

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Poultry Development Company (Private) Limited for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and statement of comprehensive income, statement for changes in equity, 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 the 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.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for qualified Opinion

My opinion is qualified based on matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of my report. I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 the Sri Lanka Accounting Standards and for such internal control as management determines 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 for 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 fund's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the fund 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 fund.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation to enable a continuous evaluation of the activities of the company and whether such systems, procedures, books, records, and other documents are in effective operation.
- Whether the company has complied with applicable written law, or other general or special discussions issued by the governing body of the company
- Whether the company has performed according to its powers, functions and duties,
- Whether the resources of the company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on preparation of the financial statements

1.5.1 Non-compliance with the Sri Lanka Accounting Standards

	Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a)	At the Cabinet Meeting held on 10 June 2020, it had been decided to maintain the company as a farm of National Livestock Development Board and the liquidation activities on that had been commenced. As per paragraph 25 of Sri Lanka Accounting Standard 01, no disclosures had been made on that matter in the financial statements as at 31 December 2022. Furthermore, though the preparation of the financial statements should be carried out on the liquidation basis in the preparation of the financial statements, the financial statements had been presented under going concern.	Since 2023, the action will be taken to prepare the financial statements on liquidation basis and disclose on that matter.	As per Sri Lanka Accounting Standards, the disclosures should be made in the financial statements in relation to going concern.
(b)	In accordance with paragraph 17 of Sri Lanka Accounting Standard 10, the date of approval for submission the financial statements should be disclosed in the financial statements, the date of approval of the financial statements by Board of Directors had not been disclosed in that manner by company.	Since the Board of Directors had not been appointed by company for preparation of the accounting statements and submission after approval, the accounting statements had been presented under the approval of Secretary of Ministry of Agriculture, Livestock, Land and Irrigation.	As per standard, the date of approval of the financial statements by Board of Directors should be disclosed.

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| (c) | <p>The useful life for non-current assets is not annually reviewed and adjusted in the financial statements by the management as per the paragraph 51 of Sri Lanka Accounting Standard 16. Even though a cost of Rs.40, 241,059 had been totally depreciated, property, plant and equipment are still being utilized. The necessary adjustments had not been carried out as per Sri Lanka Accounting Standard 08 in relation to relevant assets.</p> | <p>Since the liquidation activities of company had been commenced, the action will be taken to make necessary adjustments, as per Sri Lanka Accounting Standard 08 subsequent to revaluation of assets in the future.</p> | <p>The present value of the assets should be stated in the financial statements.</p> |
| (d) | <p>The receivable balances exceeding 05 and 10 years on which the receipt is uncertain are Rs.5,274,879 and Rs.1,335,456 respectively and the impairment adjustments had not been made as per paragraph 5.5.15 of Sri Lanka Financial Reporting Standard 09.</p> | <p>A balance of Rs.1,335,456 is carried forward from the balance sheet of Libyan Company and no any document is available in the company in this regard. An amount of Rs.1, 918,750 as VAT receivable and a balance of Rs.3, 356,129 receivable from National Livestock Development Board had been included in the balance of Rs.5,274,879. In accordance with the paragraph 5.5.15 of Sri Lanka Financial Reporting Standard 09, the action will be taken to make impairment adjustments for these balances in due course on the instructions of the liquidator.</p> | <p>In accordance with Sri Lanka Financial Reporting Standard 9, impairment adjustments should be made.</p> |

1.5.2 Accounting Deficiencies

Audit Observation

Though the cost of the building worth of Rs.22, 500,000 located in Barnes Place, Colombo had been accounted under non-current assets, the annual depreciation of Rs.1, 125,000 related to that had not been accounted.

Comments of the Management

This house is an apartment located in Ceylinco Building and its value had been carried forward from the balance sheet of Libyan Company before 2014. Since the depreciation activities at that time had not been performed by the audit firm which had prepared the accounts, the action will be taken

Recommendation

The provision for depreciation should be made in respect of asset.

to carry out a revaluation for identification the value of such house in the future and make the necessary adjustments as per Sri Lanka Accounting Standard 08.

1.5.3 Unreconciled Control Accounts or Reports

	Subject	Value as per the financial statements Rs.	Value as per the corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
(a)	Balances payable to the National Livestock Development Board	3,108,595	4,218,655	1,110,060	As per the financial statements of Sri Lanka Poultry Development Company Private Limited as at 31 December 2022, an amount of Rs.3,108,595 had been only paid to National Livestock Development Board. The company had functioned as a farm of Board since 2022 and the transactions arisen from that are performed through a current account.	The steps should be taken to settle having reconciled the balances.
(b)	Balances receivable from National Livestock Development Board	3,356,129	0	3,356,129	The documents are available in the company for verification the balances and the copies of the documents had been submitted to head office in 2018 and 2019. This amount had not been received so far and it can be settled with the liquidation process of the company.	The action should be taken to maintain balance confirmation letters and files.

1.6 Accounts Receivables and Payables

6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
The company had been acquired by National Livestock Development Board in 2014 and no action had been taken to recover an advance amount of Rs.140, 000,000 provided to Board by company as per a request made by Board on 08 July 2014.	No measures had been taken to give back an advance amount of Rs.140, 000,000 provided to National Livestock Development Board for purchase the shares of Lybian Company so far. Since it is a farm of National Livestock Development Board with the liquidation process of the company, a suitable action will be taken in this regard with such process.	Having settled the balances, the steps should be taken to immediately complete the liquidation process.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
In accordance with the age analysis of creditors, an aggregate amount of payables of Rs.205,198 exceeding 10 years, an aggregate of Rs.15,839,752 between 5-10 years, an aggregate of Rs.1,336,617 between 3- 5 years had not been settled even at the end of the year under review.	Since the financial position of the company is unfavourable, it couldn't be to the creditors due time.	The action should be taken to specifically pay the relevant creditors.

2. Financial Review

2.1 Financial Result

The operating profit was a loss of Rs.2, 041,686 in the year under review and the profit in the preceding year was Rs.9, 368,513 against that. Accordingly, it was observed a deterioration of Rs.11, 410,199 in the financial result. Since the action is being taken to liquidate the company, its operating activities had been assigned to National Livestock Development Board. As a result of that, the expenses and income of the company are shown in the accounts of Board and the accounting of only depreciation in relation to the assets in the year under review by company had caused this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) In accordance with the Cabinet Memorandum submitted in relation to maintenance Sri Lanka Poultry Development (Private) Company as a farm of National Livestock Development Board by the Cabinet Decision submitted in relation to No.CP/20/0890/217/052 dated 18 June 2020, the approval had been granted for the functions such as dissolution of the company, taking over the all assets and liabilities belonging to such company and the staff of Mawatta Farm by protecting their rights to National Livestock Development Board and absorption of Mawatta Farm belonging to such company to National Livestock Development Board. Accordingly, a private company which had submitted a bid of Rs.234,800 had been appointed as the liquidator on 16 July 2021 after calling quotations by National Livestock Development Board which is the main creditor of the company in terms of section 335 of Companies Act taking into consideration this liquidation including such functions as a creditors' voluntarily winding up. Such appointment had been published in the gazette on 15 September 2023 and an advance amount of Rs.117,400 had been paid into liquidator on 26 April 2023. However, though more than 02 years had elapsed from commencement of this process, said activity had not been completed even up to 25 May 2025.	In submission of the documents in relation to dissolution of this company on consent of the Board of Directors to the Department of Company Registrar, it had converted to dissolve from the creditors again owing to the technical faults occurred from the Secretaries of such company. Accordingly, since Gold Coin (Pvt) Ltd which is the main creditor is against this dissolution, the liquidation activities can be completed subsequent to payment of the loan amount of Rs.13, 569,510.61 of that company as instalments.	In accordance with the Cabinet Decision, the liquidation activities should be expeditiously carried out.
(b) Even though 02 tractors bearing No.37-6816 and 49-4303 used by Mawatta Farm as at 31 December 2021 are belonged to Lybian Company existed	Though 02 tractors bearing No. 37-6816 and 49 -4303 are belonged to Lybian Company existed before the establishment	The activities related to take over these tractors should be promptly

before the establishment of the company, of the company, it had been carried out.
said vehicles had not been taken over to planned to take over to National
the company up to 02 December 2024. Livestock Development Board
with the liquidation process of
the company.