This Profile provides information about the application of IFRS® Standards (Standards) in Sri Lanka. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation’s Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact Licences@ifrs.org.

Profile last updated: 28 June 2021

RELEVANT JURISDICTIONAL AUTHORITY

<table>
<thead>
<tr>
<th>Organisation</th>
<th>The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of the organisation</td>
<td>CA Sri Lanka is the official standard-setting body in Sri Lanka. CA Sri Lanka is empowered with the sole authority to formulate accounting standards in Sri Lanka under Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995.</td>
</tr>
<tr>
<td>Website</td>
<td><a href="https://www.casrilanka.com">https://www.casrilanka.com</a></td>
</tr>
<tr>
<td>Email contact</td>
<td><a href="mailto:technical@casrilanka.org">technical@casrilanka.org</a></td>
</tr>
</tbody>
</table>

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

| Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards? | Yes. |
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?

Yes.

What is the jurisdiction’s status of adoption?

Sri Lanka has adopted IFRS Standards and permits the use of the IFRS for SMEs Standard. These standards became operative for financial statements for periods beginning on or after 1 January 2012.

Additional comments provided on the adoption status?

Sri Lanka has adopted IFRS Standards with effect from 1 January 2012. In 2015 Sri Lanka modified paragraph 69(d) of IAS 1 Presentation of Financial Statements, in the Current liabilities section.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction’s general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

All domestic companies whose securities trade on the main public markets are required to use Sri Lanka Accounting Standards (SLFRS and LKAS), which are converged with IFRS Standards. Modifications to IFRS Standards are explained in the IFRS Endorsement section of this profile.

Small and medium-sized companies listed on the Empower Board of the Colombo Stock Exchange (CSE) are permitted to apply the SLFRS for SMEs Standard for three consecutive financial periods after the date of listing, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Required on the main public markets.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

For all companies other than companies listed on the Empower Board of the CSE, as explained above.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes. However, companies listed on the Empower Board of the CSE are permitted to apply SLFRS for SMEs for three consecutive financial periods after the date of listing to the Board, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Required.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

It is mandatory to apply Sri Lanka Accounting Standards for the Specified Business Enterprises (SBEs) defined in the Sri Lanka Accounting and Auditing Standards Act. However, the SBEs defined under the threshold category are permitted to follow the SLFRS for SME Standard.
For all entities, per the Inland Revenue Act, No 17 of 2017, the timing of inclusion or deductions in calculating a person’s income shall be made according to Sri Lanka Accounting Standards framework being followed, unless otherwise mentioned in the Act.

Any entity which meets the definition of a smaller entity per SLFRS for Smaller entities is permitted to apply that Standard.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
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<tbody>
<tr>
<td>Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?</td>
<td>All foreign companies whose securities trade in a public market are required to use SLFRS in their consolidated financial statements. As of June 2021, no foreign company’s debt or equity securities are listed on the CSE.</td>
</tr>
<tr>
<td>If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?</td>
<td>Required.</td>
</tr>
<tr>
<td>Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?</td>
<td>All.</td>
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**IFRS ENDORSEMENT**

<table>
<thead>
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<th>Answer</th>
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<tbody>
<tr>
<td>Which IFRS Standards are required or permitted for domestic companies?</td>
<td>SLFRS that are adopted by CA Sri Lanka and gazetted by legislation.</td>
</tr>
<tr>
<td>The auditor’s report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:</td>
<td>Sri Lanka Accounting Standards.</td>
</tr>
<tr>
<td>Does the auditor’s report and/or the basis of preparation footnote allow for “dual reporting” (conformity with both IFRS Standards and the jurisdiction’s GAAP)?</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Are IFRS Standards incorporated into law or regulations?</td>
<td>Yes.</td>
</tr>
<tr>
<td>If yes, how does that process work?</td>
<td>Sri Lanka Accounting Standards are part of the law following publication in the official gazette under the Sri Lanka Accounting and Auditing Standards Act.</td>
</tr>
<tr>
<td>If no, how do IFRS Standards become a requirement in the jurisdiction?</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Does the jurisdiction have a formal process for the “endorsement” or “adoption” of new or amended IFRS Standards (including Interpretations) in place?</td>
<td>Yes.</td>
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</tbody>
</table>
If yes, what is the process? When the Board issues an amendment, Standard or Interpretation, the Accounting Standards Committee (ASC) reviews the principles and amendments and recommends adoption to the Council of CA Sri Lanka. Standards are translated into Sinhala and Tamil and published in the Extra Ordinary Gazette as required by the Accounting and Auditing Standards Act, No 15 of 1995. Once gazetted, the standard has legal authority.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction? Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards? The jurisdiction has modified paragraph 69(d) of IAS 1. Guidance Notes on Accounting for Consideration of the COVID 19 Outbreak was issued in May 2020. The temporary practical expedients stated in the guidelines for the interim reporting and the financial reporting period ended on 31 March 2020 because of a lack of information, and the one-time option for reclassification of equity investments is no longer applicable.

If yes, what are the changes? Not applicable.

Other comments regarding the use of IFRS Standards in the jurisdiction? None.

**TRANSLATION OF IFRS STANDARDS**

Are IFRS Standards translated into the local language? Yes. Sri Lanka Accounting Standards are translated into Sinhala and Tamil.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards? The translation process ensures the ongoing translation of the continuous updates to IFRS Standards.

**APPLICATION OF THE IFRS FOR SMEs STANDARD**

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs? Yes. Sri Lanka has adopted the *IFRS for SMEs* Standard as the SLFRS for SMEs.

If no, is the adoption of the IFRS for SMEs Standard under consideration? Not applicable.

Did the jurisdiction make any modifications to the IFRS for SMEs Standard? Yes.

If the jurisdiction has made any modifications, what are those modifications? The companies listed on the Empower Board of CSE are permitted to apply SLFRS for SMEs for three consecutive financial periods after the date of listing, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so? Section 1.1 and 1.2 of SLFRS for SMEs sets out the scope on the SMEs which can apply the SLFRS for SMEs standard.

For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use? The following entities are eligible to apply SLFRS for Smaller Entities:

- an entity that had revenue in excess of 100m rupees in the reporting period;
Other comments regarding use of the IFRS for SMEs Standard?

None.