

## Companies act, 07 of 2007

### 148.

(1) Every company shall keep accounting records which correctly record and explain the company's transactions, and will;

(a) at any time enable the financial positions of the company to be determined with reasonable accuracy;

(b) enable the directors to prepare financial statements in accordance with this Act; and

(c) enable the financial statements of the company to be readily and properly audited.

(2) Without limiting the provisions contained in subsection (1), the accounting records shall contain;

(a) entries of money received and expended each day by the company and the matters in respect of which such money was spent;

(b) a record of the assets and liabilities of the company ;

(c) if the company's business involves dealing in goods;

(i) a record of goods bought and sold, except goods sold for cash in the ordinary course of carrying on a retail business that identifies both the goods and buyers and sellers and the relevant invoices;

(ii) a record of stock held at the end of the financial year together with records of any stock takings during the year;

(d) if the company's business involves providing services, a record of services provided and relevant invoices.

(3) Where a company fails to comply with the requirements of this section;

(a) the company shall be guilty of an offence and be liable on conviction to a fine not exceeding two hundred thousand rupees; and

(b) every officer of the company who is in default shall be guilty of an offence, and be liable on conviction to a fine not exceeding two hundred thousand rupees.

### 149.

(1) A company shall keep its accounting records in Sri Lanka. However, where the Registrar considers it not prejudicial to the national economy or to the interests of shareholders of the company, he may permit a company to keep its accounting records outside Sri Lanka.

(2) If the records are not kept in Sri Lanka;

(a) the company shall ensure that the accounts and returns of the operations of the company;

(i) disclose with reasonable accuracy the financial position of the company at intervals not exceeding periods of six months; and

(ii) will enable the preparation in accordance with this Act of the company's financial statements and any group financial statements and any other document required to be maintained under this Act, are sent to and kept at a place in Sri Lanka; and

(b) notice of the place where the accounting records and the accounts and returns required under paragraph (a) are kept, shall be given to the Registrar.

(3) Where a company fails to comply with the requirements of subsection (2);

(a) the company shall be guilty of an offence and be liable on conviction to a fine not exceeding two hundred thousand rupees; and

(b) every officer of the company who is in default shall be guilty of an offence and be liable on conviction to a fine not exceeding two hundred thousand rupees.

## **150.**

(1) The board of every company shall ensure that within six months or within such extended period as may be determined by the Registrar after the balance sheet date of the company, financial statements that comply with the requirements of section 151 are;

(a) completed in relation to the company and that balance sheet date;

(b) certified by the person responsible for the preparation of the financial statements that it is in compliance with the requirements of this Act; and

(c) dated and signed on behalf of the board by two directors of the company or if the company has only one director, by that director.

(2) Where the board fails to comply with the requirements specified in subsection (1), every director of the company who is in default shall be guilty of an offence and be liable on conviction to a fine not exceeding one hundred thousand rupees.

## **151.**

(1) The financial statements of a company shall give a true and fair view of;

(a) the state of affairs of the company as at the balance sheet date; and

(b) the profit or loss or income and expenditure, as the case may be, of the company for the accounting period ending on that balance sheet date.

(2) Without limiting the provisions contained in subsection (1), the financial statements of a company shall comply with;

(a) any regulations made under this Act which specifies the form and content of financial statements; and

(b) any requirements which apply to the company's financial statements under any other law.

## **152.**

(1) Subject to the provisions of subsection (2), the board of a company that has on the balance sheet date of the company one or more subsidiaries, shall, in addition to complying with section 150, ensure that within the time specified in that section, group financial statements that comply with section 153 are;

(a) completed in relation to that group and that balance sheet date;

(b) certified by the person responsible for the preparation of the financial statements that it is in

compliance with the requirements of this Act; and (c) dated and signed on behalf of the directors by two directors of the company or if the company has only one director, by that director.

(2) Group financial statements and a balance sheet date shall not be required in relation to a company, if the company is at that balance sheet date the wholly owned subsidiary of another company.

(3) Where the board fails to comply with the requirements specified in subsection (1), every director of the company who is in default shall be guilty of an offence, and be liable on conviction to a fine not exceeding one hundred thousand rupees.

### **153.**

(1) The financial statements of a group shall give a true and fair view of;

(a) the state of affairs of the company and its subsidiaries as at the balance sheet date; and

(b) the profit or loss or income and expenditure, as the case may be, of the company and its subsidiaries for the accounting period ending on that balance sheet date.

(2) Without limiting the provisions contained in subsection (1), the financial statements of a group shall comply with;

(a) any regulations made under this Act which specifies the form and content of group financial statements; and

(b) any requirements which apply to the group financial statements under any other law.

(3) Where a subsidiary became a subsidiary of a company during the accounting period to which the group financial statements relate, the consolidated profit and loss statement or the consolidated income and expenditure statement for the group, shall relate to the profit or loss of the subsidiary for each part of that accounting period during which it was a subsidiary, and not to any other part of that accounting period.

(4) Subject to the provisions of subsection (3), where the balance sheet date of a subsidiary of a company is not the same as that of the company, the group financial statements shall;

(a) if the balance sheet date of the subsidiary does not precede that of the company by more than three months, incorporate the financial statements of the subsidiary for the accounting period ending on that date, or incorporate interim financial statements of the subsidiary completed in respect of a period that is the same as the accounting period of the company; or

(b) in any other case, incorporate interim financial statements of the subsidiary completed in respect of a period that is the same as the accounting period of the company.

(5) Subject to the provisions of subsections (3) and (6), group financial statements shall incorporate the financial statements prepared in accordance with section 151, of every subsidiary of the company.

(6) Subject to the provisions of subsection (7), group financial statements prepared by a company need not incorporate the financial statements of a subsidiary of that company, where the board of the company is of the opinion that;

- (a) it is impracticable to do so or would be of no real value to the shareholders of the company in view of the insignificant amounts involved, or would involve expense or delay out of proportion to the value to shareholders;
- (b) the result would be misleading or harmful to the business of the company or any of its subsidiaries; or
- (c) the business of the company and that of the subsidiary are so different, that they cannot reasonably be treated as a single undertaking.

(7) Group financial statement prepared by a company may not omit the financial statements of a subsidiary of that company under subsection (6), without the prior approval in writing of the Registrar, which may be given on such terms or conditions as the Registrar thinks fit.

## **166.**

(1) The board of every company shall within six months after the balance sheet date of the company, prepare an annual report on the affairs of the company during the accounting period ending on that date.

(2) Where the board of a company fails to comply with subsection (1), every director of the company who is in default shall be guilty of an offence and be liable on conviction to a fine not exceeding one hundred thousand rupees.

## **167.**

(1) The board of a company shall cause a copy of the annual general meeting report to be sent to every shareholder of the company not less than fifteen working days before the date fixed for holding the annual general meeting of shareholders : Provided that a company may in the first instance, send every shareholder the financial statement in the summarized form as may be prescribed, in consultation with Institute of Chartered Accountants of Sri Lanka, together with the annual report : Provided further the company shall inform each shareholder that he is entitled to receive full financial statement if he so requires, within a stipulated period of time.

(2) Where the board of a company fails to comply with subsection (1), every director of the company shall be guilty of an offence and be liable on conviction to a fine not exceeding one hundred thousand rupees.

## **168.**

(1) The annual report of the board shall be in writing and be dated, and subject to subsection (2), shall;

(a) describe so far as the board believes is material for the shareholders to have an appreciation of the state of the company's affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in;

(i) the nature of the business of the company or any of its subsidiaries ; or

(ii) the classes of business in which the company has an interest, whether as a shareholder of

another company or otherwise ;

(b) include financial statements for the accounting period completed and signed in accordance with section 151, and any group financial statements for the accounting period completed and signed in accordance with section 152 ;

(c) where an auditor has been appointed by the company, include that auditor's report on the financial statements and any group financial statements ;

(d) describe any change in accounting policies made during the accounting period ;

(e) state particulars of entries in the interests register made during the accounting period ;

(f) state the remuneration and other benefits of directors during the accounting period ;

(g) state the total amount of donations made by the company during the accounting period ;

(h) state the names of the persons holding office as directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period ;

(i) state the amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided by that person or firm ;

(j) state the particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the company or any of its subsidiaries ; and

(k) be signed on behalf of the board by;

(i) two directors of the company or if the company has only one director, by that director ; and

(ii) the secretary of the company.

(2) A company that is required to include group financial statements in its annual report shall include in relation to its subsidiaries, the information specified in paragraphs (b) to (j) of subsection (1).

(3) The annual report of a company need not comply with of paragraph (a) and paragraphs (d) to (j) of subsection (1), if all shareholders agree in writing that it need not do so. Any such agreement shall be noted in the annual report.

## **169.**

Subject to the provisions contained in the articles of a company, the failure to send an annual report, notice, or other document to a shareholder in accordance with any requirement under this Act, shall not affect the validity of proceedings at a meeting of the shareholders of the company, if the failure to do so was accidental.

## **170.**

(1) Every company that is not a private company, shall ensure that within twenty working days after the financial statements of the company and any group financial statements are required to be signed, copies of those statements together with a copy of the auditor's report on those statements are delivered to the Registrar for registration.

(2) The Registrar may by notice in writing require a private company to deliver to him within twenty working days, the financial statements of the company and any group financial statements

in respect of such accounting periods as may be specified in the notice, together with copies of any auditor's report on those statements.

(3) The copies delivered to the Registrar under this section shall be certified to be correct copies by two directors of the company or where the company has only one director, by that director.

## **171.**

(1) Subject to the provisions of subsections (2) and (3), a company shall have a balance sheet date in each calendar year.

(2) A company shall not be required to have a balance sheet date in the calendar year in which it is incorporated, if its first balance sheet date is in the following calendar year and is not later than fifteen months after the date of its formation or incorporation.

(3) Where a company changes its balance sheet date, it shall be required to have a balance sheet date in a calendar year if;

(a) the period between any two balance sheet dates does not exceed fifteen months ; and

(b) the Registrar approves the change of balance sheet date before it is made.

(4) The Registrar may approve a change of balance sheet date for the purposes of subsection (3), with or without conditions.

(5) Where a company changes its balance sheet date, the period between any two balance sheet dates shall not exceed fifteen months.

(6) The adoption or change of a balance sheet date shall have effect upon receipt of a notice by the Registrar to that effect.

(7) The board of a company shall ensure that, unless in the board's opinion there are good reasons against it, the balance sheet date of each subsidiary of the company is the same as the balance sheet date of the company.

(8) Where the balance sheet date of a subsidiary of a company is not the same as that of the company, the balance sheet date of the subsidiary for the purposes of any particular group financial statements, shall be that preceding the balance sheet date of the company.