

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Lanka Building Materials Corporation Limited (“Company”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the Statement of comprehensive income, Statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my 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

As described in paragraph 1.5, I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow.

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 Standard for Small and Medium-Sized Entities, 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 intend 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 Auditor's Responsibilities for the Audit of the Financial Statements

My Responsibility is to conduct an audit of 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 provide a basis for an audit opinion on these financial statements.

1.5 Audit observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Audit Observation	Management Comment	Recommendation
(a) Since a difference of Rs.3.02 million was shown at the beginning of the year under review in the "Opening Balance Equity Account" used to enter opening balances into the accounting system, the difference was adjusted to the retained earnings in the statement of changes in equity without disclosing it.	Although the Opening Balance Equity Account in the 2018 trial balance used for the financial statements should have been zero, it reflected a balance of Rs.6.70 million, which had not been reconciled to any account. After adjusting the identifiable balances, the remaining amount of Rs.3.02 million had to be adjusted against retained earnings.	Opening balance differences in the equity account should be accurately identified and adjusted.

1.5.2 Non-Compliance with Sri Lanka Financial Reporting Standard for Small and Medium-sized Entities

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Prior year adjustments of Rs. 18.91 million had been made in the financial statements, but the required disclosures regarding the nature of the error and the impact on the financial statements had not been	Since the notes to the financial statements would be extended, only adjustments to the accounting system were made. However, when preparation of future financial statements,	In the future, the necessary disclosures should be made in accordance with the Financial

made in accordance with paragraph 10.23 of the Financial Reporting Standard for Small and Medium-sized Entities.	necessary disclosures, such as the correction values and opening balance adjustments, will be provided for every line item in the financial statements.	Reporting Standards for Small and Medium-sized Enterprises.
(b) Although the computer software system valued at Rs.1.02 million, which is continuously used by the company, had been fully amortized, action had not been taken in accordance with Paragraph 18.24 of the Sri Lanka Financial Reporting Standard for Small and Medium-sized Entities (SLFRS for SMEs) to review its amortization method and useful life, and account for it pursuant to Paragraphs 10.15 to 10.18.	The cost of the computer software system has been fully amortized and carries no carrying value. Therefore, reviewing its useful life presents practical difficulties.	The useful life should be reviewed and the value should be accounted for in accordance with standards.
(c) The useful life of fully depreciated motor vehicles and furniture costing Rs. 42.72 million, which are still being used by the company, had not been revised and accounted for in accordance with Paragraph 17.19 of the Sri Lanka Financial Reporting Standard for Small and Medium-sized Entities (SLFRS for SMEs).	Although the useful life of assets that are not yet fully depreciated should be estimated, action could not be taken in this regard due to the lack of a detailed fixed assets register.	The useful economic life time of property, plant and equipment should be reviewed and accounted for annually in accordance with the standards.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) According to the IT Manager's letter dated 04 September 2019, a data loss had occurred in the computer software system; thus, evidence was not presented during the audit to confirm the accuracy of the opening and closing balances of the cash book for the year under review. Furthermore, monthly bank reconciliation statements had not been properly prepared in	The balance as at 31 December 2018 was brought as the opening balance in the preparation of the accounts for the year 2019 and since it was problematic to prepare bank reconciliation statements using that balance, monthly bank reconciliation statements were prepared through the	Cash books and bank reconciliations must be prepared accurately and timely.

respect of the 11 bank accounts maintained by the Company.

accounting system for 07 bank accounts where transactions took place, using only the bank balance as at 01 January 2019, and all those documents were submitted to the audit on 15 September 2025.

- (b) Sales revenue and expenses had been understated by the value of the Nation Building Tax of Rs. 8.25 million, which was not accounted for as an expense but was deducted from the total sales revenue and presented in the comprehensive income statement.

Since this Nation-Building Tax directly affects the sales value, the adjustment was made to the sales revenue in the financial statements.

Action should be taken to account for the income and expenses separately in the future.

- (c) When adjusting gratuity over/under provisions, an under-provision of Rs. 1.78 million had occurred due to adjusting Rs. 0.46 million instead of last year's gratuity payment of Rs. 2.24 million. Furthermore, only a sum of Rs.3.09 million was provisioned as gratuity for the year under review, including Rs. 0.95 million for three officers who had resigned, instead of Rs. 4.87 million; an under-provision of Rs. 1.78 million had occurred in the statement of comprehensive income.

The payment of Rs. 1.79 million made in cash during the year 2018 had been omitted in adjusting the gratuity under-provisions at the end of the year, and action will be taken to adjust the same in the accounts when preparing the financial statements for the year 2020.

Action should be taken to record gratuity provisions correctly and to make the relevant adjustments accurately.

The payment of Rs. 2.73 million made in cash during the year 2019 had been omitted in adjusting the gratuity under-provisions at the end of the year, and action will be taken to adjust the same in the accounts when preparing the financial statements for the year 2020.

- (d) The interest of Rs. 16.17 million on the loan obtained from the Bank of Ceylon had been presented under administrative expenses in the financial statements, instead of being recognized under finance costs.

Steps will be taken to recognize them under financial expenses in the financial statements from the year 2020.

When preparing financial statements in the future, steps must be taken to classify and present expenses under their respective expense categories.

(e)	Although the arrears of lease rent and fine amounting to Rs. 1.27 million payable from 1997 up to 31 December of the year under review in respect of the 01-rood land in Embilipitiya obtained by the company on a 50-year lease from the Mahaweli Authority had not been paid to date, action had not been taken either to account for this amount as payable or to disclose it in the financial statements by notes.	Not answered.	Action should be taken to pay the lease arrears in accordance with the lease agreement and to properly disclose the payable lease amount in the financial statements through notes.
(f)	A total of Rs. 102.56 million directly credited to the Company's bank accounts during the year under review had been incorrectly presented as direct deposits under payable expenses, without being identified as income, debtor receipts, advance receipts, etc. Furthermore, unidentified bank deposits amounting to Rs. 1.61 million in 2016 had been incorrectly adjusted to retained earnings in 2018 and remained unsettled to date.	Action will be taken to make adjustments in future accounting procedures based on balance confirmations after identifying that the previous year's balance of Rs. 102.56 million, recognized as direct deposits, represents debtor receipts or advance receipts. Furthermore, upon obtaining confirmation regarding the accuracy of the Rs.1.61 million balance, action will be taken to carry out the relevant adjustments through future accounts if any adjustment is required.	Action should be taken to correctly identify the balances presented as direct deposits and unidentified bank deposits and to make the necessary adjustments in the accounts.

1.5.4 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements (Rs. million)	Value as per corresponding Records (Rs. million)	Difference (Rs. million)	Management Comment	Recommendation
(a) Debtors	315.15	314.08	1.07	As the existence of an account with a debit liability balance is unusual, steps will be taken to adjust it within the 2020 accounts.	Action should be taken to correctly identify the differences in debtor balances and account for them properly.

(b)	Sales Revenue	754.11	825.09	70.98	In preparing the VAT returns, the sales figures had been prepared using sales reports generated via Excel, which contained errors in certain values; however, accurate sales values have been entered into the accounting system. Accordingly, the sales revenue according to the statement of comprehensive income is accurate. Furthermore, the presence of these errors has had no impact on the VAT output value, causing a variation only in the sales value for the year 2019.	Sales revenue should be correctly identified and accounted for by comparing VAT reports with sales.
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1.5.5 Going Concern of the Company

	Audit Observation	Management Comment	Recommendation
(a)	The net loss of the Company for the year under review was Rs. 156.35 million, and the cumulative loss of the Company as at 31 December 2019 was Rs.1,102.36 million. From the year 2014 up to the year under review, the net profit margin had reflected negative values ranging from 3.5 per cent to 21 per cent. Furthermore, as at the end of the year under review, the net assets also stood at a negative value of Rs. 1,105.49 million. Further, as per the information submitted to the audit, as a result of non-repayment of the loan amount of Rs.940.02 million, claims had been made by various parties to legally acquire the Company's property pledged for the loan. According to these facts, it was observed that there is a material uncertainty	The Board of Directors at the time did not make a decision regarding liquidation or the cessation of business operations after assessing the prevailing uncertainties and instead, steps were taken to ensure the continuity of the institution's operations. 100 percent of the	The ability or uncertainty regarding the going concern of the institution should be assessed and disclosed accordingly, and action should be taken to submit a report to the shareholders detailing the causes of the Company's losses and the measures

regarding the going concern of the Company.

When preparing the financial statements, the Management should assess the ability of the institution to continue as a Going Concern in accordance with Paragraphs 3.8 and 3.9 of the Sri Lanka Accounting Standards for Small and Medium-sized Enterprises, and if there is an uncertainty about this, it should be disclosed in the financial statements. Nevertheless, information had not been disclosed as required by the Standard from Note 1.8 on Going Concern in the Notes to the Financial Statements.

Further, the Company should convene an Extraordinary General Meeting of the Shareholders of the Company in accordance with Section 220 of the Companies Act No. 07 of 2007 and the nature and extent of the losses incurred by the Company, and the reason for the losses, and whether the Board of Directors had taken any steps to prevent such losses or to recover the losses, then the Board of Directors should send a report to the shareholders, but that requirement had also not been fulfilled either.

Company's shares are held by the Treasury and a director representing the Treasury represents the Board of Directors.

taken by the Board of Directors to prevent such losses.

1.5.6 Documentary Evidences not made available for Audit

	Item	Amount Rs. million	Evidence not made available	Management Comment	Recommendation
(a)	Property, Plant and Equipment	122.21	A Fixed assets register,	The reason for this under-calculation was that the institution did not possess a detailed fixed asset register as at 31 December 2019. But, the fixed assets for the years ending 31st December 2023 and 31st December 2024 have been properly calculated. Based on those calculations, a detailed fixed asset register will be prepared and maintained.	Action should be taken to prepare a fixed asset register expeditiously, conduct an annual board of survey, and submit those reports for audit.
(b)	Depreciation on Property, Plant and Equipment	93.19	a detailed schedule or detailed board of survey report.		

(c)	Stocks for sales	45.84	Physical Stock Verification reports.	The inventory control division maintains separate stock ledgers for 22 branches and stores, and based on these ledgers, the total balance value of Rs. 45.84 million as at 31 December 2019 has been adjusted in the accounting system. Stock verification activities are being conducted annually from the year 2021 onwards.	Steps should be taken to maintain stock ledgers, conduct stock verification as required, and submit the relevant reports for audit.
(d)	Advance Receivables	3.35	Advance registers and related source documents.	This balance of Rs. 3.35 million is an opening balance carried forward from prior to 2010, and it has not yet been possible to obtain the relevant source documents to verify the transactions involved.	Sufficient supporting documents should be submitted for audit to confirm the accuracy of the advance balances and the details of the recipients.
(e)	Loans and advances obtained from 09 Government institutions	151.90	Loan agreements to review the terms and conditions, other supporting documents, and balance confirmations .	Balance confirmations were called for in respect of loans of Rs. 7.50 million, Rs. 90.00 million, and Rs. 51.40 million obtained from the National Housing Development Authority, the Sewana Fund, and the Ministry of Housing and Construction, respectively, and confirmation letters were received stating that no such loan balances exist to date. Accordingly, action is being taken to remove these balances through the financial statements for the year 2020 in compliance with the proper procedure. Furthermore,	Loan agreements, other supporting documents and balance confirmations should be obtained and submitted for audit.

balance confirmations were requested regarding the loan of Rs. 3 million obtained from the Co-operative Wholesale Establishment (CWE), but confirmation letters have not been received for it so far.

(f)	Mortgaged Lands	40.86	Relevant adjustments or disclosures that have not been made in the financial statements.	Ownership of the land pledged as security has already been acquired by the Housing Development and Finance Company due to the non-settlement of the loan balance of Rs. 40.86 million outstanding as at 31 December 2019.	Action should be taken to identify the responsible parties who failed to settle the loans and liberate the mortgaged property, and appropriate measures should be taken against them.
(g)	Restricted Reserve shown under Equity	16.11	Source documents, schedules, and relevant approvals containing the details required to verify the balance.	This balance of Rs.16.11 million is a combination of several previous opening debit and credit balances from prior to 2010 and it has not been possible to find the relevant documents to confirm the transactions.	When preparing financial statements, necessary steps should be taken to maintain the required information to confirm such accounts.
(h)	Salary Payable	3.18	Documents necessary to identify to which officer the payment in respect of the debit balance shown as salary payable and	An unusual outstanding balance had arisen due to incorrect journal entries made during the preparation of the previous year's accounts. In accordance with the instructions of the Board of Directors, directions have been issued to adjust such abnormal error-correcting journal entries through the	While preparing the financial statements, the expense balances should be recorded correctly and the incorrect balances should be properly adjusted.

			the nature of the transaction was made.	2020 financial statements, following the submission of 22 relevant journal entries to the audit for review and obtaining approval.	
(i)	Bid Security	7.38	Source documents related to the confirmation of bid security balances and transactions.	It has not been possible to find the relevant documents to confirm the transactions related to the bid security value of Rs. 7.38 million.	Source documents and detailed information must be provided for every asset balance shown in the financial statements.
(j)	Unidentified Creditor Balance	160.86	Evidences for verify the creditor balance.	Agree	Internal controls regarding creditors should be strengthened, and necessary measures should be taken to prevent the occurrence of unidentified creditor balances in the future.
(k)	Unidentified Debtor Balance	147.66	Evidences for verify the debtor balance.	Agree	Reasons for unidentified debtor balances should be revealed and only those debtor balances that can be verified should be accounted for.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) Building materials worth Rs.23.65 million had been issued without any restriction during the period from 2015 to 2021 to homeowners under the Suriya Pokuna Debokkawa Housing Project from the Ambalantota, Tangalle, Lunugamvehera, Tissa, Weeraketiya, Embilipitiya, and Suriyawewa branch stores belonging to the Building Materials Corporation, and these outstanding loan balances had not been settled up to 31 July 2025. The management of the company had not taken any action to obtain any confirmation of these balances from the concerned officials or from the beneficiaries of the model village programme.	Not answered.	Action should be taken to identify balances, recover outstanding loan balances, and verify the balances.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
(a) An amount of Rs. 38.30 million, represented as "Government Grants for Compensation" under Trade and Other Payables in the Statement of Financial Position, which had been carried forward as deferred income for over 6 years, remained unsettled as of the audit date of 03 October 2025.	This balance of Rs. 38.29 million is an opening balance carried forward from prior to 2010, and it has not yet been possible to locate the relevant source documents to verify the transactions involved.	Source documents relating to transactions must be securely maintained in the custody of a responsible officer, and prompt action should be taken to settle the relevant accounts.

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

Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Enterprise Circular No. PED 12 dated 02 June 2003			
(i) Section 7.4.1	Although an audit and management committee meeting should be held at least once in 03 months, no audit and management meetings was held for the year 2019.	Not answered.	Action should be taken in the future to hold audit and management committee meetings in accordance with the circular.
(ii) Section 8.3.3 (a)	Although financial statements for the preceding year should be submitted to the Auditor General within 60 days of the end of the year to qualify for bonus payments, a sum of Rs.0.62 million as the bonus for the year 2018 was paid and accounted for during the year under review, despite the 2018 financial statements having been submitted to the Auditor General with a delay of 1,700 days on 27 October 2023.	Not answered.	Action regarding bonus payments should be initiated only after the financial statements have been submitted to the Auditor General on time in accordance with the circular,
(iii) Paragraph 5.1 of Public Enterprises Circular No. PED 12 dated 02 June 2003, and Paragraphs (1) and (2) of Annexure I of the Guideline introduced by Public Enterprises	Although a corporate plan covering a period of not less than 03 years and a corresponding action plan should be prepared to achieve the Company's vision and mission, and the approval of the Board of Directors should be obtained for the said plans	Not answered.	Planning activities should be carried out in accordance with the circulars, and approval must be obtained.

	Circular No. 01/2021 dated 16 November 2021.	15 days before the commencement of each financial year, it had not been so done.		
(iv)	Paragraph 5.2 of Public Enterprises Circular No. PED 12 dated 02 June 2003, and Paragraphs (3) of Annexure I of the Guideline introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.	Although budgeted financial statements should be submitted along with the annual budget, action had not been taken accordingly.	Not answered.	In accordance with the circular, action should be taken to submit the budgeted financial statements along with the budget document.
(v)	Paragraphs 9.2 (e) and 9.3.1 of Public Enterprises Circular No. PED 12 dated 02 June 2003, and Paragraphs 3.1 and 3.2 of the Operational Manual introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.	Action had not been taken to obtain approval for the required staff and the recruitment procedure of the Company.	Not answered.	Action should be taken to obtain approval for the Company's staff and recruitment procedure in accordance with the circular.
(b)	Paragraphs 3.1.7 and 3.2.7 of Public Finance Circular No. 05/2016 dated 31 March 2016	Although board of survey reports for each year should be submitted to the Auditor General before 30 June of the following year, and the Director General of Public Finance should be notified accordingly before 30 June, the board of survey for the year under review had not	Not answered.	Board of surveys should be carried out in accordance with the circular and reports should be forwarded to the relevant parties.

been conducted, and the relevant board of survey reports had not been submitted to the Auditor General.

1.8 Non -compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
(a) Steps had not been taken during the year under review to settle Nation Building Tax, Business Turnover Tax, Value Added Tax, and Economic Service Charge payable totaling Rs. 59.09 million as at 31 December 2019; furthermore, action had also not been taken to set off Economic Service Charge receivable amounting to Rs. 3.87 million.	Agree.	Necessary action should be taken to settle payable taxes in accordance with tax regulations and to obtain applicable tax concessions.

2. Financial Review

2.1 Financial Result

The financial result of the year under review amounted to a loss of Rs. 156.35 million and the corresponding loss in the preceding year amounted to Rs. 167.21 million. Therefore an improvement amounting to Rs. 10.86 million of the financial result was observed. The main reason for the improvement was increase in the sales revenue.

2.2 Trend Analysis of major Income and Expenditure items

Compared to the year 2018, sales revenue in 2019 has increased by Rs.523.18 million, representing a 235 per cent increase relative to the previous year. Similarly, the cost of sales, which was Rs.215.86 million, increased to Rs. 623.02 million in 2019, reflecting an 189 per cent increase compared to 2018.

2.3 Ratio Analysis

The current ratio, which was 1.02:1 in 2018, had declined to 0.76:1 in 2019, which is an indicator of insufficient current assets to meet short-term liabilities. Furthermore, although the gross profit ratio had increased from 3 per cent to 16 per cent, the net profit ratio remained negative at -75 per cent in 2018 and -21 per cent in 2019, while the gearing ratio also remained negative at -101 per cent to -85

per cent. Accordingly, it was observed that although an increase in gross profit was reflected, the institution remains continuously in a loss-making position due to operating expenses and other expenses, and that the institution's liquidity and financial performance are not in a sound condition, which adversely impacts its financial stability.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) In accordance with Sub-section (i) of Section 2 of the Sri Lanka State Trading Corporations Act No. 33 of 1970, Gazetted under No. 14962/43 dated 17 June 1971, and among the objectives identified upon registration as a state-owned limited liability company in 1992, the Company had failed during the year under review to fulfill the objectives of encouraging the production of building materials using local raw materials, providing assistance to building material manufacturers, importing building materials, purchasing machinery and equipment related to the construction industry, and selling and distributing such equipment, and instead of that it had merely resold building materials purchased from local agents and the open market at a profit margin.	Not answered.	Action should be taken to achieve the objectives for which the Company was incorporated.

3.2 Operating Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The company had received an advance amount of Rs. 50 million on 22 February 2008, for transferring a 100-perch land plot from the Company-owned land situated at Sri Sangharaja Mawatha, Colombo 12, in accordance with Cabinet Decision No.	There is an outstanding payable balance as of 31 December 2019, which could not be settled due to prevailing financial difficulties. Regarding the settlement of this balance,	Action should be taken without delay to reach an agreement or settle in full the loans obtained from external parties.

අමුණ/07/1625/342/021 dated 27 September 2007, to the Department of Inland Revenue. However, the above Cabinet decision was cancelled by Cabinet Decision No. 12/0446/540/005 dated 07 May 2012 and the advance amount received had to be paid back. Although this advance payable was presented under non-current liabilities in the Statement of Financial Position as of 31 December 2019, steps had not been taken to repay the amount up to the audit date of 03 October 2025.

several rounds of discussions have been held with the Department of Inland Revenue, with the intervention of the line ministry, and it is expected to proceed based on a mutual agreement between the parties in the future.

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| (b) | A portion of the Company-owned building located at No. 417/A, Kade Weediya East, Matara, is being illegally occupied by the National Housing Development Authority, and the Company has not taken any action regarding it. Furthermore, although litigation concerning a plot of land measuring 3 roods and 35.6 perches in Anuradhapura was concluded on 07 July 2013, the Company had failed to take steps to evict the unauthorized occupants and take possession of the property. | Not answered. | Steps should be taken to remove unauthorized occupants and take over the property. |
| (c) | Action had not been taken to obtain deeds for lands measuring 3 acres, 1 rood, and 17 perches located in Moratuwa and Anuradhapura belonging to the Company, nor had survey plans been prepared for 07 lands totaling 3 acres, 3 roods, and 9.1 perches located in Anuradhapura, Embilipitiya, Kandy, Mannar, Batticaloa, Ampara, and Nuwara Eliya. | Not answered. | Steps should be taken to prepare survey plans and obtain deeds for the lands. |
| (d) | Although approval was granted by Cabinet Decision No. අමුණ/19/2192/122/076 dated 21 August 2019, to transfer the ownership of the | Not answered. | Steps should be taken to obtain deeds related to acquiring ownership of the land. |

land located at No. 549/A, Borupana, Moratuwa to the Company, the company had not taken action to prepare the deed related to the land's ownership up to the audit date of 03 October 2025.

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| (e) | A 100 perches plot of land located at No. 541 Sri Sangharaja Mawatha, Colombo 10 owned by the Company was sold to the Bank of Ceylon on 09 November 1998 for Rs. 70 million and Subsequently, the Company set off Rs.70 million relevant to the above sale against the Rs.500 million loan obtained from the Bank of Ceylon on 23 October 2018. Although the land should have been re-acquired by paying the deed fee of Rs. 5.38 million relevant to the value of the deed, prepared and sent by the Bank of Ceylon, after the bank set off the aforementioned amount, action had not been taken to acquire the land as at 03 October 2025, and the deed fee payable at that time had increased to Rs. 18.40 million. | Not answered. | Management should take action without delay to pay the prescribed deed fees and acquire the land. |
| (f) | The remaining loan balance of Rs.62.09 million and the accrued interest of Rs.45.69 million as at 31 December of the year under review from a loan of Rs.75 million obtained in the year 2013 from the Department of Cooperative Development, on the basis of settling it within 08 months by mortgaging two land plots in Ratnapura and Galle, had not been settled up to the audit date of 03 October 2025. | Not answered. | Loans taken from external parties should be paid and settled as agreed or written agreement should be reached with those parties and dealt with accordingly. |

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Management Comment	Recommendation
(a) The Company-owned land measuring 1 rood and 31.6 perches located in Kunguniyar Uppukulam Karai, Jaffna, the building in Babarakelle, Nuwara Eliya, and 02 houses in Yodagama, Embilipitiya have remained idle and unused since 2017.	Not answered.	Action should be taken to utilize assets effectively.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
(a) According to Paragraph 6.5.1 of Public Enterprises Circular No. PED 12 dated 02 June 2003, the draft annual report and accounts should be submitted to the Auditor General within 60 days of the end of the financial year. However, the financial statements for the year under review were submitted for audit only on 05 August 2025, and the financial statements and draft annual reports for the years 2020,2021,2022,2023 and 2024 had not been submitted for audit up to now.	Not answered.	Action should be taken to submit the draft annual report and financial statements for audit in accordance with the circular.