

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Thripasha Limited for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the profit and loss statement, statement of changes in equity and 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 provisions of the National Audit Act, No.19 of 2018. My comments and observations which I consider should be reported to the 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.

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 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 Responsibility 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 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 have been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Non-compliance Laws, Rules Regulations etc	Management Comment	Recommendation
(a)	Companies Act, No. 07 of 2007		
(i)	Section 131 (1) Even though every company should submit an Annual Return to the Registrar of Companies at least once in every year, no Annual Return had been submitted to the Registrar of Companies after the year 2020.	Annual Returns have been submitted to the Registrar of Companies up to the year 2021, and actions are being taken to submit the outstanding Annual Returns up to 31 December 2025 before the end of this year.	Annual Returns should be submitted to the Registrar of Companies in accordance with Section 131(1) of the Companies Act, No. 07 of 2007.
(ii)	Sections 223 (2) (a) and (b) When there is a change in the Secretary or Directors of the company, that the relevant change, when there is a change in the particulars contained in the register with respect of Secretary or Directors of the company that the relevant change, should be sent to the Registrar in accordance with the prescribed form for registration. However, action had not been taken in accordance with the provisions of the Act regarding the changes that occurred after the year 2019.	In accordance with Sections 223(2)(a) and (b) of the Companies Act, No. 07 of 2007, actions are being taken to update registers regarding changes in Directors by submitting the prescribed forms.	In accordance with Sections 223(2)(a) and (b) of the Companies Act, No. 07 of 2007, changes in Secretary and Directors of the Company should be sent to the Registrar of Companies for registration.

- (b) Subsection 38(2) of the National Audit Act, No. 19 of 2018
- Even though a written review on the effectiveness of the internal control system prepared for financial control in terms of Section 38 (I) paragraph (c) of the Act should have been conducted and a copy submitted to the Auditor General, the company had not taken action accordingly.
- The risk assessment criteria required for the review of the effectiveness of the internal control system will be submitted to the upcoming Audit and Management Committee, and action will be taken accordingly.
- According to Subsection 38(2) of the National Audit Act, a written review of the effectiveness of the internal control system should be submitted to the Auditor General.
- (c) Section 10.1 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, Section 02 (iv) of Public Administration Circular No. 9/2009 dated 16 April 2009 and Public Administration Circular No. 21/2013 dated 07 October 2013.
- During the year under review, it was observed that 1,311,713 had been paid to officers who failed to fulfill the circular requirement of 08 hours of service in examining fingerprint printouts. Although only one allowance or privilege should be applied for a single task, it was observed that holiday pay of Rs. 358,872 had been paid in addition to this allowance for officers working on Sundays during the year under review. Further, prior personal approval from the Secretary to the relevant Ministry should be obtained if officers are required to be engaged in service for more than 02 days in a calendar month. However, action had not been taken accordingly.
- Since the company is a state-owned enterprise, the Public Administration Circulars and the Establishments Code do not apply. The company has forwarded its own Code of Administrative Rules to the Department of Public Enterprises. Additionally, an internal circular is being prepared to facilitate payments based on working hours, which will be submitted to the Line Ministry upon the recommendation of Board of Directors. Allowance for lieu leave has been paid to the relevant service categories in a similar way. Further, due to 24-hour production operations, limiting the service of Senior Officers to 02 days per month is impractical and this matter will be discussed with the
- Matters regarding the period of service, payment of allowances, and obtaining approvals should be carried out in accordance with the provisions of the Establishments Code and relevant Circulars.

Board of Directors and referred to the Line Ministry.

- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) Financial Regulation 880 | Even though the officers who are administratively responsible for receipt or custody of public money or stores, or the disbursement of stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance (Chapter 612) for the faithful discharge of their duties, action had not been taken accordingly in respect of the officers who were required to provide security. | Details regarding the categories of officers who need to be provided security will be forwarded to the Audit and Management Committee and the Board of Directors, and necessary action will be taken. | Action should be taken in accordance with Financial Regulation 880 and the Public Officers (Security) Ordinance. |
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 79,375,055 and the corresponding profit in the preceding year amounted to Rs. 537,065,431. Therefore, a deterioration amounting to Rs. 457,690,376 of the financial result was observed. The reason for the deterioration was mainly due to a reduction in sales revenue resulting from decreased production.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The management had not taken action to establish norms for the normal wastage and output ratio in the production process, which are essential to properly evaluate production efficiency, control wastage, and accurately calculate production costs. Consequently, during the audit, it was not possible to verify whether the wastage occurred in the production process during the year under review was normal or abnormal wastage.	A five-member committee has been appointed and necessary actions are being taken in this regard, comprising one member from the Industrial Technology Institute (ITI), another from the National Engineering Research and Development Centre (NERD), and the remaining three from the Thriposha Company	Relevant norms for wastage within the production process should be established, and control and evaluation processes should be carried out accordingly.
(b) The following facts were observed during the inspection of the Thriposha distribution process of the company.		
(i) Since the primary role of the Thriposha Company is to manufacture and distribute Thriposha free of charge to all pregnant and lactating mothers in Sri Lanka who require nutritional support, an inspection of the distribution to target beneficiaries revealed that the requirement for Thriposha master bags for 39 institutions, including Regional Directors of Health Services (RDHS) offices, was 699,313 during the year under review. However, the actual number of master bags distributed was 180,938 which represented only	The requirement for Thriposha master bags is 527,690 not 699,313. A new rice-mixed Thriposha product has been introduced instead of the 'C' pack for children aged between 06 months and 03 years. Due to its limited production capacity, distribution was carried out only to a few Districts based on a priority basis. Accordingly, 180,938 Thriposha master bags were distributed in the	Thriposha requirements should be properly assessed, and adequate stocks should be distributed to the targeted beneficiaries in a prescribed manner.

25.87 percent of the requirement. Despite this, the company had indicated its distribution progress as 34.29% against the requirement for the year under review.

year 2025, which is 34.29 percent of the total requirement.

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| <p>(ii) Even though the company should have assess the annual Thriposha requirement and arrange for monthly supplies, the actual monthly quantity distributed ranged from 0 percent to 58 percent of the requirement. This was due to the manufacturing and distribution of Thriposha not being carried out according to a proper plan.</p> | <p>Production and distribution could not be carried out smoothly due to procurement issues caused by factors beyond the company's control, including year-round limits on imported raw materials (maize and soy) and the low quality of local raw materials.</p> | <p>The annual requirement should be properly assessed and production and distribution of Thriposha should be carried out according to a plan.</p> |
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| <p>(c) It was observed that, according to the Articles of Association of the Company, the Board of Directors consists of 07 members and they had been appointed to represent the respective sectors. Although the Director General of Health Services had been appointed as the representative on behalf of the Ministry of Health, the Director General of Health Services had participated in only one out of the 13 Board meetings held during the year under review through online.</p> | <p>The Director General of Health Services will be invited to every Board meeting in the future.</p> | <p>Directors appointed for the effective supervision of the affairs of the Company should actively participate in Board of Directors meetings.</p> |
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3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The following facts were observed during the audit of the production process of the company.		
(i) During the year under review, the planned production of Thriposha and Suposha was 21,872.7 metric tons (24,375 Blend), whereas the	Due to issues in procuring imported raw materials and deficiencies in quality in local raw materials, it	Action should be taken to implement appropriate measures to meet planned production

actual production was 5,233.095 metric tons (5,814.5 Blend). Accordingly, the actual production was at a very low level of 23.9 percent of the planned target. Out of the total production, Thriposha production had been 3,957.7 metric tons (75.6%) and Suposha production had been 1,275.3 metric tons (24.4%). Consequently, the distribution met only 25.87 percent of the total Thriposha requirement for the year under review. Therefore, the company had failed to satisfy the annual Thriposha requirement and facilitate the production of supplementary foods empowered by Sri Lanka to minimize maternal and infant malnutrition in accordance with the Articles of Association of the Company.

was not possible to obtain the required quantities of maize and soya with prescribed quality for the production process. Consequently, the production targets could not be achieved. However, plans are underway to increase Thriposha production and additionally manufacture Suposha. Further, due to delays in bill settlements by the Ministry of Health and working capital requirements, it is necessary to produce and sell Suposha to maintain the continuous operations.

targets in line with national nutritional requirements, and to ensure the efficient distribution of Thriposha.

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| (ii) | Even though the company had managed to maintain the monthly actual Thriposha production within a range of 1.1 percent to 58 percent during the year under review, it was observed that the actual Suposha production ranged from 25.3 percent to 155.7 percent. By exceeding the monthly targets for Suposha production while failing to meet the monthly targets for Thriposha production, the expected objective of the company had not been achieved. | The production of Suposha increased in February and March 2025 due to orders received through Lanka Sathosa Limited for a special Government relief package. Despite raw material constraints, 76 percent of Thriposha and 24 percent of Suposha were produced out of the total annual production. | Production should be managed in line with production needs and the priorities of national nutrition programs. |
| (iii) | According to the product performance submitted by the company during the year under review, the number of production days was 118, while the non-production days amounted to 164. This was due to the inability to meet the requirement for soy and maize, | Due to difficulties arisen in procuring imported raw materials caused by facts beyond the control of the company, and the lack of proper quality in local raw materials, the expected production targets could | In order to maintain continuous production, formal plans should be implemented to obtain the raw materials promptly and in adequate quantities. |

which are the main raw materials for production. Accordingly, production had been halted for more than half of the year. not be achieved.

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| <p>(iv) During the year under review, Triposha and Suposha production by the manufacturing division as a blend amounted to 5,233 metric tons, and according to the information submitted by the Accounts Division, the production was 5,009.6 metric tons. Accordingly, a variance of 223.4 metric tons was observed in the production of Triposha and Suposha. According to the reply submitted by the Chairman of the Company to the Auditor General's draft report of the preceding year, the reasons provided for the discrepancy between the quantity produced as a blend and the potential quantity of Thriposha and Suposha in the final product were: the inclusion of an excess of 10 to 15 grams in every single packet, powder waste, and one-fourth (¼) of the dry CSB (Corn-Soya Blend) waste had been indicated as waste. Based on the calculations made considering the above facts, the total production waste for the year under review should have been 101 metric tons. However, a further production variance of 122 metric tons was observed during the audit.</p> | <p>During the calibration carried out for the ISO 22000 certification, it was revealed that although the weighing system of the mixing machine displayed 900 kg, the actual weight was 870 kg. The audit pointed out that this shortage of about 20–30 kg per batch contributed to the production variance of 225 metric tons. Consequently, it has been decided to install a new weighing control system for the machine and calibrate it twice a year.</p> | <p>Adequate internal control methodologies should be implemented to ensure the accuracy of production data.</p> |
| <p>(v) The standard quantities of minerals and milk powder mixed during the final stage of the Thriposha and Suposha production process are 0.9 percent and 3 percent respectively. According to the information provided by the Production</p> | <p>Measuring and adding milk powder, vitamins, and minerals manually during the mixing process can cause mistakes. It has been proposed to install a Dosing Unit and introduce</p> | <p>Raw materials should be used in accordance with the composition specified for the products.</p> |

Division, the required quantities of milk powder and minerals for the total production of 5,233,095 kg should have been 156,992.85 kg and 47,097.85 kg respectively. However, the actual quantities of milk powder and minerals used during the year under review were 157,075 kg and 46,293.25 kg respectively. Accordingly, considering the total production, 82 kg more of milk powder and 804.6 kg less of minerals had been used. Therefore, as Thripsha and Suposha are not produced to the required standards, it was observed that the intended objectives of manufacturing and distributing of Thripsha free of charge, aimed at eradicating malnutrition in Sri Lanka and building a healthy nation, are not being achieved.

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| <p>(vi) The total production capacity of the two existing machines of the company for production activities, Anderson I and Anderson II, was 5,400 Kg/hr, with individual capacities of 1,800 Kg/hr (Blends 2) and 3,600 Kg/hr (Blends 4), respectively. Although it was planned to produce 24,375 blends during the year under review by utilizing the Anderson I machine for 89 days and the Anderson II machine for 298 days, it was observed that the Anderson I machine remained idle throughout the year, and the Anderson II machine was utilized for only 119 days at a lower average capacity of 2,025 Kg/hr (Blends 2.25).</p> | <p>The main reasons for this were the shortage of raw materials and employees. Further, plans have been made to produce Rice Thripsha this year using the Anderson 1 machine, and the necessary machinery has already been ordered.</p> | <p>In order to achieve the production targets, the capacity of the existing machines should be utilized optimally.</p> |
| <p>(vii) In the production process of the company, after several consecutive days of manufacturing, the</p> | <p>Number of times of productions and cleaning increased due to the</p> | <p>Production and maintenance schedules should be properly</p> |

machinery is maintained and cleaned and the accumulated materials are then discarded as waste before resuming production. According to the production plan for the year under review, 26 production cycles ranging from 5 to 24 days had been planned. However, in the actual production process, only 23 production cycles had been carried out within shorter durations ranging from 2 to 13 days. Consequently, compared to the Dry CSB and powder waste of the previous year, the Dry CSB and powder waste for the current year had been increased by 10.8 percent.

intermittent supply of raw materials and the productions are carried out based on material availability. If production were carried out as planned, waste could be minimized. The committee appointed to further reduce waste has focused special attention in this regard.

planned in a way that minimizes the waste.