

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ceybank Holiday Homes (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 profit or loss and other 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 report 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 of the Company 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.

Emphasis of Matter

I draw attention to Note 2.7 of the financial statements, which indicates the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. However, if the Company needs any financial assistance the ultimate parent has agreed to extend financial assistance to the Company. Therefore, the financial statements continue to be prepared on a going concern basis. My opinion is not modified in respect of this matter.

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 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 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 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 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

2. Financial Review

2.1 Financial Result

The operating results of the year under review amounted to a profit of Rs.10.46 million and the corresponding profit in the preceding year amounted to Rs. 3.35 million. Therefore, an increase of profit amounting Rs.7.11 million was observed. Increase of Restaurant Income by 15.43 per cent was the main reason for the increase of the profit during the year under review.

2.2 Ratio Analysis

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

Description	Years	
	2024	2023
Profitability Ratio		
Gross Profit Ratio (Percentage)	48	46
Net Profit Ratio (Percentage)	5	2
Return on Total Assets	0.36	0.14
Return on Equity	(0.19)	(0.05)
Liquidity Ratio (Number of Time)		
Current Asset Ratio (Number of time)	0.43	0.29
Quick Assets Ratio (Number of times)	0.36	0.20

The Company recorded negative Return on Equity ratio during the year under review as a result of the negative retained earnings position. Furthermore, despite a marginal improvement compared to the previous year, the Company has continued to maintain inadequate liquidity ratios, which may lead to potential working capital constraints.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation

Management Comment

Recommendation

(i) Unavailability of proper room reservation system

The resort's reservation system currently lacks a centralized monitoring mechanism, preventing Ceybank rest managers from effectively tracking the bookings. At present, daily emails are sent by the Welfare Department to the respective center managers. However, these reports are often incomplete, lacking essential details such as customer name. Consequently, managers are unable to accurately verify reservations, resulting in frequent instances of double bookings. This situation has led to operational inefficiencies, causing inconvenience to the restaurant staff and customers. Examples of such occurrences are as follows.

At the moment BOC welfare department is using a very old in built system for reservations. By identifying such errors and omissions, BOC welfare Department with the support of BOC IT division has developed a new advance system to avoid the errors in above nature. Most probably this new system will be launch before end of this year.

Action should be taken to implement proper reservation system for the Company.

Location	Date	Room number	Gust name	Description
Ceybank Rest Anuradapura	08.08.2025	No 105	PF: 177370 - P.D.P. Prasanga PF: 17837 - A. Abeykoon	Double booking
	10.07.2025	No 105	PF: 052851 - H.M.R Rathnayake PF: 204040 - M.M.N.P Manathunga	Double booking

(ii) Operational inefficiencies in Ceybank Rest – Aburadapura

a Non-availability of Functional CCTV System

It was observed that the rest's CCTV surveillance system is currently non-functional. Although 16 cameras have been installed on the premises, this number is insufficient

Capital investment and the repairs in this

Action should be taken to restore and upgrade the CCTV

to provide full coverage of all critical areas. Furthermore, the existing system is inactive. The Manager of the Anuradhapura Ceybank Rest has formally informed the head office of Ceybank Holidays Homes about this issue by the letter dated 23 December 2024. However, necessary corrective action has not yet been taken to restore or upgrade the system. This situation exposes the hotel to potential security risks and limits management's ability to review or investigate incidents effectively.

nature are done by surveillance Bank of Ceylon, system without Support Service further delay. Division with consultation of BOC Engineers. As per the request made by Residential Manager Anuradhapura on 23rd December 2024 we made a request to DGM Support Service of BOC on 22nd January 2025 to rectify the matter. As per the latest update they are attending the matter.

b Unavailability of Renewed Lease Agreement

It was observed that the existing lease agreement for the Anuradhapura Ceybank Rest, entered into with the Government of Sri Lanka, had expired on 20 June 2022. However, Necessary actions had not been taken to renew the lease agreement up to the date. Despite the absence of a valid leasehold right over the property, Ceybank Holiday Homes (Pvt) Ltd and the Bank of Ceylon entered into a new Management Agreement on 24 August 2025. This indicates that the property continues to operate without a legally valid lease arrangement. A similar issue was noted with the Ceybank Rest property in Nuwara Eliya, where the Bank failed to renew the lease agreement with the Urban Development Authority.

Agreed with comments. Action should be Execution of the above taken to enter into a valid lease process. The bank has agreement with completed the all relevant property documents and has paid owners, the relevant levy till financial year 2025 and has submitted these set of documents to Land Commissioners Department Colombo through Provincial Land Commissioner Anuradhapura. Bank officers are following up the progress with Land Commission and according to them it is in last stage for preparation of draft agreement.

c **Unavailability of updated Fixed Assets Register.**

It was observed that the inventories of Ceybank rests are maintained by the Bank of Ceylon, as all these assets are belong to the Bank. However, the Bank does not maintain an updated Fixed Assets Register for the Company. Even though Ceybank Rest Anuradapura has performed the annual assets verifications and informed the result to the Bank, the necessary updates have not been incorporated to the Asset Register by the Bank. Therefore following differences were observed between the asset register and the physically available assets.

- The assets worth of Rs.2,601,760 recorded in the Fixed Assets Register were not actually received by the Ceybank Rest Anuradapura.
- Eventhough, the assets recorded at cost of Rs.2,582,658.65 have been auctioned, those have not been removed from the Assets Register.
- Damaged assets recorded at cost of Rs.1,137,588.99 have not been removed from the Assets Register.

The above Rs 2,796,472/- with regard to the assets included in Asset Register but not available in the Rest.

The above cost amount of Rs. 2,582,658.65 assets have been auctioned and which are not removed by the Assets Register by BOC. As per the existing practice the inventories of Bank rests are maintained by the Bank as all these assets are belong to BOC. Company is to do annual verification of the assets register and inform the BOC to update records in the system accordingly. In case of Auction, such auction is also done by the Bank officers with participation of Rest Manager and such auction details are also submitting to Administrative Service Department for removing the records in annual verification.

The above cost amounting Rs 1,137,588.99 is a total of absolute items and to be auctioned in near future. As existing regulations such auctions are done by the Bank officials.

As a practice auction

It is recommended that the Bank of Ceylon update the Fixed Assets Register based on the most recent asset verification reports to ensure accuracy and reliability of the asset records. A joint reconciliation process should be conducted between Ceybank Holidays Homes and the Bank to identify and correct all discrepancies.

will be done after collecting considerable amount of such items and according to the available guide lines of auctions of bank. We are requesting to do an auction in 1st quarter in 2026 from the Bank.

- d The existing air conditioning plant of the resort has been in use from 2014 and is now lying to frequent breakdowns, resulting in high repair and maintenance costs. However, action has not yet been taken to replace the existing machine with a new one to minimize the operational cost and to ensure the delivery of satisfactory service to the guest.
- Agreed with comments. Action should be taken to provide better service for the guests. With the continuous requests of the Rest Manager we have inform the request to the Bank and the BOC Engineers. They are in the process of procure new stock of Air Conditioners and supply to Anuradhapura Rest.
- e **Non-Operational Automated Fire Detection System**
It was observed that the Automated Fire Detection System at the Anuradhapura Ceybank Rest has remained non-operational for the past two to three years. Although a partial repair was carried out on 30 January 2023 at a cost of Rs. 907,000, the system is still not functioning and no effective action has been taken to bring the system into a fully activated status. . It was further observed that, the continued non-operational status of this critical safety mechanism poses a significant risk to staff, customers, and property, and indicates non-compliance with mandatory fire safety regulations and best practices.
- Agreed with the comments. It is recommended that immediate steps be taken to fully repair or replace the Automated Fire Detection System to ensure compliance with fire safety regulations and to safeguard the well-being of all occupants. We will take initiatives to re-inform the matter to BOC Support Service Division and continuously follow up their response to rectify the matter. The Manual fire equipment's are in operational conditions.
- f **Inadequate Restaurant Space at Ceybank Rest, Anuradhapura**
It was observed that the existing restaurant space at Ceybank Rest, Anuradhapura, which was previously sufficient for operations in the old building, has now become inadequate following the construction of the Pinnacle House due to Pinnacle building doesn't have separate restaurant. The increase in customer demand
- During the last renovation the matter was considered and as per BOC Engineers it was not possible to do such structural changes. Anyhow the time of renovation in 2021
- Action should be taken to provide adequate facilities for satisfaction of the Company customers.

resulting from the new building has led to significant space constraints within the restaurant area. In addition to the in-house guests, a considerable number of external customers also visit the restaurant for dining, by further aggravating the shortage of space. It was observed that the current limited capacity may negatively impacts on service efficiency and customer satisfaction.

restaurant has been enlarging by adjoining corridor. We will re-negotiate with Support Service Division BOC.

g Poor maintenance in Pinnacle View Building

It was observed that the Pinnacle Building constructed by Sathuta Builders in 2011, requires urgent maintenance due to deteriorating construction conditions. All bathroom fittings are of the brand “Bravit” which are not readily available in the market, and necessary replacements have not been carried out despite the Manager’s notification the matter to the Head Office by letter dated 24 July 2024. These fittings have reached the stage where replacement are essential, which may have to incur significant costs. Although the hotel rooms are maintained in a clean and orderly condition, the overall appearance of the building may be adversely affected for the Company’s operations due to the lack of a recent color wash. In addition, the temporary rain covers installed on the third and fourth floors have deteriorated over time, by further aggravating the building’s poor attractiveness.

We have notified the above requirement to BOC Support Service division on 28th July 2025 when the Resident manager informed on 24 July 2025 to us and they are in the process of finding a solution.

Action should be taken to provide essential facilities for satisfaction of the Company customers..

(iii) Operational inefficiencies in Ceybank Rest – Jaffna

Unavailable of experience manager to the Rest

a It was observed that, the current Rest Manager of the Ceybank Rest Jaffna lacks of prior experience in the hotel or hospitality industry. As a result, the Manager has limited knowledge of restaurant operations, which has affected the ability of effectively supervise and control the staff. This gap in managerial expertise has the potential to impact on operational efficiency and service quality at the rest.

Agreed Arrangement has been made to transfer the above manager to some other BOC rest to get train under an experience Manager. This transfer will be effected with effect from 27-10-2025.

It is recommended that the Manager be provided with relevant training in hospitality management, restaurant operations, and customer service standards to strengthen operational oversight and service delivery.

b Inadequate Sewage Disposal System at Jaffna Resort
It was observed that the Jaffna Resort is operating without an adequate sewage disposal system. The improper disposal of wastewater has resulted in stagnant

Recently we too identified a defect at waste recycling machine and observed

Action should be taken to implement proper Sewage Disposal

water accumulation within the premises, creating conditions conducive to mosquito breeding and related health issues. This situation also negatively affects the cleanliness, safety, and overall attractiveness of the premises.

that the machine is not properly working. We contacted the service provider Daiki Axis Environment (Pvt) Ltd and they inspected the plant on 21-10-2025 and awaiting their instructions.

System.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
As per the Section 16(2) of the Notional Audit Act, No. 19 of 2018 and Section 6.6 of Operational Manual for State Owned Enterprises 2021, draft AR and Accounts should be handed over to Auditor General within sixty days after the close of the Financial Year. However Financial Statements of the company was submitted to the auditor on 26 June 2025 with delays of 4 months.	Financial audit was done by the Earnest & Young and they took considerable time to finalizes the audit. Further tax consultation done by KPMG and they took considerable time for the tax computation as well. From next year onwards we will try to meet the deadlines of the audit at our best.	Action should be taken to comply with relevant section of the Notional Audit Act, and Operational Manual.