

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lake House Property Development Private Limited (“Company”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities.

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 for Small and Medium-sized Entities, 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 Audit Scope (Auditor's responsibility regarding the audit of 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 the Group, 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 comply with the applicable laws

1.5 Non- compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non - compliance	Comments of the Management	Recommendation
Section 131 (1) of the Companies Act No. 07 of 2007	Although the Annual Report(Form No :15) should be submitted to the Registrar General of Companies within 30 working days after holding the Annual General Meeting, the Lake house Property Development (Private) Limited the subsidiary company of Associated Newspapers of Ceylon Ltd the most recently submitted annual reports were for the year ended 31 December 2019. Accordingly, in terms of the section 131 of the Companies Act annual reports (Form No 15) for the year 2020 to 2024 had not been submitted.	Steps are being taken to submit the reports and documents requiring updating to the Registrar of Companies.	In accordance with the Provisions of the Companies Act, annual reports should be duly submitted to the Registrar General of Companies.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a loss of Rs.18,408 and correspondingly the loss of the previous year was Rs.15,408. Accordingly, a deterioration of Rs.3,000 was observed in the financial result. During the year under review, there was no revenue generation and only audit fee expenses of Rs.18,408 were incurred.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
a) The company was originally established in 1985 to engage in property development but its objectives were subsequently amended, effective 1 August , 2007, to include the purchase, sale, leasing, or rental of motor cars, lorries, buses, vans, taxi cabs, omnibuses, and other types of vehicles. However expenses totaling Rs.998,297 comprising audit fees , income tax , Secretarial fees and salaries , electricity and water charges incurred between 2017 and 2025 along with only an audit fees expense of Rs.18,408 reflected in the income statement for the year under review, Apart from this no operational activities had been carried out .	It has been decided, in accordance with the Board of Directors' decision, to explore the possibilities for having the name strike off the register at the Department of the Registrar of Companies and to proceed accordingly.	In accordance with the Board of Directors decision the options for striking off the Company's name should be explored and action taken accordingly.
b) The parent company, The Associated Newspapers of Ceylon Limited, had taken over the company's 8-acre land in Hokandara valued at Rs. 3,801,363 in 2014 and a current account balance of Rs. 13,958,641 from 2015 although the Board of Directors decided on 10 July 2024 to proceed	That necessary steps are being taken to submit the required reports and documents to the Registrar of Companies.	In accordance with the Board of Directors' decision, the options for striking off the company's name should be explored, and action taken accordingly.

with winding up the company and removing its name from the Registrar of Companies' register given that no annual returns had been filed since 2019 the necessary actions had not been completed by 17 March 2026.