

## **Manthai Salt Limited - 2017/2018**

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The audit of the financial statements of the Manthai Salt Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 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 my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. This report is issued in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of the financial statements in accordance with Sri Lanka Accounting Standards for SMEs and for such internal control as the Board 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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial statements, whether due fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’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 the financial statements.

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 Qualified Opinion**

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There was a salt stock shortage of 1243.4 metric tons which equivalent to Rs.7,012,838 as at 31 March 2018. However, the Company had not taken actions to investigate the stock shortage and to adjust the stock shortage in the financial statements.

## **2 Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Manthai Salt

Limited as at 31 March 2018, and its financial performance and its cash flows for the reporting period then ended in accordance with Sri Lanka Accounting Standards for SMEs.

## **2.2 Report on Other Legal and Regulatory Requirements**

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As required by Section 163(2) of the Companies Act No. 07 of 2007, I state the followings.

(a) The basis of opinion and scope and limitations of the audit are as stated above.

(b) In my opinion:

- Except for the matters described in Basis for Qualified Opinion paragraph, I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
- The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements for the year ended 31 March 2018, the profit for the year was Rs. 27,789,256 compared to the profit of Rs. 33,516,078 of the previous year. Therefore, a deterioration amounting to Rs.5,726,822 of the financial result was observed. The reasons for the deterioration are mainly attributed in way of revenue decreased by Rs.10,077,542 and administrative expenses increased by Rs.4,236,220 & other income increased by Rs.7,242,292.

### **3.2 Analytical Financial Review**

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- (a) The Gross Profit Ratio of the company had decreased by 3.67 per cent compared with preceding year. The net profit ratio had decreased by 2.54 per cent with compared preceding year. The reasons for the deterioration are mainly attributed by increase in percentage of cost of sales by 3.58 percent and increase in administrative expenses and distribution expenses of the company for the year under review.
- (b) The current ratio had increased by 0.69 due to the huge increase of stock in the year under review with compared preceding year, and the quick Assets ratio had increase only by 0.13.

## **4 Operational Review**

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### **4.1 Management Inefficiencies**

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Although an executive director had been appointed to the company for the year under review, he had not involved to the affairs of the company. However company had been paid monthly salary and fuel allowance aggregating to Rs. 951,000 for the year under review.

#### **4.2 Operational Inefficiencies**

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Without maintain the daily attendance register a sum of Rs. 9,309,222 had been paid for daily pay employee who had worked during the period from April 2017 to March 2018.

#### **4.3 Transactions of Contentions Nature**

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Aggregating value amounting to Rs. 21,159,500 of sales of second grade salt of 2,115.95 metric tons had not been dispatched from the Elephant pass Saltern for more than 3 months to one year, even though only 60 days allowed to dispatch as per the agreement.

#### **4.4 Assets Management**

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Fixed assets register and inventory register had not property maintained by Elephant pass saltern.