

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Mahaweli Livestock Enterprises Limited for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of profit and loss, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament, appear in this report.

I do not express an opinion of the financial statements of the Company. Because of the significance of the matters set out in the Basis for Disclaimer of Opinion section of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I do not express an opinion based on the matters set out in paragraph 1.5 of this report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Audit Scope Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a)	As the actuarial assessment for the retirement benefit obligation amounting to Rs. 8,680,365 prevailed as at 31 March 2021 had not been carried out in accordance with paragraph 57 of Sri Lanka Accounting Standard 19, the accuracy was not confirmed.	Action will be taken to submit it to the Board of Directors in the future and correct it.	The retirement benefit obligation should be calculated in accordance with Sri Lanka Accounting Standard 19.
(b)	Disclosures had not been made in relation to the transactions of the Board even though the Company was an associated company of the National Livestock Development Board in terms of paragraph 26 (a) of Sri Lanka Accounting Standard 24.	Action will be taken to correct this disclosure in the ensuing financial years with the approval of the Board of Directors.	Disclosures should be made in that regard in terms of Sri Lanka Accounting Standard 24 when the relevant entity is an associated company.
(c)	Even though the value of pigs amounting to Rs. 1,839,935 should have been identified as biological assets as at 31 March 2021 and presented in the financial statements as per paragraph 04 of Sri Lanka Accounting Standard 41, that value had been indicated under the stock balance.	Action will be taken to correct it in the future.	Biological assets should be correctly indicated in the financial statements as per Sri Lanka Accounting Standard 41.
(d)	Although the expected credit loss method should be used for subsequent measurement in calculating trade receivables as per paragraph 5.5.15 of Sri Lanka Financial Reporting Standard 09, the accuracy of the relevant value could not be verified during the audit as the Company had not taken action accordingly and calculated the balance of trade receivables of the Company valued at Rs. 3,262,651 as at 31 March 2021.	Action will be taken to follow that method in the future.	Allocations should be made for subsequent measurement in accordance with the expected credit loss method as per Sri Lanka Financial Reporting Standard 09.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the total cost of property, plant and equipment as per the financial statements had been Rs. 116,006,884 as at 31 March 2021, there had been a difference of Rs. 551,230 as the balance according to the ledger as at that date was Rs.116,558,114.	New addition of the value of the building, of which the construction had been completed, was the reason for increasing this value.	The difference should be identified and settled.
(b) Although the interest income on investments amounting to Rs. 1,740,674 should be adjusted under the adjustments in the cash flow statement, the Company had adjusted Rs. 3,376,341.	Action will be taken to correct it.	Action should be taken to account it correctly.
(c) Although the balance of the fixed deposit had been Rs. 19,844,721 as per the financial statements, the deposit balance calculated as per the fixed deposit renewal notices had been Rs. 20,004,566. Therefore, there was a difference of Rs.159,845.	The balance of the fixed deposit was calculated as at the maturity date of the fixed deposit.	The value of fixed deposits should be calculated as at the balance sheet date and action should be taken to account it.
(d) The animals and other food items amounting to Rs. 366,008 indicated in the financial statements and 6566 breeding animals, out of 13,960 breeding animals amounting to Rs. 19,026,022, had not been verified and the verification reports for the egg stocks amounting to Rs. 3,484,254 had not been submitted for audit. Therefore, the existence and accuracy of those stocks could not be verified.	In accounting those accounts, accounting has been carried out separately in accordance with each category. The accuracy of those accounts is 100%.	The accuracy of the balance could not be verified according to the stock verification reports. Action should be taken to verify the physical stock accurately.
(e) The value of other receivables had been Rs. 64,592,694 as at 31 March 2021, and Rs. 64,316,040, out of that, were balances that had been outstanding for several years. Those balances had not been recovered even by 31 March 2021, and since the written evidence related to those balances was not submitted to the audit, the accuracy of the relevant balances could not be verified during the audit. Furthermore, adequate allocations had not been made for doubtful debts in the financial statements regarding these balances.	Action will be taken to correct it in the future.	Action should be taken to recover the outstanding debt balances. Furthermore, information such as a time analysis of trade payables and the nature of transactions should be presented to the audit.

1.5.3 Unreconciled Control Accounts or Reports

	Item	Value as per Financial Statements Rs.	Value as per Correspon ding Reports Rs.	Difference Rs.	Comments of the Management	Recommendation
(a)	Average stock value	5,130,506	4,149,177	981,329	That difference is a balance that has been existing continuously since previous accounting years and the reasons for that difference cannot be found. It will be referred to the Board of Directors and action will be taken according to the decisions taken there.	Action should be taken to identify the difference and to correct it.
(b)	Mixed food stocks	124,946	218,761	93,815	Those mixed food stocks are also values that have been existing continuously in our accounts. It will be referred to the Board of Directors and action will be taken according to the decisions taken there.	Action should be taken to identify the difference and to correct it.

1.5.4 Going Concern of the Organization

Audit Observation	Comments of the Management	Recommendation
In terms of paragraph 220 of the Companies Act, No. 07 of 2007, when it appears that the net assets of a company are less than half of the stated capital of the company, the Board of Directors shall prepare a report in order to inform the shareholders of the nature and extent of the losses incurred by the company, the cause or causes of the losses incurred, and any steps, if such steps are taken by the Board of Directors to prevent further occurrence of such losses, and shall convene an extraordinary general meeting for the shareholders of the company with that report. Even though the stated capital of the Company as at 31	Comments have not been provided.	Since there is uncertainty regarding the going concern of the Company, relevant formal measures should be taken in that regard and an extraordinary general meeting should be convened in accordance with Section 220 of the Companies Act, No. 7 of 2007.

March 2021 was Rs. 22,965,030 and the value of the net assets was minus Rs. 24,707,845, the Board of Directors of the Company had not taken action accordingly even by 20 May 2025 and accordingly it was observed that there was uncertainty in relation to the going concern of the Company.

1.5.5 Written Evidence not available for Audit

	Item	Amount Rs.	Audit Evidence not Provided	Comments of the Management	Recommendation
(a)	Income Tax Payable	27,021,012	Schedules and Tax Returns	Our Company does not have information related to those balances.	Action should be taken to identify balances and to settle them.
(b)	Value Added Tax	25,607	Schedules and Tax Returns	Our Company does not have information related to those balances.	Action should be taken to identify balances and to settle them.
(c)	Economic Service Charges	158,676	Schedules and Tax Returns	Our Company does not have information related to those balances.	Action should be taken to identify balances and to settle them.
(d)	Provision for Doubtful Debt	10,630,937	Calculation Schedules	The allocation for doubtful debt is a balance prevailing continuously and our company does not have any documentation to determine to which debtors this debt balance has been allocated to.	The information related to the calculation should be maintained in a systematic manner.
(e)	Payable to the National Livestock Development Board	995,230	Balance Confirmations	That balance is also prevailing continuously and that balance will be presented to the Board of Directors and adjust it to the Profit and Loss Account.	The information related to the confirmation of the balances of accounts should be submitted to the audit.
(f)	Savings account of the People's Bank	49,389	Bank confirmations, savings account book	A letter was sent to that bank requesting relevant information in relation to this account. Any response has not yet been provided in that regard.	Action should be taken to confirm the balance.

(g)	Amount received for undivided shares	133,589	Share certificates, details regarding the issuance of shares	These balances are prevailing 10 years ago and our company does not have information about those balances.	A file containing details of share certificates and share issuance must be maintained.
(h)	Reserves	5,440,064	Revaluation Reports, details related to revaluation	These balances are prevailing 10 years ago and our company does not have information about those balances.	Action should be taken to maintain information related to revaluation.
(i)	Cumulative dividends payable on preference shares	5,339,059	Information related to the allocation of dividends on preference share certificates	These balances are from 10 years ago and our company does not have information on those balances.	Action should be taken to identify and settle the balances.
(j)	Welfare Reserve	950,265	Documents and files related to the allocation of reserves	These balances are from 10 years ago and our company does not have information on those balances.	Action should be taken to maintain details related to the allocation of reserves.
(k)	Balances payable	33,602,817	Balance confirmations, age analysis reports	These balances are ongoing. Action will be taken to present those balances to the Board of Directors and act in accordance with the decisions taken there.	Action should be taken to identify and settle outstanding balances.

1.6 Accounts Receivable and Payable

1.6.1 Money Payable

Audit Observation	Comments of the Management	Recommendation
As at 31 March 2021, the balance of the company's trade payables was Rs.24, 513,492, of which Rs.21, 314,781 was overdue by 90 days and no action had been taken to settle the balance. Furthermore, Rs.20, 858,087 was a balance due from before 2018 for the purchase of animal feed from a private company.	Action is being taken to settle these balances. These payments are made monthly.	Action should be taken to settle outstanding balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
(a)	Section 166 of the Companies Act, No. 07 of 2007	Even though the annual report relating to the activities of the company for that year should be prepared 06 months after the end of the accounting year, the company had not taken action accordingly.	Due to the fact that our company has not appointed a Board of Directors, it has been difficult to submit the annual accounts on the due date. Action will be taken to submit these accounts in the future.	Action should be taken to submit annual reports in accordance with the provisions of the Act.
(b)	Department of Public Enterprises Circular No. PED/12 dated 02 June 2003			
i.	Sections 3.1 and 3.2	Even though a Board of Directors should be appointed to direct the activities of the company and supervise its management and operations, a Board of Directors has not been appointed to supervise and direct the activities of the company since 2019.	A Board of Directors has not been appointed since the end of 2019. Therefore, no Board of Directors meetings have been held to date.	Action should be taken to appoint a Board of Directors in accordance with the provisions of the Circular.
ii.	Section 5.1.3	Even though a corporate plan prepared 15 days before the commencement of the financial year should be submitted, a corporate plan covering the years 2020/21 had not been submitted for the audit even by 28 February 2025.	A Board of Directors has not been appointed to the Mahaweli Livestock Enterprises Limited since 2019 and a corporate plan has not been prepared for the past years. Action will be taken to prepare the corporate plan for the coming years after a Board of Directors is appointed.	Action should be taken to prepare a corporate plan in accordance with the provisions of the Circular.
iii.	Sections 5.2.4 and 5.2.5	Even though the Board of Directors should approve the budget and submit it to the	A Board of Directors has not been appointed since the end of 2019. Therefore,	Action should be taken to submit the budget documents

		relevant authorities within not less than 15 days of the commencement of the relevant financial year, the budget document for the year 2020/2021 had not been approved by the Board of Directors even by 28 February 2025.	it has not been possible to prepare the budget and obtain the approval of the Board of Directors and submit the same.	for each year within the stipulated time.
iv. Section 6.5.1		Even though the annual accounts reports should be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements for the year 2020/2021 were submitted to the Auditor General on 09 September 2024 with a delay of 38 months.	Due to the absence of a Board of Directors, the accounts have been unable to be submitted and are currently being submitted for audit with the approval of the Secretary of the Ministry of Agriculture.	Accounting reports should be submitted within the stipulated time.
(c)	Section 5(II) of Public Finance Circular No. 01/2014 dated 17 February 2014	The action plan had not been prepared for the year under review.	Even though an action plan has been prepared, it has not been possible to submit an action plan with approval as the company has not appointed a Board of Directors.	An annual action plan should be prepared in accordance with the provisions of the Circular.
(d)	Government Procurement Guidelines Section 4.2.1	The company had not prepared a procurement plan for the years 2020 and 2021.	As a Board of Directors for the Mahaweli Livestock Enterprises Limited had not been appointed since 2019, it was unable to prepare and approve a procurement plan.	A procurement plan should be prepared in accordance with the provisions of the Circular
(e)	Treasury Circular No. 842 dated 19 December 1978	As the company had not properly maintained a fixed asset register, it was not possible to identify fully depreciated assets at the end of the year.	Comments have not been given.	Action should be taken in accordance with the provisions of the Circular.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a profit of Rs.3, 483,418 as against the loss of Rs.29, 177,604 in the preceding year. Accordingly, an increase of Rs.32, 661,022 was observed in the financial result. This increase was mainly due to an increase in sales revenue and a decrease in the cost of sales and administrative and distribution expenses.

2.2 Trend Analysis of Major Income and Expenditure Items

The company's sales income grew by 14 percent during the year under review, mainly due to a 39 percent increase in income from the breeding project compared to the preceding year. However, the income from the broiler project and the pig farming project decreased by 4 percent and 59 percent respectively compared to the preceding year. The income of the farm increased by 62 percent compared to the preceding year, while other incomes decreased by 100 percent.

The cost of sales for the year under review decreased by 10 percent compared to the preceding year, while the cost of establishment and administrative expenses and distribution expenses decreased by 11 percent and 18 percent respectively compared to the preceding year. As a result, it was observed that the net profit of the company increased by 112 percent.

2.3 Ratio Analysis

Current assets ratio, quick assets ratio, gross profit ratio and net profit ratio in the year under review were 0.83, 0.58, 15.5 percent and 2.42 percent respectively, while in the previous year, these ratios were 0.77, 0.55 and minus 7 percent and 23.11 percent respectively. Accordingly, an increase in these ratios was observed. Even though the current assets ratio and quick assets ratios showed an increase, it was observed that the company was facing a working capital problem as these ratios had not reached the optimal level. Furthermore, it was observed that the company's gearing ratio, i.e., total assets and total liabilities, exceeded total assets. The corresponding values in the preceding year and the year under review were 1.18 and 1.21 respectively. Accordingly, it was observed that the company could be insolvent due to its inability to meet its liabilities in the long term.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Observation
(a)	The Mahaweli Livestock Enterprises Limited had not taken measures to transfer the Hurigaswewa Farm land belonging to the Mahaweli Authority, which is being used by the Mahaweli Livestock Enterprises Limited and there was no lease agreement for it. The exact area of this	The Mahaweli Authority had provided two buildings in the Mahaweli Warehouse Complex in Hurigaswewa village for the animal feed processing of the company. This is not a matter of lease or transfer, but a result	Action should be taken to properly acquire assets and utilize them effectively.

land had not been identified and the extent of land that was lying idle could not be exactly identified.

of this institution being controlled by the Mahaweli Authority.

- | | | |
|---|--|---|
| <p>(b) The 26-acre farmland in Thambuttegama, Anuradhapura, where the office of the Mahaweli Livestock Enterprises Limited is located, belongs to the Mahaweli Authority and a thirty-year lease agreement had been entered into in relation to that land on 03 October 1989. As per the conditions stipulated in this agreement, the lease period had expired on 02 October 2019. Furthermore, action had not been taken to update the agreements related to this land, on which a total of 31,099 square feet of buildings and 46,924 square feet of structures had been constructed.</p> | <p>The Mahaweli Livestock Enterprises Limited was operated on a 30-year lease basis and this 30-year lease period expired by 12 September 2019. Currently, discussions are underway between the Sri Lanka Mahaweli Authority and the Mahaweli Livestock Enterprises Limited regarding the transfer of this company.</p> | <p>Action should be taken to enter into a new agreement or transfer it formally.</p> |
| <p>(c) As per the observation of the Minister of Finance in his letter No. BD/RDS/124/CM/07 dated 08 July 2015 related to the Cabinet decision No. CP/15/0940/631/018-I dated 16 July 2015, all resources, assets, shares and management of the company should be acquired by the National Livestock Development Board to ensure the operational efficiency of the company under the relevant legal procedures and the Board held only 27 percent of the company's shareholding in 2017. However, the acquisition process as per the Cabinet decision has not been completed so far.</p> | <p>The National Livestock Development Board holds 27% of the company's shares. As our company cannot independently carry out this transfer process alone, requests have been made since 2015 to carry out the transfer process in a proper manner. The company is in the process of being liquidated and discussions are underway between the top management of both parties regarding the acquisition of the shares held by the Mahaweli Authority.</p> | <p>The acquisition process should be carried out expeditiously in accordance with the Cabinet decision.</p> |