for a bell valued at Rs 795,000 had been given to the Handicrafts Board in the month of June 2008 by the Department of Cultural Affairs and advances thereon amounting to Rs.600,000 had been apid to the Board. However, action had not been taken to provide the goods up to the year under review.
- (e) When obtaining orders for the products of the Carpentry Training School, the necessary timbers for the above orders are obtained from the private institutions whereas attention had not been paid in respect of the quality of those timbers. An uneconomical expenditure of Rs 21,278 had incurred for the furniture manufactured for the Provincial Council hall, Galle in the year 2008 in respect of repairs made during the year under review due to not using the well dried timber.
- (f) Action had not been taken to complete the orders obtained by the Katubedda Carpentry Unit within the due period. Although the goods valued at Rs 1,730,650 ordered by the Urban Council were not supplied for a period of 3 months from 12 May 2009 to 12 August 2009, the total goods ordered had not been supplied up to the end of the year under review.
- (g) Although there were facilities in the Carpentry Training School for providing training to 80 students, 35 student had only been enrolled for the year 2009/2010.
- (h) A sum of Rs 67,987 collected in respect of Security Fund and the Value Added Tax amounting to Rs.799,335 had been brought forward for several years without being remitted.
- (i) There were 148 Craftsmen Training Centre throughout the Island and only 135 Centres had operated at the time of taking decision for vesting to the Craftsman Training Division. Any action had not been taken in respect of the balance 13 centres. Any information had not been disclosed in respect of assets and liabilities of those Centres.

- (j) Although disclaimer of opinion had been expressed on the financial statements of the Board for the period of 19 years from the year 1990 to 2008, any action had not been taken to change this position
- (k) According to the financial statements of the Board presented for several years, those had indicated that the expenditure had exceeded the revenue. Details are given below.

Year	Financial Results for the year
	Rs.
2005	(7,373,204)
2006	(27,411,367)
2007	(23,625,198)
2008	(24,269,913)
2009	(6,947,465)

The Board had failed to prepare the accounts from 1990 to 2008 so as to properly show the financial position and the financial results of the Board, thus the attention had not been paid to prepare the accounts correctly even the disclaimer of audit opinion had been expressed.

- (l) The key posts of the Board such as Managing Director and Executive Director (Export) had remained vacant for a period of 3 years. Necessary action had not been taken to fill those or to suppress from the cadre in terms of Circular No. 124 PF/1/100/6(AP) of the Ministry of Finance and Planning
- (m) The Board had taken action to release the fixed deposits amounting to Rs 10,170,000 in the year 2009 and reduce the bank overdraft. The Bank Overdraft during the year 2009 amounted to Rs 22,220,540.

3.2.2 Underutilised Assets

The following observations are made.

- (a) The machineries and equipment used so far and remained in good condition had been eliminated due to installation of new machineries at the value of Rs. 79,077,100 purchased for the activities of the Katubedda Carpentry Training School belonging to the Board. Action had not been taken to use those machineries and equipment usefully or to disposed of properly.
- (b) While examining the stores of the Katubedda Carpentry Training School, a large quantity of various unused equipment had been kept from the year 1992.

3.2.3 Transaction without Authority

Four meetings of the Board of Directors had only been held during the year under review. As a result, the objectives expected by appointing the Board of Directors had not been achieved during the year under review. However, the closure of the Laksala Exhibition Centre, Bampalapitiya and recruitment of two officers on contract basis outside the approved cadre of the institute had been made without the approval of the Board of Directors.

3.2.4 Budgetary Control

Significant variances were observed between the budgeted figures and the actual figures and it was observed that the budget had not been made use of as an effective instrument of management control.

4. Systems and Controls

Deficiencies observed in audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control

- (a) Assets
- (b) Payment and Settlement of Advances
- (c) Purchases and Marketing of Production
- (d) Sales / Sales Returns / Credit Sales / Export Sales
- (e) Financial Management and Internal Control
- (f) Budget
- (g) Maintenance of Books and Files

H.A.S.Samaraweera
Acting Auditor General.

SC/LA