

## **BOC Property Development & Management (Pvt) Limited - 2016**

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The audit of the financial statements of the Property Development & Management (Pvt) Limited (“the Company”) for the year ended 31 December 2016 comprising the statements of financial position as at 31 December 2016 and the statement of comprehensive income, statements of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

This report is issued in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Board’s Responsibility for the Financial Statements**

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The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## 2. Financial Statements

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### 2.1 Opinion

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In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### 2.1.1 Report on other Legal and Regulating Requirement

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As required by Section 163(2) of the Companies Act No 07 Of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
  - I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
  - The financial statements of the company comply with the requirements of the Section 151 of the Companies Act No 07 of 2007.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the operations of the company had recorded a pre-tax net profit of Rs.154 million as compared with the corresponding pre-tax net profit of Rs. 96 million for the preceding year, thus indicating an improvement of Rs.58 million or 60 per cent in the financial results. The main reason for this improvement was increase of interest income on new investment in repurchase agreements made during the year under review. The following table gives a summary of the financial results of the Company for the year under review and the preceding four years.

<b>Year</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
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Revenue	212,545	203,426	202,138	172,170	156,707
Other operating income	59,056	41,619	55,738	73,059	50,690
Total revenue	271,601	245,044	257,876	245,229	207,397
Profit for the year	107,673	56,917	76,124	75,767	23,552

### 3.2 Analytical Finance Review

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#### 3.2.1 Accounting Ratios

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According to the financial statements certain important ratios for the year under review as compared with the proceeding 04 years are given below.

<b>Year</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
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<b>Profitability Ratio</b>					
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Net profit ratio (Percentage)	56	39	47	48	41
Current Ratio ( <b>Number of Times</b> )	23.55	20.17	15.67	19.56	14.43
Net Current Assets to Total Assets (Number of Times)	0.35	0.32	0.32	0.41	0.35

The following observations are also made in this connection.

Although the net profit ratio shown a favorable position in the year under review and in the previous years, the Company had maintained unnecessary liquidity position throughout the year by way of investing Rs. 560 million or 35 per cent of the total asset in REPO.

### 4. Operating Review

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#### 4.1 Performance

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The Company had been incorporated in the year 1993 for the purpose of carry out the business of construction of a shopping and office complex including apartments, shops, officers and combination arcades. However, according to the information made available for Audit, the principle activity of the Company during the year under review was renting was renting the office spaces of two buildings owned by the company which situated at the BOC Merchant Tower in Colombo 3 and Ceybank House in Kandy.

## **4.2 Management Activities**

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### **4.2.1 Human Resource Management**

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As per Section 9.2 of the Hand Book on Public Enterprises Guidelines for Good Governance issued under Public Enterprises Circular No.PED 12 dated 02 June 2003, the Company had not obtained the approval for its cadre from the Department of Public Enterprises.

### **4.2.2 Asset Management**

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Management has not taken action to dispose the old culler machine's spare parts valued at Rs.2,419,543. Further, the Company is being continuously utilized the fully depreciated assets with currying amount of Rs.3,086,894 which represented 10.8 per cent of the total assets as at the end of the year under review. However, action had not been taken to reassess the useful life of those fully depreciated assets.

## **5. Accountability and Good Governance**

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### **5.1 Corporate plan and Action Plan**

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A corporate plan and Action plan for the year under review had not been prepared by the Company in terms of Section 5.1 of the Public Enterprises Circular No.PED 12 dated 02 June 2003, it is required to conduct Audit and Management Committee meetings on regular basis at least once in three months. However, the company had conducted only three Audit and Management Committee meetings the year under review.

### **5.2 Audit and Management Committee**

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As per Section 7.4.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003. it is required to conduct Audit and Management Committee meetings on regular basis at least once in three months. However, the Company had conducted only three Audit and Management Committee meetings during the year under review.

## **6. Systems and Controls**

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Differences in systems and controls observed during the course of audit were brought to the notice of the Company by my detailed reports issued to the Chairman of the Company, special attention is needed in respect of the following areas of control.

**Areas of Control**

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**Observation**

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| (i) Maintenance of Records/ Registers | Attention to be made to record the petty cash expenses in the correct accounting period. |
| (ii) Financial Management             | Actions are required in respect of non-operating bank account.                           |