1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Poultry Development Company (Private) Limited ("Company") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 Company's financial reporting process.

As per Section 16(1) of 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 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 skepticism throughout the audit. I also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.

- Obtain an understanding of internal control relevant to the audit 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 directions issued by the governing body of the company

- Whether the company has performed according to its powers, functions and duties, and

- 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 the reference to particular standard	Comments of the Management	Recommendation
(a)	Although the decision was taken to operate the company as a farm of the National Livestock Development Board in the Cabinet meeting No. AMP/20/0890/217/052 dated 18 June 2020 and liquidation proceedings had been initiated, no disclosures were made in the financial statements as at 31 December 2023 in accordance with paragraph 25 of Sri Lanka Accounting Standards 01 and all liabilities were shown separately as current liabilities and non-current liabilities.	In accordance with paragraph 25 of Sri Lanka Accounting Standards 01, It will disclose the liquidation proceedings in the financial statements of 2024 and prepare the financial statements correctly on a liquidation basis.	In accordance with the standard, disclosures regarding liquidation should be made in the financial statements
(b)	Although the date of approval for issue of financial statements is required to be disclosed in the financial statements in accordance	Since a Board of Directors has not been appointed to the Sri Lanka Poultry Development Company (Private) Limited, the financial	In accordance with the accounting standard, It is required to disclose

	with paragraph 17 of Sri Lanka Accounting Standards 10, the date of approval of the financial statements by the Board of Directors had not been disclosed.	statements for the year 2023 were submitted to the audit with the approval of the Secretary to the Ministry of Agriculture.	the persons or authority that approved the issuance of the financial statements, together with the date on which the approval was granted.
(c)	Although impairment adjustments should be made as per paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09, impairment adjustments had not been made for the receivable balances of Rs. 6,610,335 with a maturity of between 5 and 10 years and exceeding 10 years.	In accordance with paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09, It will proceed to make impairment adjustments for receivable balances.	Impairment adjustments should be made in accordance with Sri Lanka Financial Reporting Standard.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Due to the fact that the building owned by the company at Barnes Place, Colombo, which cost Rs. 22,500,000, had not been depreciated from 01 July 2014 to 31 December 2023, the loss for the year under review had been understated by Rs.1,125,000, the retained earnings had been understated by Rs.10,687,500 and the carrying value of property, plant and equipment had been overstated by the same amount.	It will take steps to carry out depreciation related to the building and correctly account for it in the 2024 accounts.	Depreciation and provisions for depreciation related to the asset should be accounted for annually.
(b)	Although the increase in current assets and decrease in current liabilities were Rs. 929,810 and Rs. 534,409 respectively, the balances were stated as Rs. 671,310 and Rs. 515,912 when preparing the cash flow statement.	Errors in the cash flow statement were corrected.	Actions should be taken to prepare the cash flow statement correctly.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the management	Recommendation
(a)	The National Livestock Development Board acquired the company in 2014 and, as per a request made by the Board on 08 July 2014, the company had been given Rs.140,000,000 to the Board and had not yet taken actions to recover the advance amount.	The advance payment of Rs. 140,000,000 given to the National Livestock Development Board for the purchase of the shares of the Libiyan Company has not yet been made to the company. However, appropriate actions will be taken in this regard with the dissolution process of the company.	Actions should be taken to settle the balance and complete the liquidation process expeditiously.
(b)	Although the company's financial statements show a total of Rs. 3,345,629 as the balance due from the National Livestock Development Board, the board’s financial statements do not show any amount due to the company, nor has this matter been investigated and settled.	An amount of Rs.3,345,629 has been shown in the company's accounts in relation to the provision of cattle and goods to the National Livestock Development Board in the year 2015. I would like to inform you that this amount can be settled upon the completion of the liquidation proceedings.	Action should be taken to reconcile and settle the balances.

1.6.2 Payables

	Audit Observation	Comments of the Management	Recommendation
(a)	Out of the total trade payables balance of Rs. 17,261,566, the value of the payables that exceeded 5 years was Rs. 15,393,709. From this, 89 percent, or Rs. 13,822,002, was a balance payable to a private company and that balance had not been settled as at 31 December 2023.	When the documents related to the dissolution of the company with the consent of the board of directors were submitted to the Companies Registrar, due to a technical error on the part of the company secretaries, it was converted back to dissolution by creditors. Accordingly, this process was delayed due to the opposition of a private company, which is a major creditor, to this dissolution. A 10 percent discount has been requested for the amount of Rs.13,169,511 to be paid to	Arrangements should be made to make payments to creditors as scheduled.

		that private company by a letter dated 19 September 2025 and they have now expressed their agreement. Once the said credit is paid, the liquidation process can commence.	
(b)	The outstanding tax balance of Rs. 25,277,962, which had been outstanding since 2009, had not been settled with the Inland Revenue Department by the end of the year under review.	On the advice of the Inland Revenue Department's Advisory Committee, Value Added Tax, Payable Tax, and Income Tax were paid in the years 2023 and 2025. The Inland Revenue Department's Advisory Committee has not yet given advice regarding the remaining taxes and penalties, and the liquidator will act on the relevant advice of the Inland Revenue Department when liquidating the company.	Action should be taken in accordance with the advice of the Advisory Committee of the Department of Inland Revenue regarding taxes and fines.
(c)	Although the balance receivable from the company was Rs. 4,218,655 as per the financial statements of the National Livestock Development Board, the balance payable in the company's financial statements was Rs. 2,591,558, a difference was Rs. 1,627,097, but this had not been investigated and settled.	Although the accounts of the National Livestock Development Board show a value of Rs. 4,218,655, the same value is not shown in the opening balance sheet of the Sri Lanka Poultry Development Company (Private) Limited. I would like to inform you that the total balance of Rs. 2,591,558, which is the balance due for the Board's farms and the loans obtained from the Board for the purchase of animal feed, can be settled with the completion of the liquidation proceedings.	Action should be taken to reconcile and settle the balances.

1.7 Non-compliance with laws, rules, regulations and management decisions, etc.

Audit Observation	Comments of the Management	Recommendation
As per paragraph 6.6 of the Operations Manual submitted with the Public Enterprises Circular 01/2021 dated 16 November 2021, the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year, although the financial statements for the year 2023 were submitted on 12 December 2025, with a delay of 652 days.	Since there was no clear decision on whether to prepare financial statements and whether to liquidate, the accounts were submitted for audit 652 days late.	Financial statements should be submitted to the Auditor General on the due dates as per the provisions of the Operations Manual submitted with the circular.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a loss of Rs. 1,507,829, while the loss for the previous year was Rs. 2,041,686, which is a decrease of Rs. 533,857 compared to the previous year. This decrease in loss was due to a decrease in institutional and administrative expenses of Rs. 534,857 compared to the previous year.

3 Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Based on the approval given to take over the company by the National Livestock Development Board by the Cabinet Decision No. AMP/20/0890/217/052 dated 18 June 2020, a liquidator was appointed on 16 July 2021 for a voluntary winding up of the company by the shareholders in accordance with the Companies Act No. 07 of 2007 and an advance payment of Rs. 117,400 was made on 26 April 2023, but the expenditure had become uneconomic due to the non-dissolution.	A 10 precent discount has been requested from the main creditor, a private company, on the amount of Rs.13,169,511 to be paid by letter dated 19 September 2025 and they have now agreed. Once the credit is paid, liquidation proceedings can commence.	Liquidation proceedings should be carried out expeditiously as per the decision of the Cabinet of Ministers.

Secondly, the National Livestock Development Board had agreed with the creditor company to continue the liquidation process by paying the amount of Rs. 13,869,511 due to the creditors' consent and the liquidator proposed by the company's main creditor as at 30 June 2024 due to the significant increase in the expenses incurred by the liquidator, but the liquidation process had not been completed by 05 January 2026.