

Report of the Auditor General



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No. }

EF/G/PB/S-17/2007

මගේ අංකය
உமது இல
Your No. }

දිනය
திகதி
Date }

3 / March 2008

The audit of the accompanying financial statements of the People's Bank and the consolidated financial statements of the Bank, and its Subsidiaries as at 31 December 2007, which comprise the Balance Sheet as at that date, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes thereto (Nos. 1 to 37) to the financial statements 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. In carrying out this audit, I was assisted by a firm of Chartered Accountants in public practice. The financial statements of the Subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective Subsidiaries.

Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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.

Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. The audit was conducted in accordance with Sri Lanka Auditing Standards, which require that the audit shall be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. I have obtained all the 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.

Opinion

In my opinion, so far as appears from my examination, the Bank had maintained proper accounting records for the year ended 31 December 2007, and the financial statements give a true and fair view of the Bank's state of affairs as at 31 December 2007 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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In my opinion the consolidated financial statements, give a true and fair view of the state of affairs as at 31 December 2007 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Bank, and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

Emphasis of Matter

The Government of Sri Lanka has issued a Letter of Support dated 28 March 2008 to guarantee the underlying business of the Bank. This letter confirms the Ministry of Finance and Planning's commitment to provide financial support to the extent not exceeding the amount required to make good the deficiency in the capital fund requirements stipulated by the Central Bank of Sri Lanka, based on the Bank's risk weighted assets as at 31 December 2007.

I draw attention to the concentration of Government related institutions lending as disclosed in Note 34.4 and the Bank's exposure to Government Guaranteed loans as disclosed in Note 14.8 to the Financial Statements. Such exposure exceeds Rs. 13.8 billion as at 31 December 2007, therefore the Government support extends beyond the understanding given in the said Letter of Support.

Report on Other Legal and Regulatory Requirements

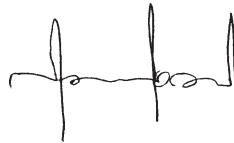
These financial statements had been presented the information required by the Banking Act, No. 30 of 1988.

Exemption

The Bank has been exempted from provisions in Part II of the Finance Act, No. 38 of 1971 by an Order of the Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Section (I) of the said Finance Act.

Report to Parliament

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



S. Swarnajothi
Auditor General

