

## Transactions report of the Mahaweli Livestock Enterprises Limited - 2024/2025

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The operations of Mahaweli Livestock Enterprises Limited for the years ended 31st March 2025 and 2024 were audited under my direction in accordance with the provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the National Audit Act, No. 19 of 2018.

This report contains my comments and observations on the operations of the Company, which I consider to submit to Parliament in accordance with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### 1. Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the Company's financial statements in accordance with Sri Lanka Accounting Standards and for determining such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 2. Financial Statements

#### 2.1 Presentation of financial statements

Audit Observation	Comments of the management	Recomendation
As per paragraph 6.6 of the Operations Manual submitted with the State Enterprise Circular No. 01/2021 dated 16 November 2021, the financial statements and draft annual reports should be submitted to the Auditor General within 60 days of the end of the accounting year, Although the financial statements and draft annual reports for the years 2021/2022, 2022/2023, 2023/2024 and 2024/2025 had not been submitted to the Auditor General by 30 September 2025.	The audit for the year 2020/2021 has been completed and the financial statements for the year 2021/2022 are being prepared for audit. it will take actions to submit the financial statements for the coming years for audit as soon as possible.	Financial statements and draft annual reports should be submitted to the Auditor General on the due dates as per the circular.

## 2.2 Existence of assets and liabilities, income and expenses

The details of assets, liabilities, income and expenses as shown in the financial statements for the years 2019/2020 and 2020/2021 last prepared by the company are given below.

Item	2019/2020 Amount (Rs.)	2020/2021 Amount (Rs.)
<b>Assets</b>		
Non-Current Assets	21,480,763	18,036,614
Current Assets	111,072,882	119,468,978
<b>Total Assets</b>	<b>132,553,645</b>	<b>137,505,592</b>
<b>Equity</b>	<b>(28,305,403)</b>	<b>(24,707,845)</b>
<b>Liabilities</b>		
Non-Current Liabilities	17,443,717	17,603,728
Current Liabilities	143,415,331	144,609,709
<b>Equity and total liabilities</b>	<b>132,553,645</b>	<b>137,505,592</b>
Total Revenue	130,125,819	147,082,434
Total Expenditure	159,303,425	143,599,016
<b>Profit/Loss</b>	<b>(29,177,606)</b>	<b>3,483,418</b>

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

Reference to laws, rules, regulations, etc.	Non compliance	Comments of the management	Recommendation
(a) Paragraph 2.2.2 (a) (ii) of the Guidelines for Corporate Governance of State Enterprises issued with State Enterprises Circular No. 1/2021 dated 16 November 2021	The Board of Directors is required to hold 12 Board meetings during the year, once a month, to provide guidance and evaluate the performance of the Company, Although, no Board of Directors meeting was held for the year ending 31 March 2024 - 2025 due to the fact that a Board of Directors had not been appointed from 2019 to 31 March 2025.	No meetings have been held since a Board of Directors was not appointed from 2019 to July 2025. A new Board of Directors was appointed and the first meeting was held on 31.07.2025, and monthly Board of Directors meetings are currently being held as scheduled.	Action should be taken in accordance with the circular and meetings should be held to make effective decisions for the improvement of the institution.

(b) Government Procurement Guidelines

(i) 4.2.1 Guideline

The company is required to prepare a master procurement plan that includes anticipated procurement activities for a period of at least three years, although such a plan had not been prepared for the years 2022-2025.

The procurement plan for the years 2023 and 2024 has been prepared and forwarded to the Ministry of Agriculture with the approval of the Chairman of the National Livestock Development Board. Although a procurement plan was prepared for the year 2025, it could not be presented to a board of directors as a board of directors had not been appointed.

A master procurement plan should be prepared that includes anticipated procurement activities for a period of at least three years.

(ii) 4.2.2 (b) Guideline

Although a procurement time table should be prepared and properly managed, such a procurement schedule had not been prepared for the years 2022-2025.

The procurement plan for the years 2023 and 2024 has been prepared and forwarded to the Ministry of Agriculture with the approval of the Chairman of the National Livestock Development Board. Although a procurement plan was prepared for the year 2025, it could not be presented to a board of directors as a board of directors had not been appointed.

A procurement time table should be prepared, properly managed, and implemented to achieve the desired objectives.

(c) Management Audit Department Circular No. DMA/2009 (2) dated 01 September 2009

A formal fixed assets register had not been maintained to record fixed assets.

Action is underway to prepare a fixed asset register in the future.

Actions should be taken to maintain a properly prepared fixed asset register.

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Comments of the management	Recommendation
(a) As per the Cabinet decision No. Amp/15/0940/631/018-I dated 16 July 2015 stated that all resources, assets, shares and management of the company should be acquired by the National Livestock Development Board to ensure its operational efficiency, the National Livestock Development Board had acquired only 27 percent of the company's shareholding and the acquisition process had not commenced as at 30 September 2025, the date of the audit.	Since 2015, many requests have been made regarding the smooth conduct of the transfer process. However, since the new government that was formed in late 2024, the National Livestock Development Board, under which our company is controlled, and the Mahaweli Authority are both under the same ministry, the currently appointed Board of Directors has appointed two and three officers from those institutions respectively. The Ministry will act on the future acquisition of the company's shares based on decisions made by the top management.	As per the Cabinet decision, the liquidation and transfer of the company should be carried out expeditiously.
(b) Although the Residential Business Manager (H Zone) of the Mahaweli Authority had informed the Sri Lanka Mahaweli Authority by letter No. RPM/T/L/CLO/Ga/74 dated 10 October 2017 that the leasehold would be cancelled as the leasehold of the Kalankuttiya Farm Land, including surcharges, had not been paid for 9 years from 2010 to 2018, the said leasehold had not been paid by 08 September 2025. Furthermore, the agreement for the leased property was not submitted for audit until the audit date of 30 September 2025.	Due to a very low financial level, it was not possible to pay the relevant taxes. During the discussion held under the leadership of the Director General of the Sri Lanka Mahaweli Authority, the Deputy Chairman of the National Livestock Development Board, Cabinet officials and the management of the Mahaweli Livestock Business Company, it was decided to transfer 25 acres of land at the Kalankuttiya farm to the company by writing off the Rs. 12,057,503 due for broiler chickens acquired on loan from the company to the farms belonging to the Mahaweli Authority as tax money, but the implementation has been slow.	The outstanding tax amount should be paid to the Sri Lanka Mahaweli Authority and also should be reached to an agreement.
(c) Although the thirty-year lease agreement relating to the 26-acre farm land owned by the Mahaweli Authority where the company's office is located had expired on 2 October 2019, no steps had been taken to update the agreements relating to the	The Chairman of the National Livestock Development Board has submitted many request letters to the Mahaweli Authority to renew the lease period. In a discussion with the Residential Business Manager of the "H" Zone regarding this, it has been	Action should be taken to enter into a lease agreement or update the agreements regarding lands whose lease period has expired.

land. Furthermore, a lease agreement had not been submitted for audit regarding the 2 acres of undeveloped land belonging to the Mahaweli Authority where the company operates the farm.

stated that the relevant documents are not available at the Mahaweli “H” Zone Office in Thambuttegama.

(d) The relevant supplier had filed two cases against the company in the Anuradhapura Courts, Case No. 30118 M and No. 30126 M, over the cancellation of cheques issued for payment for animal feed worth Rs. 19,353,842 supplied to the company's farm by a private supplier between 29 November 2012 and 29 October 2013. The company had lost in case number 30118 M on 05 March 2025 and later the company had filed a revision case in the Anuradhapura High Court. Furthermore, although the company had been acquitted and released in case number 30126 M, the relevant supply institution had again filed a revision case against the company. The company had incurred legal expenses of Rs. 1,244,680 from 5 January 2018 to 9 July 2025 for these litigations. However, by 31 October 2025, the company had negotiated with the relevant supplier and both parties had reached an agreement to pay the amount due in installments.

It was discussed with the NLDB Chairman and the newly appointed Board of Directors that it would be appropriate to settle the case by paying the outstanding amount of Rs. 19,353,842 to the relevant company in the future regarding the cases filed regarding the dishonor of checks. Since it is futile to waste time and money by paying for lawyers further, since a large amount has already been paid for legal fees, it is advisable to settle the case. In the discussion held with the private institution as per the instructions of the Board of Directors, it was agreed that the outstanding amount to be paid along with the legal fees of Rs. 3,000,000 spent by the private institution would be Rs. 22,353,842 to be paid monthly at Rs. 2,500,000, the first installment of Rs. 2.5 million would be paid by cheque on September 26, 2025, the next 08 installments of Rs. 2.5 million each would be paid from October 2025 to April 2026, and the last installment of Rs. 2,353,842 would be paid in May 2026. As both parties have now negotiated a settlement of this case, the first installment of Rs. 2,500,000 was paid by cheque on 26 September 2025.

Payments should be made for materials including animal feed supplied by the farm after verifying their accuracy.

(e) According to the company's ledger accounts, expenses of Rs. 2,786,330 including legal fees and other expenses were incurred during the period from 11 November 2023 to 25 September 2025 for cases bearing numbers 70168, 80168, 10168 and 40/2023. The reasons for filing these

The decision was made in Case No. 80168 filed in the Kekirawa Courts in connection with a complaint made to the police regarding a dispute regarding the use of the access road constructed in accordance with the company's biosecurity process for public use by an outside party, and

Actions should be made to minimize the company's legal expenses.

lawsuits, the relevant court decisions and the compensation paid were not presented to the audit.

the decision was made that this road is a public road. Since this farm is a breeding farm and this road cannot be used for general use, a revision case bearing No. 40/2024 was filed with the Anuradhapura High Court against the order in Case 80168. The decision was made to reject the revision and declare the road as public road. No compensation was payable. Attorney fees and revision fees were paid.

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
<p>According to the company's 2024 production plan, chicken production remained at a low level of 38 percent when achieving the targets for the four activities of chicken production, chicken meat production, pig production and coconut production. Only the expected target for chicken production had been achieved, while the achievement of coconut production and pig production was 85 percent and 90 percent respectively.</p>	<p>Our company's main source of income is the sale of day-old chicks. In 2024, the price of a day-old broiler chick was high in the market, making it more profitable for the company to sell chicks rather than raise them for meat. Also, in that year, the demand for broiler meat in this region where we sell had also decreased. Therefore, the expected meat production was not achieved by our company.</p>	<p>Actions should be taken to achieve the company's desired goals.</p>

### 3.3 Financial Management

Audit Observation	Comments of the management	Recommendation
<p>(a) The current account maintained by the Company with the Bank of Ceylon has a continuous overdraft balance from the year 2020 to the year 2025 and as at 31 March 2025, it had a balance of Rs. 19,026,259. Furthermore, a total of Rs.4,930,610 was paid as bank overdraft interest expense during the relevant period.</p>	<p>Our company does not receive the funds it needs from the government treasury or any other source. We generate all the funds we need from the company itself. When our income decreases and we need money, we meet those needs through the bank overdraft facility. The money is secured by securing a bank overdraft in our fixed account maintained at the Bank of Ceylon.</p>	<p>Actions should be taken to reduce bank overdrafts, minimize interest expenses, and maintain a sound financial position.</p>

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| (b) The current account maintained by the company at People's Bank had not been used for business purposes for a long time and had a balance of Rs. 49,389 as at 31 March 2024.  | Our company's main branch was located in Dematagoda until 2015 and at that time, we had a savings account in the name of our company at the People's Bank, Dematagoda and a letter was sent to that bank requesting relevant information regarding this account. No response has been received from the bank so far. | Under proper approval, the bank account should be made operational or, if it is not required for business purposes, the account should be closed by withdrawing the funds. |
| (d) According to the company's ledger accounts, the value of receivables exceeding 3 months as at 31 March 2025 was Rs. 2,372,539, and since a formal time analysis of that receivable balance had not been presented, the long-term receivable values could not be identified with certainty. | Although the company has outstanding debt balances that have been outstanding for many years, our organization does not have sufficient information about them. Therefore, It will present those balances to the Board of Directors and act accordingly. Currently, no sales are made on credit.                     | A proper age analysis of the outstanding balance should be conducted and actions should be taken to recover the balance.   |

### 3.4 Control of Vehicles

#### **Audit Observation**

The company uses 9 vehicles including vans, cabs, lorries, and tractors, and information regarding the repair costs incurred in relation to those vehicles for the years 2024 and 2025 was not submitted to the audit.

#### **Comments of the management**

A vehicle maintenance log is currently being maintained.

#### **Recommendation**

Information on vehicle repair costs should be submitted to the audit.

### 3.5 Human Resource Management

#### **Audit Observation**

The actual number of employees employed by the company in 2024 and 2025 was 64 and 69 respectively. The company had not obtained approval from the Department of Management Services for the required staff.

#### **Comments of the management**

We have indicated that the approved number of employees is 23 permanent employees. However, the 41,46 employees are farm workers.

#### **Recommendation**

The company must obtain approval from the Department of Management Services regarding the staff required.

#### 4. Accountability and Good governance

##### 4.1 Audit and Management Committee meetings

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
It is stated in Section 4.2 (h) of the Guidelines for Corporate Governance submitted with the State Enterprise Circular 01/2021 dated 16 November 2021 that an Audit Committee should be convened every 3 months and the recommendations made there at should be sent to the Board of Directors, although the Board had not held the said Committee meetings for the years 2024 and 2025.	It will take steps to hold audit and management committee meetings in the future with the approval of the new Board of Directors.	In accordance with Section 4.2 (h) of the Guidelines for Good Governance, an Audit and Management Committee meeting should be held every 3 months.

##### 4.2 Coporate Plan

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
In accordance with Section 2.3 of the Guidelines for Corporate Governance of State Enterprises issued with the State Enterprises Circular No. 1/2021 dated 16 November 2021, copies of the Corporate Plan and Action Plan prepared 15 days before the commencement of the financial year should be submitted to the Line Ministry, Department of State Enterprises, Treasury and the National Audit Office after approval by the Board of Directors, but the Corporate Plan covering the years 2022 to 2025 and the Action Plans prepared for the years 2024 and 2025 had not been submitted for audit.	Although the action plan, annual budget and strategic plan for the year 2025 had been prepared, it was not possible to get it approved due to the lack of a board of directors.	As per the circular, the consolidated plans and action plans should be submitted 15 days before the commencement of the accounting year.

### 4.3 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
The United Nations has introduced the Sustainable Development Agenda based on achieving economic growth and social development and environmental protection in all member countries by the year 2030, although the company has not identified the desired goals, targets and indicators that have been prepared in accordance with it.	A program is being prepared for this in the future.	Desired goals, targets and indicators should be identified in line with the sustainable development agenda.

### 4.4 Tabling of annual reports

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
The annual report should be tabled in Parliament within 5 months of the end of the accounting year as per paragraph 6.6 of the Operations Manual submitted with the State Enterprise Circular dated 16th November 2021, although the Company had not tabled the annual reports for the years 2019, 2020, 2021, 2022, 2023 and 2024 by 30 September 2025.	It will take steps to table it in Parliament as per the advice of the Board of Directors.	Annual reports should be tabled in Parliament in accordance with the circular.