

## **BOC Property Development and Management (Private) Limited - 2024**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the Financial Statements of the BOC Property Development and Management (Private) Limited (the “Company”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 reported to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Opinion**

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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 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**

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 judgment and maintain professional scepticism 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 of information 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 Accounts Receivable and Payable**

### **1.5.1 Receivables**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendations</b>
<p>(i) As per the Lease Agreements with all lessees, the rent shall be paid in advance on the first day of each month. However, trade and related party receivable balance of the Company as at 31 December 2024 was Rs.53,773,854 from which Rs. 35,640,727 or 66.28 per cent were in arrears over 90 days period. Hence it was observed that the Company was unable to collect the trade and related party income as agreed in the lease agreements. Out of the total trade and related party receivable, Rs. 34,660,564 or 64.46 per cent is from Ceybank House Kandy and the balance of Rs. 19,113,290 or 35.54 per cent is from Merchant Tower-Kollupitiya Building.</p> <p>Company had increased the rate of rent from January 2024. Hence, it is further observed that the Bank of Ceylon Western Province North branch in Merchant Tower Kollupitiya and the Bank of Ceylon branches in Ceybank House - Kandy had not paid the difference of rent amount (current rate - previous rate) for the year 2024. The age analysis of trade and related party receivables are shown below.</p>	<p>The rent revision with effect from 01.01.2024 was carried out based on a rental valuation obtained from a valuer registered in Bank of Ceylon (BOC) Panel of Valuers. The increased rent was well within the market rates and all other tenants except BOC Western Province North, BOC Central Province Office and BOC Super grade Branch – Kandy, have made payments as per the increased rent revision. We have already discussed the matter with the Assistant General Manager (Western Province North) and Assistant General Manager (Central Province) and we have been made to understand that they are in the process of obtaining BOC Board approval for the payment since the amount involved is beyond their financial authority level.</p>	<p>It is recommended to take all necessary steps to collect trade receivables in due time.</p>

Description	Outstanding Balance (Rs.)				
	1-30 Days	31-60 Days	61 – 90 Days	Over 90 Days	Total
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<b>Tenants in Merchant Tower- Kollupitiya</b>					
1. Merchant Bank of Sri Lanka & Finance PLC	2,468,592				2,468,592
2. Bank of Ceylon - Western Province North	841,467	647,413	647,413	5,826,714	7,963,007
3. Bank of Ceylon Super Grade Branch	257,105				257,105
4. Sri Lanka Institute of Information Technology	1,403,136				1,403,136
5. SLIIT City Uni (Pvt) Ltd	1,103,842				1,103,842
6. Engenuity (Pvt) Ltd	-			3,847,913	3,847,913
7. Dialog Axiata PLC	43,810				43,810
8. Mobitel (Pvt) Ltd	11,653	1,125,898	11,089	(1,672)	1,146,968
9. Bharti Airtel Lanka (Pvt) Ltd	-	81,420	17,977	25,096	124,493
10. Public Utility Commission of Sri Lanka	510,397				510,397
11. Quess Corp Lanka	101,187	63,084			164,271

(Pvt) Ltd					
12. Brani's Cafeteria	37,844	41,913			79,757

<b>Total - MT (A)</b>	<b>6,779,033</b>	<b>1,959,727</b>	<b>676,478</b>	<b>9,698,051</b>	<b>19,113,290</b>
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**Tenants in Ceybank House - Kandy**

1. Merchant Bank of Sri Lanka & Finance PLC	31,812				31,812
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2. Colombo Stock Exchange	78,554				78,554
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3. Bank of Ceylon Central Provincial Office	1,032,372	1,032,372	1,032,372	9,411,456	12,508,572
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4. Bank of Ceylon Super Grade Branch - Kandy	1,836,802	1,836,802	1,836,802	16,531,220	22,041,626
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<b>Total - Ceybank (B)</b>	<b>2,979,540</b>	<b>2,869,174</b>	<b>2,869,174</b>	<b>25,942,676</b>	<b>34,660,564</b>
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<b>Grand Total (A+B)</b>	<b>9,758,573</b>	<b>4,828,902</b>	<b>3,545,653</b>	<b>35,640,727</b>	<b>53,773,854</b>
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- (ii) Although the lease agreement of Engenuity (Pvt) Ltd had ended on December 2021, the outstanding balance of Rs.3,847,913 had not been recovered up to the date of audit on 22 July 2025.

Legal actions has been initiated to recover outstanding from Engenuity (Pvt) Ltd. (Case No. DMR 1375/23- Next hearing date is 01<sup>st</sup> September 2025.

It is recommended to take suitable action to recover the outstanding balance without incurring loss to the Company.

## 1.6 Cash Management

### Audit Issue

It was observed that the company is always maintaining a higher current assets position and does not focus on profit making on long term investments. However, as per the following table, the percentages of current assets to the total assets has gradually decreased from 64 per cent to 43 per cent from 2020 to 2021 and it had increased to 50 per cent and 54 per cent during the years of 2022 and 2023 respectively. Due to having a significant increase in non - current financial assets such as amount due from related party, investment in equity, other non-current financial assets and investment property, the current asset ratio has gone down to 37 per cent during the year under review.

### Management Comment

In year 2024, invested in long term instruments and as a result current Asset ratio has decreased to 37 from 54. Further, investments made in Debentures in the year 2025.

### Recommendations

It is recommended to maintain a proper balance between liquidity and profitability.

Description	2024	2023	2022	2021	2020
Total Assets	2,540,346	2,350,447	2,169,300	2,112,041	2,050,868
(Rs.000)					
Current Assets	936,329	1,257,796	1,075,678	901,564	1,310,738
(Rs.000)					
Cash & Cash Equivalent	3,786	1,271	1,384	2,390	6,017
(Rs.000)					
Other Current Financial Assets/ Short Term Investment (Rs.000)	859,933	1,228,592	1,043,078	883,942	1,281,361
Current Assets as a % Total Assets	37	54	50	43	64

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs. 282 million and the corresponding profit in the preceding year amounted to Rs.309 million. Therefore, a decrease amounting to Rs.27 million of the financial result was observed. A decrease of finance income by 42 per cent was the main reason for the decrease of the financial result during the year under review.

### 2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review as compared with the preceding year with the percentage of increase or decrease are given below.

Description	Variance Amount Increase/(Decrease) (Rs.)	Variance %	Reason for the Variance
Finance Income	(121,809,675)	(41.98)	- Interest income on fixed deposits and debentures had decreased due to low market rates.
Revenue	99,159,660	27.60	- Rent income and service charges had increased as per revised rent charges.
Staff cost	13,058,564	20.85	- Staff salary had increased by 12.5 per cent.
Other income	342,394	91.12	- More lobby Sales and Interest Income on Staff Loans.

### 2.3 Ratio Analysis

According to the information made available, certain important ratios of the company for the year under review and the preceding year are given below.

Year	2024	2023
Net Profit Ratio – Before Tax (percentage)	66	70
Current Ratio (Number of time )	14.4	18.2
Net Current Assets to Total Assets (Number of Times )	2.9	2.0